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Practice Transfer in Organizations:
The Role of Governance Mode For Internal and External Fit

Forthcoming, *Organization Science*

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Keywords: Practice transfer; governance mode; inter-organizational networks; internal and external fit; process study; qualitative comparative case study; MNCs.

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Abstract

This study leverages Multinational Corporations (MNCs) as a research context to advance our understanding of the relationship between internal and external fit over the course of the transfer of organizational practices. While internal fit describes the important condition that a practice should be aligned with organizational goals and must gain support internally, external fit refers to an additional condition for successful transfer, namely that a particular practice must gain and sustain support and legitimacy in the environment. Studying two German MNCs transferring apprenticeship-based training to foreign operations in the United States, the paper starts from the key observation that organizations can use different governance modes to organize the transfer process: they may either go it alone and organize transfer in a hierarchy mode, or they may partner up with other organizations and form an inter-organizational network for transfer. Using rich qualitative data, the paper finds that different governance modes affect the ability to attain internal and external fit by revealing a critical trade-off: while hierarchy helps create internal fit, it comes with significant additional costs to attain external fit; conversely, using the network mode facilitates the creation of external fit, but involves making compromises which reduce internal fit. Based on these findings, I theorize that different governance modes (hierarchy vs. network) work through distinct processes (autonomous vs. collaborative), driven by unique mechanisms (inward vs. outward orientation), to influence outcomes in terms of internal and external fit. The study contributes to the literature by shifting attention to the implications of different governance modes for transfer processes.

Introduction

Leveraging core competencies and competitive advantages across business units is critical for a unit's survival (Winter et al. 2012) and the firm's success in general (Jensen and Szulanski 2007). The multinational corporation (MNC) offers an illustrative case of this observation because here key capabilities need to be transferred across markets and countries (Kogut and Zander 1993). To attain this, MNCs frequently engage in the transfer of knowledge (Minbaeva et al. 2003), routines (D'Adderio 2014), and practices (Kostova and Roth 2002). An organizational practice can be defined "as an organization's routine use of knowledge for conducting a particular function" (Kostova and Roth 2002, p. 216). In the process of transfer, firms often realize that they need to adapt certain components of a practice to fit the local context (cf. Ansari et al. 2010; Beechler and Yang 1994). This may be due to misfits at both the organizational (Ansari et al. 2014; Canato et al. 2013) and the environmental level (Kostova and Roth 2002). As a result, practices are known to undergo recontextualization (Brannen 2004) as they travel across national borders and business environments. For example, Yu and Zaheer (2010) find that Korean firms engage in local adaptation when implementing Six Sigma as a practice imported from the 'West.' Research also suggests that organizational practices destined to diffuse and be transferred may even be designed in a particular way so as to allow for local adaptation (Ansari et al. 2014).

Firms frequently face the dilemma of trying to reconcile often conflicting pressures for fit at the organizational and the environmental levels (Hillman and Wan 2005; Kostova and Roth 2002). Notably, this is true of organizations in general, because not only MNCs need to balance internal and external pressures and demands (Greenwood and Hinings 1996; Pache and Santos 2010). Yet there is no clear mapping of how these dimensions—internally, that is, within the organization, and externally, beyond organizational boundaries—may relate to each other over the course of the transfer processes. What is missing in particular is greater attention being paid to how organizations may actively seek to create and/or balance the internal and external fit of organizational practices.

This paper leverages the MNC setting as a research context (Kostova et al. 2008; Roth and

Kostova 2003) to advance our understanding of transfer processes in organizations. It develops the premise that effective transfer will involve both internal fit, meaning alignment with the organization's "(perceived) needs, objectives, and structure" (Ansari et al. 2010, p. 68), and external fit, meaning that a particular practice must gain and sustain support and legitimacy in the environment. While research increasingly discusses questions related to fit dimensions within the organization, and how fit may be attained by adapting the practice and/or the organizational setting (Ansari et al. 2014; Canato et al. 2013), the question of external fit, and how it may perhaps be sought and created actively by organizations interested in transfer, has received surprisingly little attention in the literature. Furthermore, there is little knowledge of how organizations may try to navigate in the light of these two potentially conflicting goals.

To explore these issues, I study two puzzling success cases of transfer initiatives in a comparative case study research design: AutoCorp's¹ and EnergyCorp's transfer of apprenticeship-based training from Germany to foreign subsidiaries located in the United States (U.S.). Existing literature suggests that these transfer initiatives are likely to fail because Germany and the U.S. represent different varieties of capitalism (Hall and Soskice 2001), where firms train their workforce in radically different ways (Thelen 2004): while German firms rely on apprenticeship-based occupational training, U.S. firms tend to hire semi- or unskilled workers to train them on-the-job. In a recent book, Davis (2016, p. 14) develops the analogy that transferring apprenticeships as part and parcel of German manufacturing to the U.S. is as hopeless as trying to grow coffee in Canada—in both cases, critical ingredients seem to be missing, such as entities that help coordinate and certify training programs. So how did AutoCorp and EnergyCorp nevertheless manage to transfer apprenticeships to the U.S., given the apparent absence of fit?

I made the intriguing observation that they organized their transfer initiatives in different ways: while AutoCorp engaged in transfer on its own, EnergyCorp leveraged an inter-organizational network and engaged in transfer collaboratively with other organizations. Thus, organizations may use different *governance modes* for transfer (Jones et al. 1997; Podolny and Page 1998; Powell 1990). While existing research on both domestic and cross-national transfer has looked at a variety of influencing factors at the organizational and institutional levels (Edwards et al. 2007; Szulanski et al. 2016), there is no mapping of

how different ways of organizing and coordinating transfer at the recipient level may influence both the transfer process and its outcome. This study thus addresses this unresolved puzzle: *How do different governance modes influence internal and external fit over the course of practice transfer?*

Based on a comparative case study and rich qualitative process data, the paper finds that different governance modes involve a critical trade-off: while hierarchy increases internal fit, creating external fit in the environment is extremely difficult and resource-intensive. In contrast, a network helps increase the fit with the external environment, yet constrains internal fit due to the necessity to make compromises in collaborative arrangements. Based on these empirical findings, I theorize that different governance modes (hierarchy vs. network) drive distinct processes (autonomous vs. collaborative) with unique mechanisms (inward vs. outward orientation), leading to particular outcomes in terms of internal and external fit.

This middle-range theory (Merton 1968) of practice transfer in organizations makes three key contributions to existing research. First, the study unpacks the intriguing observation that transfer can be organized in different ways at the recipient unit, with important implications for the process. This extends previous research on transfer processes (D'Adderio 2014; Szulanski et al. 2016), which has overlooked the importance of governance mode as a way of coordinating transfer. The study thus adds a meaningful explanatory factor for varying outcomes of transfer initiatives, going beyond dominant explanations in the literature, such as institutional differences (Kostova 1999) or internal 'stickiness' (Szulanski 1996). Second, it integrates internal and external fit as two critical dimensions of transfer, and discusses how these are actively sought in the process. As such, it builds on previous research (Ansari et al. 2014) but opens up an opportunity to study how organizations may engage in practices of institutional work (Lawrence et al. 2009), either individually or collectively, in order to create and sustain external fit for a novel practice. Transfer processes can thus have important implications for dynamics at the practice, organizational, and institutional levels. Finally, the process model developed in the paper analytically links governance mode, process form, mechanism, and outcome, involving a critical trade-off between internal and external fit. While the model was developed on the basis of a comparative case study in an international setting, I argue that it is generalizable in an analytical sense (Gibbert et al. 2008), because the

challenge of creating internal and external fit is pervasive in organizations. With the novel finding of a critical trade-off in terms of internal and external fit, in dependence on governance mode, this study advances our thinking about processes of practice transfer in organizations by shifting attention to the role of coordination at the recipient unit.

The Challenge of Creating Internal and External Fit

Research in the field of organization science has long established that organizations face sometimes competing pressures between internal demands and external expectations (Greenwood and Hinings 1996). This has implications for processes of practice transfer as one crucial organizational phenomenon (Kogut and Zander 1992). For example, previous research discusses how practice transfer may involve ‘cultural dissonance’ (Canato et al. 2013), meaning that a particular newly implemented practice may not fit with the pre-existing organizational culture, or it more broadly identifies cultural, political, and technical fit as important dimensions in transfer processes (Ansari et al. 2010). More generally, existing research discusses the challenge of balancing replication and adaptation over the course of transferring knowledge or practices (D’Adderio 2014; Winter et al. 2012), but we still have an underdeveloped understanding of how organizations may create fit within the organization and in the environment. In fact, many empirical studies focus on internal factors influencing transfer outcomes, such as recipient unit motivation (Jensen and Szulanski 2004), without delving into the question of how organizations may need to create and sustain facilitating conditions for transfer within the organization. For example, Argote and Fahrenkopf (2016) limit their discussion of transfer initiatives to the role of members, tasks, and tools, and how these factors are interconnected. Similarly, while there is research examining how organizations adopt practices in response to institutional pressures stemming from the environment (Fiss et al. 2012), surprisingly little research has examined how organizations engage with the environment in order to create and sustain support and legitimacy for a novel practice (Kostova et al. 2008). In particular, we still lack a good understanding of how these two levels—internal and external—may be interdependent in the process of transfer.

This paper develops the argument that the success of the transfer of an organizational practice can be assessed by looking at two critical dimensions: the degree of internal fit, that is, alignment with an organization's objective, needs, culture and norms; and the degree of external fit, that is, the extent to which a particular practice is provided with support through stakeholders, and legitimacy in an organization's environment.

Elaborating on Kostova (1999), the internal fit of a practice can be conceptualized further as involving two dimensions: implementation and internalization. While implementation refers to the degree to which the formal rules and objectives associated with a given practice are followed, internalization describes the extent to which a practice is 'infused with value' (Selznick 1957) and attached with normative meaning. Existing research suggests that there may be an important decoupling of these two dimensions, as is the case when a particular practice is only ceremonially adopted (Kostova and Roth 2002), which suggests that there is value in distinguishing these dimensions analytically. Importantly, in order to create and sustain internal fit, organizations will need to build coalitions and ensure support internally. For example, Canato et al. (2013) provide a detailed account of how the introduction of a novel practice involves an emerging collective understanding within the organization, whereby perceived misfits at the organizational level are overcome by adapting both organizational factors, in this case the organizational culture, and the practice itself. However, agreeing on a shared understanding and in the process internalizing a new practice is only one sub-dimension of internal fit, and it is likely to interact with the degree to which the new practice is implemented, and hence the extent to which it helps achieve the goals of the organization.

External fit as conceptualized in this paper mirrors these sub-dimensions, in that it describes the extent to which a particular practice is valued and provided with legitimacy and support in a certain environmental setting. One key insight from the comparative management literature is that a practice that is widely diffused, valued, and taken-for-granted in one setting may be much less so in another (Hall and Soskice 2001). For example, practices related to the domain of corporate governance are known to differ significantly across countries (Aguilera and Jackson 2010). In fact, Germany and the U.S., the country

pair under scrutiny here, are often found to follow remarkably different practices in terms of executive pay (Sanders and Tuschke 2007) or the involvement of labor unions in decision-making (Gospel and Pendleton 2003). Existing research highlights the question of the legitimacy of novel or foreign practices (Kostova and Roth 2002), suggesting that one critical task in the process of transfer will be to legitimize the new practice in the environment. For these purposes, organizations will need to engage with institutions, “comprised of regulative, normative and cultural-cognitive elements that, together with associated activities and resources, provide stability and meaning to social life” (Scott 2008, p. 48). By providing particular rules and regulations, norms and values, as well as cognitive templates and frames for certain organizational practices and not others, institutions constitute a critical part of an organization’s environment. Recent research has made the argument that organizations may engage in activities of institutional work aiming to create, maintain, or disrupt institutions (Lawrence et al. 2009). For the international business context, Regnér and Edman (2014) make the observation that MNCs can engage in ‘institutional innovation’ in order to introduce new products or practices. In these processes, organizations “purposefully [seek] to work with and create new institutions, and/or change prevailing institutions” (Regnér and Edman 2014, p. 286). As an example, the authors discuss Ericsson’s introduction of mobile telephony technology in South East Asia, involving changes in norms and regulations, whereby mobile telecommunication was positioned as valuable technology and laws that made it illegal initially were replaced with regulations enabling the novel technology. While MNCs may be uniquely positioned to envision novel practices and institutions (Kristensen and Zeitlin 2005; Roth and Kostova 2003; Westney 1993), they may often struggle to implement these alternative futures because of severely limited external fit and perhaps even outright opposition.

This relates to a key argument in existing research, according to which relevant stakeholders often oppose foreign or new practices (Fiss et al. 2012). However, key stakeholders may also help build a support infrastructure for the introduction of a new practice. As such, the provision of support goes beyond the provision of legitimacy, in the sense that stakeholders may more actively assist an organization in engaging in a certain business practice. While comparative management literature makes the argument

that this form of support may be characteristic of whole economies by enabling strategic coordination between a set of (collective) actors (Hall and Soskice 2001; Whitley 1999), we can think of support as one sub-dimension of external fit as the multitude of actors facilitating the introduction of a particular practice. Thus, creating sufficient degrees of external fit will involve both building a support infrastructure and creating and sustaining legitimacy for the new practice. Notably, while external fit is largely a function of the national environment in cases of cross-national transfer, it will take different forms in domestic transfer processes, possibly at the level of fields (Zietsma et al. 2016). More broadly, this study leverages existing arguments about the role of fit with the environment (DiMaggio and Powell 1983; Meyer and Rowan 1977) to explore transfer processes in organizations.

Integrating these two dimensions of internal and external fit, practice transfer emerges as a multi-level phenomenon (Hitt et al. 2007). Notably, fit within the firm and fit in the external environment do not necessarily coincide, and misfit in either of these two dimensions may lead to high costs (cf. Zajac et al. 2000). Next, I turn to the important question of how organizations may try to navigate activities aiming at creating and/or balancing internal and external fit.

Organizing Transfer: The Question of Governance Mode

Most existing research on the empirical phenomenon of practice transfer takes an intra-organizational perspective. For example, Szulanski et al. (2016) look at different transfer methods, such as manuals, informal visits, or workshops, and examine how their timing in the process affects transfer difficulty. Seminal works on the transfer of knowledge and practices discuss how the way in which organizational members perform certain tasks using particular tools can be transferred in order to retain a firm-specific competitive advantage (Argote and Ingram 2000). In a similar vein, international business scholars have long been interested in exactly how transfer is organized within the firm, and found that this is often accomplished using various formal directives or semi-formal transmission mechanisms, such as expatriates (Harzing 2001). Similarly, a large body of literature studies the relationship between headquarters and subsidiaries, or how power differentials materialize in the context of transfer (Ferner et

al. 2012; Morgan and Kristensen 2006). What previous research has neglected is the intriguing phenomenon that transfer can be organized and coordinated in different ways at the recipient unit. Notably, this refers to the important observation that organizations may coordinate transfer by leveraging an inter-organizational network as governance mode, as opposed to relying on hierarchy (Powell 1990; Williamson 1991).

Network governance “involves a select, persistent, and structured set of autonomous firms (as well as nonprofit agencies) engaged in creating products or services based on implicit and open-ended contracts to [...] coordinate and safeguard exchanges. These contracts are socially—not legally—binding” (Jones et al. 1997, p. 914). In a similar vein, Provan and colleagues define an inter-organizational network “as a group of three or more organizations connected in ways that facilitate achievement of a common goal” (Provan et al. 2007, p. 482). Notably, as Sydow and Windeler (1998, p. 267) observe, networks “operate on a logic of exchange that is very different from both the logic of markets and hierarchies, not least with respect to how this logic combines cooperative and competitive elements, autonomy and dependence, trust and control.”

The conceptualization of governance mode used in this paper builds on the organization science literature and differs from most existing research in international business and strategy, which tends to associate governance mode with ownership structure (Brouthers and Hennart 2007). For example, existing literature discusses the role of ownership in the context of market entry (Kogut and Singh 1988), oftentimes from a transaction cost perspective. While more recent research acknowledges that the legitimacy of different types of ownership structure is important (Chan and Makino 2007), the literature is mostly silent on the implications of different *governance modes as forms of coordinating the activities* of certain organizational phenomena, such as practice transfer. Similarly, the conceptualization of an inter-organizational network as used in this paper differs from that of Ghoshal and Bartlett (1990), who depict the MNC itself as a network. While recent research examines transfer in intra-organizational networks (Andersson et al. 2015), the phenomenon that transfer may involve collaboration with other organizations has received little attention thus far. This study aims to extend previous research on strategic alliances and

inter-organizational relationships (e.g., Brouthers and Hennart 2007; Powell et al. 1996) by exploring the intriguing empirical phenomenon that organizations may form inter-organizational networks to coordinate practice transfer. In particular, I aim to refine and extend our understanding of practice transfer by unpacking how different governance modes influence the ability of organizations to attain internal and external fit.

Research Design and Methods

Because we still know little about *how* organizations navigate the complex challenge of attaining internal and external fit, and *why* transfer processes and outcomes may differ, a qualitative research design is appropriate (Yin 2009). Qualitative research designs involving case studies have unique strengths in developing or extending theory (Eisenhardt and Graebner 2007). Furthermore, they can offer rich process data (Langley 1999; Pettigrew 1990). In the context of discussing research on the transfer of Human Resource (HR) practices, a recent paper laments that “empirical studies have been slow to analyze the processes involved”, arguing that we need a better “understanding of what happens, or does not happen, during the transfer process” (Brewster et al. 2016, p. 4). This study leverages the context of apprenticeship transfer as a critical HR practice to contribute to our knowledge of the transfer process, how it can be organized in different ways, and with what consequences for internal and external fit, respectively.

Comparative case study research designs have the added value that they can advance our understanding of a particular organizational phenomenon by offering a more contextualized perspective (Eisenhardt and Graebner 2007; Seawright and Gerring 2008). In particular, comparing and contrasting cases involves the systematic study of diversity across cases, in order to explain patterns of similarities and differences within a given set of cases (Ragin and Amoroso 2011).

Setting

This study leverages the MNC context to unpack how processes of practice transfer in organizations unfold. More specifically, it is part of a larger research project utilizing the recent interest from German MNCs in transferring apprenticeship-based training as a strategic organizational practice to

their foreign subsidiaries in the U.S. (Fortwengel & Jackson 2016). Apprenticeships usually last about three years and are tied to a particular occupation. This training model involves the structural combination of theoretical instruction, administered at a local vocational school, and practical training at the firm. For this reason, it is often referred to as the ‘dual’ model of vocational education and training. It illustrates the strategic coordination typical of ‘coordinated market economies’ (Hall and Soskice 2001) because apprenticeship occupations, training content, monitoring and testing procedures, as well as the issuance of certificates is coordinated among a wide range of collective actors, including firms, business associations, labor unions, and a set of federal and state agencies. Notably, unlike much existing research using the U.S. as the home setting (e.g., Ferner et al. 2005; Kostova and Roth 2002), this study examines the intriguing phenomenon of transfer by foreign companies to their U.S.-based subsidiaries.

This research setting is suitable for addressing the research question of how governance modes influence the transfer process in terms of internal and external fit for two main reasons. First, while it has been observed that HR practices, such as those related to the recruitment and training of skilled workers, vary across country contexts (Gooderham et al. 1999; Paauwe and Boselie 2003), Germany and the U.S. as a country pair constitute an extreme case in this regard (Hall and Soskice 2001). This is because apprenticeships are marginalized in the U.S. and are often considered an inferior pathway compared to college education (Thelen 2004). Therefore, German firms attempting to transfer apprenticeships to their facilities in the U.S. will need to create and sustain legitimacy for this foreign training approach, in order to attract and retain talent. Furthermore, due to the absence of coordination mechanisms, such as strong business associations, firms will also need to create a support infrastructure in order to administer the program. This means that transfer of apprenticeships from Germany to the U.S. should be challenging because of the lack of external fit. Table 1 below compares the dominant training practices in Germany and the U.S., respectively, and indicates how they are consolidated by a support infrastructure, and the extent to which apprenticeships are granted legitimacy in these different environments.

Table 1: Mapping the Problem of External Fit: Comparing Workforce Training in Germany and the U.S.

	Germany	United States
Dominant training practice	Occupational apprenticeship-based training	Flexible on-the-job training
Support infrastructure	Strategic coordination between various stakeholders in developing and administering regulated apprenticeship programs	Absent. Instead, market-based skill provision where firms hire un- or semi-skilled workers and then train them on the job
Legitimacy of apprenticeships	Apprenticeships as highly valued initial training route	Apprenticeships as marginalized and inferior option

Second, despite these barriers to transfer, German firms should have a strong interest in transferring apprenticeships. This training model is often argued to be key in creating the deep and industry-specific knowledge that German firms rely on to sustain their competitiveness on the world market (Streeck 1991). Furthermore, it is deeply institutionalized and widely taken-for-granted in the German business environment, which provides firms with a clear and valued template, which should facilitate transfer (cf. Ferner et al. 2005). However, foreign managers and employees may not be familiar with this practice, suggesting that internal support will need to be built. Furthermore, necessary adaptations and restructuring to accommodate the novel practice will influence the effectiveness in generating the sought-after skills. For example, the practical training component in the firm will need to be newly designed. As such, transfer of apprenticeships from Germany to a foreign setting raises the issue of internal fit, which describes the extent to which the practice is aligned with a firm’s objectives and structure, as well as norms and values.

In sum, while existing literature suggests that transfer of apprenticeships from Germany to the U.S. should encounter significant barriers due to the institutional distance between these two varieties of capitalism (Jackson and Deeg 2008), this research setting still constitutes a rather conservative exploration of the underlying processes and outcomes of practice transfer. For example, German firms can follow a

clear template from their home setting, involving significant codified knowledge, such as in-house training plans or standardized occupational apprenticeship programs. Furthermore, a faddish practice is likely to encounter more severe opposition at the recipient unit (cf. Abrahamson 1991), unlike a more efficiency-based practice such as apprenticeship training for skilled production workers. Therefore, studying the case of the transfer of apprenticeships from Germany to the U.S. enables theorizing about transfer processes analytically generalizable to other settings (Gibbert et al. 2008).

Case Selection

Qualitative comparative case studies need to make contributions that go beyond idiosyncratic descriptions in order to facilitate theory building or extension. For this reason, case selection is a critical step in the research process (Seawright and Gerring 2008). In this study, I compare and contrast the initiatives of AutoCorp and EnergyCorp to transfer apprenticeship-based training from Germany to their foreign subsidiaries located in the U.S. as recipient units. These two cases were selected for three reasons. First, and most importantly, both organizations started their transfer initiatives in the same period, in summer 2011. Across the two cases it is important to keep constant not only the particular organizational practice and home and host country, but also the time frame, because this reduces the risk that potentially different processes and outcomes of transfer can be explained by other factors, such as macroeconomic conditions. Second, both foreign subsidiaries are located in close proximity to each other. Again, this is an important case selection criterion, because it ensures that the foreign subsidiaries share very similar local labor markets and more regional institutions of workforce training and education, suggesting that they should face similar challenges in their transfer projects in terms of external fit (Almond 2011). Third, AutoCorp and EnergyCorp are also remarkably similar, in that they are both large, well-known German companies in high-tech manufacturing. As such, they are both likely to possess similar financial and human resources and social capital for transfer. For example, they both have annual revenues in the range of 70 to 80 billion Euros. Importantly, they both have highly automated production processes, suggesting that they need very similar skill sets and, hence, should have a similarly high interest in the transfer of apprenticeships.

Notably, despite being similar along various important dimensions, AutoCorp and EnergyCorp differ in one critical dimension: while AutoCorp organizes transfer on its own using a hierarchy governance mode, EnergyCorp has joined an existing inter-organizational network for the purpose of transfer. As the research progressed, this distinction emerged as an important difference between the two cases (Seawright and Gerring 2008), enabling the leverage of the comparative case study research design to contribute to our knowledge on the process of practice transfer by engaging in cross-case analysis (Eisenhardt 1989; Pettigrew 1990).

Data Collection and Analysis

I studied the transfer initiatives of AutoCorp and EnergyCorp in real time from their beginning in 2011 to winter of 2016. Choosing a point in time to conclude data collection is a critical step in the process of conducting longitudinal research (Pettigrew 1990). Winter 2016 was an appropriate point to complete this process study, because by then both organizations had completed multiple cycles of recruiting and graduating apprentices. Importantly, about five years into the transfer process, it was possible to understand the extent to which these two organizations had achieved internal and external fit. In fact, the observation that representatives from the organizations expressed appreciation for the upsides and downsides of their respective governance mode led me to conclude data collection because theoretical saturation had been reached in terms of this study's aim (Eisenhardt 1989).

The primary data source consists of 67 semi-structured interviews, which were conducted with 50 respondents, almost all of them during various field stints in both Germany and the U.S. Interview respondents were selected on the basis of their role in developing, managing, and monitoring the transfer process. They spanned various hierarchical levels within the organizations, ranging from business CEOs and global HR executives to training supervisors and actual apprentices, as well as organizational units, most importantly German headquarters and U.S.-based subsidiaries. This study thus involves data from both 'source' and 'recipient units,' promising to offer a deep insight into the process of transfer. However, in line with previous research (Regnér and Edman 2014, p. 279) the main focus is on the recipient unit, in my case setting the two foreign subsidiaries of German MNCs in the U.S., and here specifically on how it

organizes the practice transfer process in terms of governance mode. Therefore, 52 interviews were conducted with representatives from entities in the U.S., while the remaining 15 were conducted with representatives from German headquarters and facilities.

In line with the theoretical framework developed above, special attention was paid to the role of internal and external fit in the transfer processes. Because the transfer of training practices requires a support infrastructure, involving collaboration with colleges administering theoretical instruction and, at least in some cases, public entities providing certificates upon completion, representatives from the local colleges AutoCorp and EnergyCorp use for their respective apprenticeship programs were also interviewed, as well as representatives from the State Departments of Labor and Commerce, which issue journeyman certificates for registered apprenticeships. Finally, after the network EnergyCorp joined for the purpose of transfer was established as an important actor in the process of this particular transfer project, representatives from all seven of EnergyCorp's Apprenticeship Network partner firms were also interviewed, in some cases repeatedly. These interviews added significant depth to a better understanding of how the inter-organizational network as governance mode impacts on the process of practice transfer.

The interview protocol involved questions aiming to unearth information on the developments leading to transfer, as well as the underlying processes, activities, and outcomes of the transfer project, once initiated. In total, more than 76 hours of interview material were collected. Except in five instances, where recording was not feasible, for example due to manufacturing noise, interviews were tape-recorded and transcribed verbatim, resulting in more than 960 pages of interview transcripts.

As part of this research project, I spent roughly nine months in total in the U.S., spread over the years, in close proximity to the foreign subsidiaries of AutoCorp and EnergyCorp, which enabled frequent visits to both locations, as well as to those of EnergyCorp's network partners. When based in Germany, I repeatedly visited the headquarters of both companies as well as other production facilities of EnergyCorp, in order to learn more about how the apprenticeship practice is implemented at German sites. During those site visits, numerous additional informal conversations took place, which help to add depth and detail to the empirical data (Moore 2011). Furthermore, it was possible to observe meetings where management

discussed the progress of the transfer initiatives. I also participated in three summit events on the topic, where firm representatives shared their experiences and ideas on how best to transfer apprenticeships to the U.S. setting.

While interview material is an excellent source of thick and contextualized process data, it is also known to suffer from certain weaknesses, such as the danger of ex-post rationalization or retrospective sensemaking (Eisenhardt and Graebner 2007). In order to counter these potential biases, the data were triangulated and a large case study database created, in which 239 files or about 2,600 pages of archival information were included. For this database, I collected publicly available information, such as reports, newspaper articles, press releases, and government bills, as well as internal documents provided by the organizations, such as meeting minutes, presentation slides, diagrams, and training plans. For example, meeting minutes and guidelines provided by the network helped me to examine the collaborative nature of the transfer process from the perspective of EnergyCorp.

Data analysis involved three broad steps. First, the case material was ordered temporally to describe the process of transfer over time in the two cases. This led to the creation of case narratives, which “involves construction of a detailed story from the raw data” (Langley 1999, p. 695). But as Langley (1999, p. 697) notes, narratives are often not purely descriptive. In this spirit, the case narratives were structured temporally, meaning they were bracketed temporally (Langley 1999) to describe the processes as evolving over three distinct time periods, as well as analytically, by describing the developments over time in terms of internal and external fit. For example, I looked for indicators suggesting whether the apprenticeship practice was valued and accepted within the organization, and how respondents perceived the novel practice to be effective in attaining key objectives, most importantly training and recruiting skilled production workers. In a second step, I engaged in cross-case comparison (Eisenhardt 1989), meaning that themes and concepts were compared and contrasted as they emerged in one particular case with those emerging in the other. Here, the inter-organizational network quickly emerged as one crucial part of the transfer process in the case of EnergyCorp, whereas AutoCorp organized transfer using hierarchy. Attention was focused on exploring similarities and differences across

the two cases in terms of how the transfer process evolved, and with what implications for internal and external fit. To analyze the interview material, MAXQDA, a software tool for the analysis of qualitative data, was used. In a third and final step, the comparative case material was leveraged to develop a conceptual model of the process of practice transfer. For this purpose, I frequently went back and forth between data and emerging model and made several adaptations along the way. In fact, as is often the case in process research (e.g., Lawrence and Dover 2015, p. 377-379), emerging developments and themes motivated additional data collection. For example, once the importance of governance mode was established, this led me to go back into the field to better understand the particular decision-making processes that led the two organizations to opt for different pathways. As I will illustrate in the next section, opting for different governance modes had important implications for both organizations.

Findings: Organizing Transfer of the Apprenticeship Practice

In this section, the empirical findings of the comparative case study are presented. Analogous to the data analysis process, narrative case histories (cf. Etzion and Ferraro 2010) serve as the basis for the cross-case comparison, and this narrative strategy is combined with a temporal bracketing approach (Langley 1999), whereby the processes of transfer are bracketed to evolve over three distinct time periods, *t1*, *t2*, and *t3*. Information on the developments leading to the decision to transfer is provided as well, and categorized as *t0*. Echoing the discussion in the theory section, the processes are mapped over time to reflect developments in terms of implementation and internalization as indicating internal fit, and support and legitimacy as illustrating external fit. The fact that the question of external fit was indeed relevant for the two companies under scrutiny here is nicely illustrated by the following quote:

“The problem in the U.S. versus Germany is that you have got these barriers, which are set. [...] It is a different mindset, and what we are trying to do now is show that this technical training through apprenticeship is actually a great pathway. That is a barrier that we have in the mindset of the population” (EnergyCorp, Executive, U.S.).

In the sections below, I outline how each company has organized its engagement with the ‘mindset’ and broader barriers in the environment, and how it has balanced these activities aiming to

create external fit with those pursuing internal fit. Throughout the findings section, I engage in cross-case comparison to reveal my empirical findings as they relate to these critical dimensions.

Time 0: Problematization and Theorization as a Trigger for Transfer

For both organizations, AutoCorp and EnergyCorp, the U.S. constitutes a key market for both production and consumption. In fact, the primary reason for AutoCorp to erect the facility in the U.S. examined here, in the early 1990s, was to produce within the large and growing market of the U.S., which not only reduced costs but also provided a natural hedge against currency fluctuations. Over time, AutoCorp's U.S.-based facility grew in output and importance for the firm as a whole, largely because AutoCorp was increasingly successful on the U.S. market. However, in the mid-2000s, AutoCorp's U.S. subsidiary experienced some major quality problems. As a result, many key productivity targets were missed. Notably, this triggered discussions at the subsidiary level about how to improve on the capability to deal with the further expansions and growth numbers expected in the future. While transferring the apprenticeship training practice from Germany emerged as one possible solution to create deep and broad skills for the increasingly complex production process, it was dismissed initially:

“Also [then] we tried to implement an apprenticeship program. Because I already realized then that what you get when you hire people here is simply not sufficient. But we had quite a lot of resistance then, because [...] many of my American colleagues were of the opinion that this was not necessary, [...] so why should we train?” (AutoCorp, Production manager, U.S.).

Meanwhile, over the years the pressure to implement the German model of apprenticeships mounted, and it was increasingly construed as one potential solution to the existing problems and perceived deficiencies:

“It was obvious that something had to change, otherwise the plant in [U.S. location] would have run into huge problems. And then there are always considerations about what kind of approaches and ideas mean you can take the right steps in an acceptable time? [...] And why not try to establish something in the area of vocational training that is modeled on the German idea [...]?” (AutoCorp, HR manager, Germany).

EnergyCorp's transfer initiative was triggered by similar processes of problematization and theorization, meaning that the apprenticeship practice was theorized to solve a particular problem. In the

case of EnergyCorp, this problem was a sudden need for skilled workers, resulting from two key strategic decisions made in 2010. For one, the particular plant studied here became the hub of EnergyCorp's North American business. Furthermore, it was decided to add a new product line to the plant. This addition of a new product line required not only more skilled workers but also workers with different kinds of skills compared to the incumbent workforce, meaning that the facility faced a new skill demand in both quantitative and qualitative terms. This significant expansion created a management problem:

“There [were] a lot of sleepless nights on HR's part; they sat there and said, how are we going to go and recruit all this type of talent that we need in order to be up and running within a 15 to 18 month period?” (EnergyCorp, HR manager, U.S).

To help solve this problem, EnergyCorp envisioned the transfer of the German apprenticeship training practice:

“[CEO] really pushed us and said, “why don't you? I'd like to see an apprenticeship approach created in the U.S.” So we knew that there was encouragement there. It was the extent of [her/his] comment, it was one sentence, but we knew that [she/he] wanted, [she/he]'d like to see it, and so drive and support it” (EnergyCorp, Director, U.S.).

Just like AutoCorp, EnergyCorp was also able to leverage the existing template from the home-country environment, including significant codified knowledge:

“You look around the world and you say, okay, what makes sense for us? This was not an overnight epiphany. These are tools in our tool box and, when we have the need, we pull the tools out. Apprenticeship is now just one of those tools” (EnergyCorp, Executive, U.S.).

Still, pulling the tool of the apprenticeship training model out and transferring it to the U.S. involved key challenges in terms of creating internal and external fit.

Time 1: Choosing a Governance Mode to Organize Transfer

In 2011, both AutoCorp and EnergyCorp decided to engage in transfer of apprenticeships. After this formal decision, both organizations explored how transfer could be organized at the recipient level. Here, one critical observation is that AutoCorp decided to engage in transfer on its own, meaning that it decided to organize the newly created apprenticeship program by leveraging hierarchy as governance mode, as opposed to the alternative option to look for other organizations to partner with. Forming a

network would have been viable, not least because of the presence of many suppliers and other organizations in the environment, but opting for hierarchy was a purposeful decision at *t1*:

“Of course, I would have approached our suppliers if we had wanted to follow such an approach [partnership/network]. We just said pragmatically, in a first step, we need to start our own thing, before we try to get everyone to the table—we would never finish then. We need to start first, need to show that this makes sense, that it works. And then, in a second step, we can go out and get others involved” (AutoCorp, HR Manager, U.S.).

Choosing a particular governance mode for transfer as a key step in the process, therefore, does not seem to be pre-determined by organizational structure or features of the local environment.

To implement the familiar template at the foreign subsidiary, AutoCorp used intra-organizational resources, such as tapping into knowledge, as was the case when the subsidiary was supported in the development of the program by a German trainer, who was asked to deliberately follow the German practice of apprenticeship-based training as the model to emulate:

“They really told me, please make sure that you implement this as well as possible here. We also introduced report journals, and initially they said, “what do you want with report journals?” And I told them, okay, we want to monitor that, we want to track what they are doing day in, day out, and they said okay, and we implemented the use of report journals. Things like that. They really wanted it to be very close to the German system” (AutoCorp, Training instructor, Germany).

Offering apprenticeships involved making adaptations to the organization at the subsidiary-level. For example, a new part-time job role had to be created, including questions of pay:

“[Pay] was done through our payroll benefits group, taking a look, hey, what is the starting pay right now for full-time associates? What is competitive out at the other manufacturers? Because this is the only part-time job that we offer in the plant, so this was our first real venture into the part-time world” (AutoCorp, Training instructor, U.S.)

Meanwhile, as has been discussed in the theory section, mere implementation is a necessary but not yet sufficient condition for successful transfer. Therefore, AutoCorp had to build and sustain support internally as well, which refers to internalization:

“There is always the problem that the Americans see the need, they realize that something is missing. But if you have never lived through it, and if you tell them how a different system functions, how they are supposed to...they will say, “yeah, looks great,” but they cannot implement it because they don’t have the

experience with the system” (AutoCorp, Production manager, U.S.).

While the firm was thus able to draw on a familiar template, many of its U.S. managers had not been exposed to this training model, and thus had to be made familiar with it and convinced of its value first. Practice transfer thus involved increasing the acceptance of the new practice internally.

As mentioned previously, the German model of apprenticeship training involves both practical training and theoretical instruction. As such, it requires some support infrastructure, such as colleges administering the theoretical part of the training. Here, AutoCorp collaborates with three local community and technical colleges. Importantly, the colleges also help AutoCorp to market the novel foreign practice of apprenticeship-based training in the external environment and try to increase its legitimacy:

“Changing verbiage has been one of the things that we have done. It used to be called on-the-job training, we call it on-the-job learning; it used to be called technical instruction, we call it job-related education. [...] It is the same message, but we just say it slightly differently” (College entity, Director, U.S.).

However, AutoCorp had limited success at first. While it formally launched its apprenticeship program in the late summer of 2011, it did so with 14 apprentices only, thereby missing its target of recruiting 35 apprentices.

In comparison, EnergyCorp engaged in similar activities to build internal support for the novel practice. For example, EnergyCorp representatives frequently invoked the long history of apprenticeship training in the organization:

“At EnergyCorp, we are focusing on solutions that go back to the beginnings of our company in [the 1800s]: apprenticeships” (EnergyCorp, CEO, U.S., public speech).

One key difference compared to AutoCorp is that EnergyCorp opted for a different governance mode by deciding to join an existing inter-organizational network:

“We brought [a training manager] in, who’d let us know what else was going on in the community and [she/he] said, well, there is this Apprenticeship Network thing that the [local community college] is doing. And so we said, okay, rather than recreate the wheel, just jump on board with that and say here is the kind of roles we need” (EnergyCorp, Executive, U.S.).

Joining Apprenticeship Network implies that EnergyCorp recruits and trains collaboratively with

Apprenticeship Network partner companies. Apprenticeship Network was founded by two small and medium-sized companies from Continental Europe in 1995, in order to offer an apprenticeship program following the German template collaboratively. This means that network members coordinate recruiting and marketing activities, and they also harmonize training content across organizations. For example, all apprentices take the same classes at the local college. Furthermore, they act as a separate collective entity, as opposed to individual companies, meaning that they negotiate training content and schedules with the college as Apprenticeship Network, and network members recruit for the network as a whole, as opposed to recruiting for individual companies. In fact, firm representatives usually wear Apprenticeship Network shirts at recruiting events and thus are not even identifiable as belonging to a particular member company. During recruiting and marketing events, member firms, including EnergyCorp, use a standard presentation and hand out harmonized Apprenticeship Network brochures and information materials.

While each member firm has the same rights and responsibilities, and decisions are made using a one-member one-vote system, the network is formally governed by a lead firm (Provan and Kenis 2008), which is the primary contact for the college, interested students, and the broader public. This lead firm engages in different activities aimed to help create and sustain support for the foreign apprenticeship practice, on behalf of Apprenticeship Network as a collective actor:

“Even with support from the [state], many companies and educational institutions have a lot of questions when considering apprenticeship programs. In the past, [lead firm] has hosted numerous visitors referred to us both by the [state] and the U.S. Department of Labor. When touring our facility, school administrators, business representatives and teachers have a chance to see and ask questions about our Apprenticeship Network program” (Network lead firm, Apprenticeship Network brochure).

Over time, the network grew in terms of member organizations, and in 2011 EnergyCorp approached the network and applied to become the eighth member company. One major reason for approaching the network, as opposed to transferring the practice alone, which was feasible due to EnergyCorp’s size, resources, and social capital, was that Apprenticeship Network had already made progress in developing relationships to local high schools and a local community college, as well as other entities in the area:

“They have been around since 1995, they graduated their first group in 2000, they have had hundreds of graduates, and I think they will just keep, I think they will keep gaining momentum” (EnergyCorp, Training manager, U.S.).

Apprenticeship Network was instrumental in helping EnergyCorp to attain external fit. For example, Apprenticeship Network has a sophisticated recruiting routine, which helps to attract qualified applicants:

“We have recruiting areas, and we coordinate who is going where. When there is a new school, we decide if company A, B, or C is going to go there. And over the years, you tend to always go to the same schools, and then you have your contacts there, the counselors, the teachers, you know them all, the principal. All of a sudden, things work” (Network lead firm, Training manager, U.S.).

Unlike AutoCorp, which does not enjoy inter-organizational support in its recruiting, EnergyCorp thus leverages the network to minimize effort and maximize the visibility of its program. Similarly, organizing transfer as part of a network has helped EnergyCorp in the process of creating a short-list of candidates, who then undergo a sophisticated testing procedure, whereby network member firms collaborate to share the burden:

“We help each other a lot with recruiting and in screening, three or four companies work together, based on location. Because it would be a lot to tackle for one organization. If you have a hundred-and-something kids and you have to screen them down to 28, you have to work together” (EnergyCorp, Training manager, U.S.).

Pooling resources and sharing responsibility for the collective endeavor helped EnergyCorp to effectively leverage and further extend the external fit of the practice.

Time 2: Enfolding Processes (Autonomous vs. Collaborative)

The main finding regarding *t2* is that choosing different governance modes had important implications for the two transfer initiatives. In the period from 2012 through 2014, AutoCorp was successful in recruiting 35 apprentices per year. This was accomplished through resource-intensive marketing and public relations activities aiming to gain support for its own initiative. For example, AutoCorp training and HR staff frequently visit local high schools to give talks:

“They are not going into the manufacturing world. We are trying to fix that. [...] And that is why we are making all these visits to the high schools, the vocational schools, speaking engagements, the middle schools now, to kind of get the

awareness out there” (AutoCorp, Training instructor, U.S.).

While the growing apprentice numbers indicate somewhat increasing acceptance of the foreign practice, AutoCorp had to invest significant time and resources to attain it. Meanwhile, AutoCorp was successful in gathering support for the practice internally:

“By now, the program is embedded in existing structures and processes. And even ‘politically’ speaking, it would be difficult now to explain internally as well as externally why we should discontinue the program” (AutoCorp, HR manager, U.S. [email correspondence; quotation marks in original]).

Notably, internal fit also had to be actively produced and reproduced. For this purpose, AutoCorp engaged in a wide set of activities. For example, the U.S. CEO ensured that an article was published in the corporate newspaper in order to gain and sustain support for the newly created program internally.

Through these and similar activities, AutoCorp was successful in creating increasing internal fit:

“All of a sudden, there was some turnaround when we had [the production managers] come to us and ask for more, I want more apprentices [...]. So we witnessed a turnaround there, from resistance to yes, please give me more” (AutoCorp, Training manager, Germany).

Furthermore, throughout the process of transfer, AutoCorp has revisited the program constantly to ensure that it fits the skill demands of the plant. If there was a mismatch, the new training practice was adapted to fit its needs and objectives better. For example, while AutoCorp offered a machine tool program to the first cohort of apprentices, it has decided to drop this occupational specialization because all open positions have been filled. An important organizational mechanism that was set in place to monitor the program was the creation of an international steering committee, consisting of trainers and managers from both headquarters and subsidiary. This steering committee used to consult monthly in the ramp-up phase of the program; it now consults more irregularly and mostly when key decisions are to be made, such as changes in training content or structure. Furthermore, AutoCorp has developed a test aiming to measure more firm-specific knowledge and content, which the apprentices need to pass in order to graduate from the program. This test is meant to ensure that the apprentice graduates have the necessary firm-specific skills and competencies upon graduation. Furthermore, the test allows the organization to compare the skill level of the apprentices at the U.S. facility with that of apprentices in Germany, thereby

offering a powerful tool to help measure the success of transfer:

“I don’t see any major differences [between the German and the U.S. apprenticeship program]. And this really was our goal, to be able to say, okay, in terms of qualification, they are all the same at the end of the day. And that is why we have put so much emphasis on introducing the final test in the U.S., so that we can check if they really have the same level” (AutoCorp, Training instructor, Germany).

In stark contrast, EnergyCorp had to significantly adapt to the network:

“By forming partnerships, or by thinking beyond the individual organization, I’m better able to offer a transferrable qualification. Because, when others join, we can agree on what skill sets we need. Perhaps one doesn’t get a 100 per cent match with what one needs, but at least one gets something that others in the market or in the industry accept. And therefore we have much better chances that the qualifications that we generate through this are accepted later as valuable” (EnergyCorp, HR manager, Germany).

This interview excerpt nicely illustrates a key dilemma that EnergyCorp found itself in during phase two of the transfer process: while having joined Apprenticeship Network helped to create external fit, it came with the added challenge to make compromises at the inter-organizational level. Perhaps most importantly, Apprenticeship Network offers a mechatronics program only. The mechatronics curriculum provides skills at the nexus of mechanical, electrical, and computerized production processes, and as such is valuable to the network members, even though they may differ slightly in their particular skill demands.

For EnergyCorp, following the mechatronics program created significant tensions internally:

“All we do here is heavy machining, but our apprentices were going through the mechatronics curriculum at the college, and I saw that as a disconnect” (EnergyCorp, Training manager, U.S.).

In phase 2, EnergyCorp increasingly came to understand the limits and disadvantages of organizing transfer in a collaborative way:

“Apprenticeship Network works for us in one way, but it probably doesn’t work for us in all ways” (EnergyCorp, Training manager, U.S.).

Compared with AutoCorp, which constantly monitored whether the training program was aligned with its needs and demands in terms of number and qualification of apprentices, and if necessary engaged in refinements, EnergyCorp experienced a significant issue with decreasing internal fit. The challenge of adapting internal policies to accommodate the compromise reached in the network became increasingly

problematic, because it deviated from the firm's needs and objectives. In response, EnergyCorp pushed for reforms at the network-level:

“I had told them before that I needed more flexibility and if I couldn't get it, then we would have to leave the partnership. And at that point, they convinced me not to. [...] That was about mid-2012” (EnergyCorp, Training manager, U.S.).

The flexibility EnergyCorp was looking for involved not only a focus on machining skills, as opposed to mechatronics, but also changing the recruiting group: while Apprenticeship Network recruits only junior and senior high school students, EnergyCorp wanted to recruit army veterans as well, largely because it felt that these would bring the necessary maturity to work in a heavy-machining production setting. Realizing that Apprenticeship Network would not allow EnergyCorp to deviate from agreed-upon recruiting and training routines, EnergyCorp decided to create a separate program outside of Apprenticeship Network to implement the envisioned machining program, running in parallel to the Apprenticeship Network program. Running and administering two apprenticeship programs created problems within the firm, as different schedules, training programs, and recruiting and marketing activities had to be coordinated. Furthermore, the apprenticeship practice in the meantime had lost some internal support because managers and production heads were not convinced it would produce skilled workers with the adequate skill sets for EnergyCorp's production processes. In stark contrast to the development in the case of AutoCorp, the empirical data suggests that EnergyCorp saw decreasing support internally, indicating low and even deteriorating internal fit.

Time 3: Contrasting Outcomes in Terms of Internal and External Fit

In phase three in the transfer process, AutoCorp further adapted the program to reflect changing local needs, as well as creating organizational structures for support, such as hiring a fifth staff member for the training department or the installing of an additional separate steering committee within the plant:

“Our steering committee here in the plant, it's all representatives from the technologies [production managers]. So we meet regularly and they help us with our recruiting numbers, pathways, placements in the manufacturing shops, things of that nature” (AutoCorp, Training manager, U.S.).

Phase three of the transfer project also involves further routinization of program monitoring and

adaptation, as well as increasing the level of support from headquarters and production heads at the subsidiary level:

“As far as I know, the technology leaders wouldn’t accept it anymore if the program was discontinued. I don’t think so, I don’t think so at all” (AutoCorp, Executive, Germany).

AutoCorp continues to monitor closely whether the apprenticeship practice is aligned with the firm’s skill needs and is prepared to develop new training programs or adapt existing ones in response, where needed:

“So, for example, if there is an increase in hybrid technology, then we’ll take our training objectives back to the assembly automotive group and we’ll review the objectives and we’ll change them as needed, add more time maybe for exposure to hybrid or to electric on the vehicle. Constant evolution there” (AutoCorp, Training manager, U.S.).

While this suggests high degrees of internal fit, meaning that the novel practice of apprenticeship is implemented and increasingly supported at the organizational level, AutoCorp continues to struggle with creating fit with the external environment. For example, negotiating the complex schedules for each individual apprentice in the system with the colleges costs significant financial and human resources. Furthermore, AutoCorp has to invest significant time and resources to recruiting apprentices for its program:

“It is still tough when my people go to careers fairs or meetings, many people still don’t know about the program, even though we have been in the press and so on. So it is not very present” (AutoCorp, Training manager, U.S.).

Throughout the process, AutoCorp invested heavily in marketing its program to local high school and college students, in order to attract talent for the program. For this purpose, representatives of their training department visit about 40 high schools per year. Approaching relevant stakeholders as individual actor constitutes a key challenge, and representatives of AutoCorp reported increasing frustration:

“A big problem right now is to sell such an idea or career. [...] So we really struggle to even get a sufficient number of people, even though this is basically free education” (AutoCorp, HR manager, U.S.).

Importantly, this limited external fit has implications for performance indicators as well. For example, one key indicator to measure the success of a training program is the completion rate. Here, even

five years after the program start, AutoCorp has an attrition rate of about 20 per cent, which is considered too high and problematic for AutoCorp. Creating external fit for the novel practice of German apprenticeships in the U.S. context thus remains a key challenge, even for AutoCorp as a large MNC, possessing great financial and social resources. Table 2 below summarizes the development of AutoCorp’s transfer initiative by mapping the transfer initiative over time with respect to internal and external fit.

Table 2: AutoCorp’s Transfer Initiative over Time: An Autonomous Process

	t1 (2011-2012)	t2 (2012-2014)	t3 (2014-2016)
Internal fit	<p><i>Implementation:</i> Decision to transfer German template of apprenticeships</p> <p><i>Internalization:</i> Familiar practice within the organization</p>	<p><i>Implementation:</i> Adapt program to fit local needs better</p> <p><i>Internalization:</i> Gather support internally</p>	<p><i>Implementation:</i> Constantly evaluate program to ensure demand is met</p> <p><i>Internalization:</i> Sustain high support internally</p>
External fit	<p><i>Support:</i> Approach local colleges as individual customer</p> <p><i>Legitimacy:</i> Limited (target for recruits missed)</p>	<p><i>Support:</i> Engage in PR and marketing activities alone</p> <p><i>Legitimacy:</i> Limited (little pull, rather push)</p>	<p><i>Support:</i> Negotiate individual schedules for apprentices alone</p> <p><i>Legitimacy:</i> Limited (little attention in environment)</p>

Unlike AutoCorp, which struggled with the absence of external fit, EnergyCorp experienced significant misfit internally. After lengthy discussions within both EnergyCorp and the network, EnergyCorp therefore decided to exit the network and start its own program in 2014. While the exit will not be effective before the apprentices currently in the system have graduated, EnergyCorp does not recruit through Apprenticeship Network anymore. In developing its own program, EnergyCorp was able to utilize existing relationships to the local college to design and implement an apprenticeship program more tailored to its firm-specific needs. In fact, while still being a member of Apprenticeship Network, EnergyCorp was instrumental in further deepening support for and increasing the legitimacy of the apprenticeship practice. For example, Apprenticeship Network formally became a 501(c)(3) organization,

which is a tax-exempt, non-profit organization in accordance with U.S. tax law. This enables the network to offer consulting services to other companies interested in developing apprenticeship programs. Not least through these efforts to broaden the support infrastructure, the apprenticeship practice has gained increasing legitimacy locally. For example, in the period from 2014 through 2016, seven additional inter-organizational networks were formed in the region, oftentimes directly modeled on Apprenticeship Network, which is widely considered a good practice example.

However, being alone comes with significant additional costs associated with raising awareness and marketing its own newly created Apprenticeship EnergyCorp program:

“It’s more difficult to get the word out about Apprenticeship EnergyCorp. [...] It is much more difficult to recruit, I’ll agree with that in a heartbeat. Apprenticeship Network, they had been doing it for a long time, and they have a rapport with a lot of the schools. So it is really easy for them, under their brand, to be able to market to the individual schools” (EnergyCorp, Training manager, U.S.).

Furthermore, EnergyCorp has lost relevant support for the new training practice internally, and it is struggling to recover from this:

“That is one of the things I have to deal with on a daily basis, there are some managers who are really not a 100 per cent behind apprenticeship. But we have the program so they have to deal with it, but they don’t really give the apprentices the attention that they need. So they are just, “oh you go over here and do this while we do this”” (EnergyCorp, Training manager, U.S.).

One important implication of this is that EnergyCorp still recruits only about six or seven apprentices per year, even though initially it had planned to scale up the program once underway, in order to deal with expected high retirement numbers and so build a pipeline of skilled production workers. Likewise, in the newly created program EnergyCorp makes its apprentices sign contracts according to which they will need to pay back the stipend and tuition they are receiving as participants of the program if they drop out or their apprenticeship needs to be terminated. I interpret this as an indicator that the apprenticeship practice is not infused with value beyond the technical requirements of the issue at hand (Selznick 1957), which would illustrate internalization, but rather that EnergyCorp is trying to design policies governing the practice involving more contractual assurances that technical objectives are being

met. Table 3 below maps EnergyCorp’s transfer initiative over time in terms of internal and external fit.

Table 3: EnergyCorp’s Transfer Initiative over Time: A Collaborative Process

	t1 (2011-2012)	t2 (2012-2014)	t3 (2014-2016)
Internal fit	<p><i>Implementation:</i> Decision to transfer German template of apprenticeships</p> <p><i>Internalization:</i> Familiar practice within the organization</p>	<p><i>Implementation:</i> Question whether program yields right skills</p> <p><i>Internalization:</i> Limited (support dwindles because of problems)</p>	<p><i>Implementation:</i> Development of own program</p> <p><i>Internalization:</i> Limited (apprentices need to sign contracts)</p>
External fit	<p><i>Support:</i> Leverage Apprenticeship Network to work with college</p> <p><i>Legitimacy:</i> Medium (program known locally)</p>	<p><i>Support:</i> Collaborate and pool resources for administering program</p> <p><i>Legitimacy:</i> Growing (program receives state- and nationwide attention)</p>	<p><i>Support:</i> Consulting arm to assist creation of other programs</p> <p><i>Legitimacy:</i> Emergence of seven additional networks in region</p>

Next, I build on the cross-case comparison of these two transfer initiatives to build process theory about practice transfer in organizations, in dependence on governance mode, in order to advance our understanding of the relationship between internal and external fit.

How Governance Mode Influences the Process of Practice Transfer

The comparative case material of this study suggests that the contrasting outcomes of transfer in terms of internal and external fit are related to opting for different governance modes. In this section, I elaborate on this by arguing that different governance modes trigger distinct process mechanisms that explain the varying outcomes in terms of internal and external fit. More specifically, I argue that hierarchy involves an inward orientation, whereas network involves an outward orientation as process mechanism.

For example, AutoCorp was able to look inwards and design the practice so as to maximize alignment with organizational goals and values, going so far that training plans were simply translated from German into English:

“The first stage really was about defining the training content or deciding on the occupations we wanted to offer. Once we had decided on that, we translated all the training plans from German into English” (AutoCorp, Training instructor, Germany).

Fit between skill needs and provision was closely monitored through a specific test. If necessary, adaptations to the program were made. For example, when the new demand for logistics skills came up, AutoCorp created a logistics apprenticeship program in 2015.

While the inward orientation as process mechanism drives the transfer process toward high internal fit, meaning alignment with organizational goals and values, it yields only limited external fit. For example, AutoCorp needs to engage alone in activities aiming to increase the acceptance and legitimacy of this foreign training practice. AutoCorp managers increasingly understand the limits of their transfer initiative, and the CEO of the company is consequently described as

“putting pressure on other companies to come along with us on this, and [she/he] really wants the other companies in the [state] to get involved. Because that would help us all in the long run, if they do that, [...] to get the talent pool, the awareness. The more companies are involved, of course, the more awareness will definitely grow from that aspect. [...] If we have to go with this alone, it is going to be tough” (AutoCorp, Training manager, U.S.).

For EnergyCorp, gaining and sustaining this awareness of apprenticeships as a newly introduced training model was easier, because it leveraged the existing Apprenticeship Network. One indicator of this is how competitive the selection into the program is. Here, Apprenticeship Network has about 8 applicants for a single open apprentice position, while AutoCorp attracts only about 3 or 4 applicants per position.²

Mirroring the findings with respect to AutoCorp, the case material reveals that EnergyCorp’s transfer process was driven by an outward orientation, whereby the consensus of understanding at the network-level served as a starting point. For example, one respondent explains why EnergyCorp had joined Apprenticeship Network, as opposed to starting its own program:

“Because they had already laid ground work and had something started. [...] The thing is here, they have started to get some momentum, we will jump on board with them, and we will just take what they have started” (EnergyCorp, Executive, U.S.).

‘Taking what they have started’ involved important components such as recruiting routines, pay

structure, and training content. Over time, EnergyCorp realized a significant misfit between its skill demands and preferences, and what Apprenticeship Network was offering:

“They weren’t very flexible. So, we wanted to add some veterans from the military [...] and Apprenticeship Network said no. So we just decided we were going to do our own thing” (EnergyCorp, Training manager, U.S.).

In 2014, EnergyCorp decided to opt out of Apprenticeship Network and develop its own apprenticeship program, more tailored to its individual needs. However, building and sustaining internal support for this novel training model is hard, not least because of the experience EnergyCorp has had with the network-based approach:

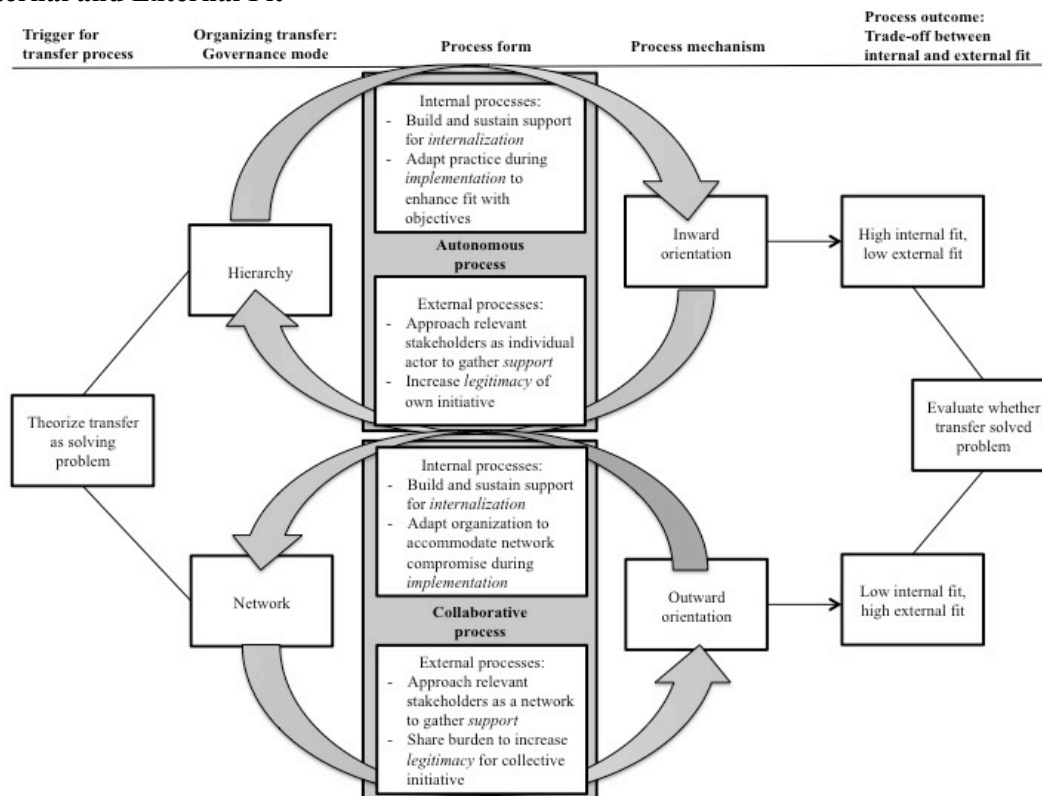
“From a blue collar workforce standpoint, I would like to have the apprenticeship program fully established here, so that it has basically developed its roots and becomes an integral part, like accounting, like HR, like manufacturing, like design engineering” (EnergyCorp, Production manager, U.S.).

Interestingly, and paradoxically, the comparative case material suggests that AutoCorp and EnergyCorp not only started using different governance modes for coordinating the transfer initiative; also, they are now beginning to move in opposing directions, with AutoCorp looking for partners to offer apprenticeships collaboratively as part of a network arrangement, while EnergyCorp has decided meanwhile to exit Apprenticeship Network and is focusing its efforts on establishing its own program. This suggests that there might be a threshold where the misfit, either internally or externally, takes on a prohibitively high level and makes the organization reconsider its choice of governance mode. However, my data suggests that changing the governance mode will not overcome the fundamental trade-off between internal and external fit, but merely switch it.

Figure 1 below illustrates the process model developed on the basis of this comparative case study. Notably, while the trigger for practice transfer is the same across both pathways and involves problematization and theorization (Greenwood et al. 2002), choosing different governance modes—hierarchy or network—leads to distinct processes. In the first case, this is an autonomous process driven by inward orientation as a mechanism, whereby practice implementation and internalization take center stage and serve as the starting point. Only when a shared consensus on objectives and norms and values

has been attained internally, within the firm, is the organization concerned with the issue of creating and sustaining external fit. In contrast, utilizing a network as governance mode triggers an outward orientation, whereby the organization uses the understanding agreed upon in the network as a starting point, and only then reflects on questions related to internal fit.³ My empirical material indicates that both organizations are aware of the downsides of their respective governance mode. While the last step in the process, evaluating whether transfer solved the problem it was theorized to tackle, may involve reconsidering the choice of governance mode, my data strongly suggests that switching the governance mode will not overcome the critical trade-off revealed in this study. Together, I advance a conceptual model of practice transfer which theorizes the relationship between governance mode and internal and external fit by depicting two processes driven by distinct mechanisms to evolve over four distinct phases: problematization and theorization, choosing a governance mode, process form, and outcome involving a critical trade-off in terms of fit dimensions.

Figure 1: A Process Model of Practice Transfer: The Role of Governance Mode for the Trade-off between Internal and External Fit



The next section discusses these empirical findings in relation to existing literature, indicates how they contribute to an advance in our knowledge on processes, mechanisms, and outcomes of practice transfer, and how they point to exciting and relevant research frontiers.

Discussion

It has been argued that the MNC offers a suitable research setting to advance our knowledge of organizational processes more generally (Roth and Kostova 2003). This paper leverages the empirical phenomenon of cross-national transfer of organizational practices to advance our understanding of the process of practice transfer in organizations. It develops the premise that transfer involves two critical dimensions: internal and external fit. Studying two German MNCs and their initiatives to transfer apprenticeship-based occupational training from Germany to facilities in the U.S. in a comparative case study research design, the paper finds an intriguing outcome: even though external environment, practice, time frame, as well as firm-level characteristics were held constant as far as possible, AutoCorp and EnergyCorp have attained different degrees of internal and external fit of the novel practice. The paper explains these varying outcomes by unpacking the role of different governance modes in transfer processes.

Based on rich comparative process data, I build theory about the relationships between governance mode (hierarchy vs. network), process form (autonomous vs. collaborative), and process mechanism (inward vs. outward orientation) and process outcome in terms of internal and external fit. Here, I link the trade-off observed analytically to the role of governance mode, arguing that it influences the ability of organizations to attain internal and external fit in processes of practice transfer.

This study extends how we think about practice transfer in organizations in three main ways: first, the paper reveals the role of governance mode in transfer processes, thereby extending the repertoire of factors influencing processes of practice transfer in a meaningful way by illustrating how different ways of organizing transfer have important implications for the process itself (Davis and Marquis 2005), as well as the transfer outcome. This is a meaningful extension of our collective knowledge because it illustrates a

critical yet so far overlooked dimension of how transfer processes can be organized and managed, going beyond specific tools and instruments (Szulanski et al. 2016). Notably, it shifts the view on practice transfer from occurring predominantly between sender and receiver (Minbaeva 2007), such as between headquarters and subsidiaries, to focus attention on the activities and processes as they unfold at the recipient unit. While previous research explains the success or failure of practice transfer by referring to the difference between environments (Kostova 1999) or particular organizational features (Szulanski 1996), this study widens the scope for transfer scholars to emphasize the fundamental role of governance mode as an explanatory factor disregarded so far. This perspective is an important step toward shifting the focus on the important role of relationships with (collective) actors beyond the immediate boundaries of the focal organization in transfer processes.

Second, I develop the argument that transfer involves two critical dimensions: internal and external fit. Previous research has looked primarily at internal fit, and how organizations and/or practices may undergo adaptation in the process in order to create internal fit (Ansari et al. 2014; Canato et al. 2013). In contrast, this study discusses the important condition of external fit as well, and it illustrates how organizations may create and/or balance internal and external fit over the course of practice transfer. Importantly, this conceptualization extends previous research on ‘institutional duality,’ which is concerned with competing pressures for legitimacy in the organization and in the environment (Kostova and Roth 2002), by emphasizing that transfer involves processes going beyond isomorphic pressures and includes attempts to attain certain objectives, such as solving a particular problem through transfer, as well as building support, in order to create a facilitating infrastructure. Here, the study relates to research on institutional entrepreneurship and work by stressing that creating and sustaining external fit may need to be achieved through activities aiming to ‘create, maintain, or disrupt’ institutions (Lawrence et al. 2009). The argument that different governance modes may vary in their effectiveness in influencing an organization’s environment has implications for the literature on institutional processes, which largely ignores the important question whether different ways of organizing institutional work activities have implications regarding if and how institutional dynamics unfold (for a partial exception, see Dorado

2005). Furthermore, while previous research has indicated that Apprenticeship Network as a collective actor is effective in engaging with the environment over the course of practice transfer (Fortwengel & Jackson 2016), an understanding of how this materializes for the individual partner organization with regard to the two dimensions of internal and external fit was lacking. Integrating these dimensions, this study charts new territory for research on practice transfer by drawing attention to the implications of how organizations coordinate activities aiming to create fit of a novel practice.

Third, I use my empirical case material to develop a process model of practice transfer, which theorizes how governance mode relates to internal and external fit. This process model furthers our understanding of practice transfer in organizations by identifying distinct processes—autonomous and collaborative—driven by particular mechanisms—inward and outward orientation—to influence transfer outcomes. This study is anchored in the international business setting, but practice transfer is an organizational phenomenon not limited to cross-national instances of transfer (Kogut and Zander 1992; Winter et al. 2012). Even though cross-national transfer is likely to increase in relevance as the globalization of business activities progresses, cases of domestic practice transfer will continue to constitute an important organizational phenomenon. I maintain that the process model developed in this paper is generalizable in an analytical sense to advance our understanding of domestic transfer processes. Here, one key observation is that questions of internal and external fit will be important in domestic transfer processes as well, because it is increasingly understood that organizations face distinct and sometimes competing pressures across levels (Greenwood and Hinings 1996; Pache and Santos 2010). For example, research shows that environmental practices of facilities differ not only across but also within countries (Lee and Lounsbury 2015), suggesting that external fit will be an issue in domestic transfer initiatives. Furthermore, research suggests that various organizational practices lend themselves to being transferred using different governance modes. Studying practice transfer thus offers substantial opportunities to advance our understanding of governance modes, not in the sense of ownership (Brouthers and Hennart 2007) but as forms of coordinating business activities (Powell 1990). For example, Rasche et al. (2013) make the observation that practices related to Corporate Social

Responsibility can be organized in different ways, ranging from more ‘complete’ to more ‘partial’ organizing, whereby complete organizing involves centralized decision-making, as is typical of hierarchies, while partial organizing refers to partnerships, such as those between firms and non-governmental organizations—arrangements which may take the form of networks (cf. Husted 2003). Furthermore, practices and routines related to innovation and the learning of capabilities seem particularly well-suited to being transferred using different governance modes, including networks. For example, Perez-Aleman (2011) examines how a cluster of dairy producers in Nicaragua is collectively learning new production practices and processes in order to meet international quality standards. Frequently, learning of new practices takes place in inter-organizational arrangements (Corredoira and McDermott 2014; Powell et al. 1996). In this context, my study illustrates the observation that “a firm’s network of relationships is a source of both opportunities and constraints” (Gulati et al. 2000, p. 204) by revealing a critical trade-off involved in the process of practice transfer in terms of internal and external fit. The study has implications for research on inter-organizational networks by shifting the view on tensions from the network level (Provan and Kenis 2008) to focus on tensions for individual member organizations in relation to internal and external fit.

Future Research Avenues

The arguments developed in this paper are based on a comparative case study of two German MNCs in the U.S. Case studies do not allow for statistical generalization, meaning generalization to a population, but they do allow for analytical generalization, meaning generalization to theory (Gibbert et al. 2008). Here, the paper has advanced a middle-range theory of practice transfer in organizations, whereby governance mode influences the ability to attain internal and external fit through distinct processes working through particular mechanisms, revealing a critical trade-off. One promising area for future research is to assess the boundary conditions of these theoretical arguments. For example, while Germany and the U.S. show unusually high levels of difference along many dimensions, including institutions of workforce training, it is important to remember that such an “extreme case method refers back to a larger sample of cases lying in the background of the analysis” (Seawright and Gerring 2008, p. 301). This

means that while questions of fit and misfit may be unusually important for the organizations studied here, the challenge of creating internal and external fit is characteristic of organizations in general (Pache and Santos 2010). For example, legitimacy, as one key dimension of external fit as developed in this paper, does not have a national dimension per se, but rather operates at the level of “some socially constructed system of norms, values, beliefs, and definitions” (Suchman 1995, p. 574). Similarly, internal fit may be less relevant in the case of more faddish practices, which organizations may transfer primarily to satisfy external demands. I see promise in future research further exploring the relationship between governance mode and the ability to attain internal and external fit across different organizations, practices, and environments. Here, future research could apply ethnographic methods to get a better understanding of the microfoundations of processes of institutional work (Powell and Colyvas 2008) aiming to create external fit, and how these may interact and/or be balanced with everyday activities in organizations (e.g., Hallett 2010) aiming to produce and reproduce internal fit.

In relation to this, future research could delve deeper into what extent the practice itself—here: apprenticeship training—may undergo adaptation over the course of transfer. There is a large and growing body of literature examining the diffusion of practices (Fiss et al. 2012; Gondo and Amis 2013; Kennedy and Fiss 2009). This literature suggests that misfit between a particular practice and an adopting organization may trigger the response of adapting the practice along various dimensions (Ansari et al. 2010). While the empirical phenomenon of practice transfer within an organization is certainly unique and different from the process of diffusion across organizations, better understanding of how practices may need to be adapted in the course of transfer (cf. Westney 1987), potentially again in dependence on governance mode, could provide relevant insights into the complex interdependence of the co-evolution of practices and environments. This perspective could also help to make progress in linking transfer processes to performance-related outcome variables. This relates to the open question for future empirical research of which strategy is more ‘successful.’ This paper discovers an intriguing trade-off related to the relationship between governance mode and outcomes in terms of internal and external fit. Yet there is still much research to be done to examine how fit along these two dimensions affects performance indicators,

such as productivity.

Notably, this may include strategies involving combinations of hierarchical with network elements, which may enable organizations to attain superior transfer process outcomes in terms of internal and external fit.⁴ For example, rather than the deep and broad collaboration typical of inter-organizational networks, organizations may find creative ways to keep hierarchical control over some key dimensions while collaborating with other organizations only in certain areas, such as marketing and public relations activities. More generally, it seems apt to think of governance mode as a continuum, where hierarchy and network describe the poles of this continuum but combinations of hierarchy and network elements are possible (cf. Williamson 1991). In the spirit of middle-range theorizing (Merton 1968), comparative analyses across practices, cross-national and domestic settings, and governance modes promise to yield intriguing and relevant further insights into the implications of coordination for transfer processes.

Conclusion

In this paper, the MNC is leveraged as a research context to build process theory about practice transfer in organizations. Starting from the real-world observation that organizations can organize practice transfer differently in terms of using distinct governance modes, this is found to have far-reaching implications for the ability to attain internal and external fit, because distinct processes (autonomous vs. collaborative) work through particular mechanisms (inward vs. outward orientation) to produce transfer outcomes (varying degrees of internal and external fit). This study contributes to the literature by offering novel insights into the relationship between governance mode and internal and external fit over the course of practice transfer, and more broadly shifts the view on practice transfer to focus attention on coordination at the recipient unit.

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Endnotes

¹ To protect the anonymity of the firms serving as cases, as well as that of individual interview respondents, pseudonyms are used throughout the text.

² An alternative explanation for the differences found would be variance in the motivation or skills of key employees in the two organizations. While this cannot be ruled out entirely, the fact that many employees have changed their positions during the observation period, either by taking on a new function within the organization or by leaving the organization, suggests that it is very unlikely.

³ Please note the different shapes of the processes as indicated by the directions of the arrows: while the autonomous process involves internal processes first, driven by an inward orientation, the collaborative process prioritizes external processes, driven by an outward orientation.

⁴ I thank one of the anonymous reviewers for making this suggestion.