

Agency and institutions in MNE research: the contribution of critical realism?

Chris Rees

Royal Holloway, University of London

[\(chris.rees@rhul.ac.uk\)](mailto:chris.rees@rhul.ac.uk)

28th EGOS Colloquium

Helsinki, 5-7 July 2012

Introduction

The aim of the paper is to consider a variety of approaches to understanding the relationship between management agency within MNEs and national institutional systems, and to suggest how theoretical reasoning in this area might be advanced by drawing upon critical realism. The paper is structured as follows. It firstly briefly surveys a selection of the most prominent concepts relating to the agency/structure dichotomy within this particular field (international business, comparative institutionalism, transnational social space, systems-society-dominance, political economy, recombinant governance). It then suggests that this body of theorising could be strengthened with more reference to the ontological assumptions underpinning critical realism. An outline of the core principles of critical realism is then provided, followed by a discussion of critical realist method which argues, in particular, for the benefits of critical realist ethnography. This leads to a final statement of how critical realist ethnography might be employed to inform both international business research in general and specifically case studies of MNE transfer practices.

Theorising agency and institutions in MNE research

In terms of the way MNE actors at the organizational level relate to host country institutions, international business (IB) scholars have tended to stress how these institutions impose constraints upon strategic choice, with MNEs forced to adapt their

strategies and structures to the institutional environments of diverse host countries. This is often said to be a rather determinist and unidirectional view of institutions. According to Saka-Helmhout and Geppert (2011), the IB approach takes institutions as stable and determining of social agency, and says little about the capabilities that organizations have to pursue a variety of strategies within diverse institutional settings. Moreover most IB scholars have adopted a narrow view of institutions, drawing predominantly on the institutional economics understanding of institutions as 'rules of the game' (North 1990), and accordingly institutions are understood as constraints on MNE activity, through transaction costs, differing resource environments or institutional distance.

As Saka-Helmhout and Geppert (2011) point out, MNEs in fact have considerable room for strategic responses to institutions, often involving the creative reinterpretation and redeployment of resources for new purposes. Institutional change can result as actors use contradictions to reflect on the limits of existing institutional arrangements and to inspire ideas for new ones. However, they note that the question of how actors engage in institutional work remains largely unanswered. As such, there is a need for a more adequate theorisation of the role of corporate agency within the IB approach.

The comparative institutionalist (CI) approach, on the other hand, has examined how institutions interact to form distinct 'varieties of capitalism', emphasising how and why institutions differ, and seeing institutions not only as constraints but also as resources (Crouch 2005; Jackson and Deeg 2006). If host environments are both constraining and enabling, they also consist of diverse national and international institutional forms organized in shifting patterns within and across national boundaries, and MNEs will experiment and adjust their practices accordingly (Kostova et al 2008; Morgan 2007). The actions of embedded actors is an emerging topic within the field of comparative institutionalism, moving analysis away from the determinist, unidirectional view of institutions held by mainstream international business scholars.

Rather than treating institutional diversity in terms of 'distance', the CI approach has developed a theory of comparative institutional advantage in which different institutional arrangements have distinct strengths and weaknesses for different kinds of economic activity. CI claims that national economies are characterized by distinct institutional configurations, generating a particular systemic 'logic' of economic action,

with economic action 'embedded' within social contexts. Institutional complementarities between functionally distinct domains (e.g. finance, labour markets) may lead to multiple, efficient combinations of institutional variables.

However, because CI implies a theory of institutional path dependence, it has been suggested that it gives too much credence to coherence and complementarity among institutions, and the degree of stability in national systems is overestimated (Crouch 2005). For Crouch, 'historical institutionalism' shows broad types of capitalism to be more dynamic than often presented within CI. Different capitalisms are not created as coherent wholes but are a result of political contention and the unintended consequences of piecemeal development. As such, the CI literature can tend towards 'comparative statics', assuming institutional stability, and the carefully developed typologies of the 1990s are being increasingly questioned. Moreover the internationalization of economic activity and the expansion of transnational institutions challenges the assumption that capitalism is most usefully segmented for analytical purposes into distinct economies bounded by the borders of nation states.

So, the argument here too is that there is a need to bring organisational power and politics more to the fore in the study of institutions. As Jackson and Deeg (2008) state, "the further development of comparative studies of capitalism depends on the ability to generate a more dynamic theory of institutional change". As Saka-Helmhout and Geppert (2011) note, neo-institutional studies have documented the ability of actors, in particular those with some key strategic resources or other forms of power, to have significant impacts on the evolution of institutions and fields (Greenwood et al 2002). And more recently, CI has been shedding light on how institutions originate and evolve by demonstrating how actors mobilize resources to defect, reinterpret, or reform existing institutions (Hall and Thelen 2009). Clearly the interrelationship between national institutions and MNEs is complex and multi-faceted, and there is a need for theoretical frameworks that can capture the complex interdependence between constraint and choice, between structure and action. A number of other concepts have been developed in recent years which also seek to capture this dynamic.

For example, the concept of 'transnational social space' (TSS) has been advanced to describe the arena in which global socio-economic action takes place, where multiple social relationships emerge, power is exercised, and consensus, conflict and resistance are played out (Morgan et al 2005). This provides a lens through which to look at social

processes within the arena of the multinational, and a conceptual framework for researchers that is accessible to a processual study of the experience of individuals and communities that engage within the social space. It links the experience of actors to the internal managerial control strategies of firms and managers and to the transnational communities that cut across the boundaries of the firm and connect the individual into social groupings that span institutional contexts. Sharpe (2005) argues that the connection between the shaping of internal processes within the transnational social space of a multinational and wider institutional structures at a local, national or international level sensitizes the researcher to the importance of connecting the micro level analysis of actors' experiences with macro level structures in which they have been shaped and influenced (and seek to influence).

Similarly, but perhaps more robustly, the System-Society-Dominance (SSD) framework emphasises that “structural forces impacting on workplaces are not simply local norms or rules or global standards but a contradictory mixture of elements from the local, the common and the temporarily dominant” (Smith et al 2008). The SSD framework analyses the three-way tensions between: (i) generic features of capitalist social relations and structures – e.g. property rights, wage labour, competition, capital accumulation ('system effects'); (ii) particular forms of management and labour derived from where MNEs originate and subsidiaries are located – capitalist markets and enterprises historically embedded and conditioned by distinctive institutional arrangements and cultural dispositions ('society effects'); and (iii) standardising forces derived from dominant actors or global discourses — the process whereby 'lead societies', or sectors or firms, develop 'best practices' or global standards, dominant ideologies or logics emulated through processes of diffusion ('dominance effects'). The SSD framework emphasises that context and power are animated by agency — by people constituted as collective and individual actors. Social agents are positioned within firm hierarchies, capitalist social relations and the institutional rules of specific contexts, but are still reflexive and able to resist, re-interpret and mediate actions in distinctive ways.

Another body of work, which has been loosely termed the 'political economy' approach, also highlights internal politics at organizational and workplace levels, and stresses the importance of micro-social processes of argument, interpretation and compromise (Ferner et al 2006). Here the MNE is seen as contested, characterised by

on-going tensions between competing social forces (managers, financiers, shareholders, suppliers, labour groups). The MNE is not a unitary monolithic structure but a shifting coalition of interests. The interplay of these interests is variously shaped by: the power of different levels or units, reflecting their varying structural locations in the global value chain, where those with a more strategic role have more power (Edwards and Belanger 2008); the nature of national-institutional domains, where subsidiary actors draw resources from the national-institutional framework in which they are embedded, e.g. regulatory frameworks, local networks etc. (Kristensen and Zeitlin 2005); and the complex structure of MNEs, wherein actors can define their interests at the level of the national subsidiary, global function, regional territories etc. The central claim of this broad approach is that there needs to be “less emphasis on grand tendencies and more attention to how complex processes work themselves out in particular situations” (Ferner).

This approach was utilised by the current author in a study examining MNE cross-border merger dynamics, focusing in particular on the integration of HR policies and processes of post-merger rationalisation (Rees and Edwards 2009). This study combined a focus on contextual factors (corporate structures, shareholder pressures, regulatory and legal environments at national and international level) with consideration of power and interests within the firm. The conceptual framework integrated market-based, institutionalist and micro-political approaches: market pressures refer to the product market, labour market and financial market competition; institutional effects refer to national logics, competing rationalities, institutions and national business systems; and internal pressures refer to competing interests and discourses, micro-politics, local power resources, political trade-offs, positional strategies etc. The aim of this broad ‘political economy’ approach is to reveal the interdependence of market and institutional configurations with intra-firm political processes, and to demonstrate how extra-firm institutions and internal power relations are strongly inter-linked.

In a similar fashion, Crouch (2005) has advanced the concept of ‘recombinant governance’ as a way of highlighting the micro foundations of institutions and conceiving of actors as potentially creative and innovative. Crouch argues that approaches to the diversity of capitalism often fall into the trap of oversimplification and determinism, with too much attention is given to “the polemic between

neoliberalism and social democracy". This excessive concern with national, rather than micro-level, patterns of institutions means there is a tendency towards "taking for granted that the boundaries of nation states are the boundaries of institutions and systems of action". For Crouch there is a need to retain the insights of neo-institutionalism, stressing the constrained nature of human action, but at the same time provide better accounts of innovation. And these accounts need more theoretical rigour, so as to prevent them lapsing into narrative description.

All of the arguments touched on above essentially maintain that whilst MNEs are shaped by their embeddedness in national-institutional complexes, more attention needs to be given to understanding the mechanisms of institutional transformation, in order to move beyond 'comparative statics'. Institutional creation and re-creation is a continual process performed by active agents, and MNEs shape institutions through the transfer and diffusion of organisational practices. Clearly context and power are animated by agency, by people constituted as collective and individual actors; and these actors are reflexive agents, able to resist, re-interpret and mediate corporate initiatives. Comparative analysis too often tends towards stasis, identifying cultural and/or institutional differences as permanent 'givens', when in fact international workplaces are dynamic and contested. As Smith et al (2008) note, "actors may be embedded but they are reflexive and not necessarily trapped by their context".

Mutch (2007) suggests that the issue of agency has "bedevilled the new institutionalist project", and posits critical realism as a means to better capture the structure/action interrelationship. As Leca and Naccache (2006) put it: "To develop a model that accounts for *both* the constraints due to the structures that actors must face *and* their freedom of action, it is necessary to recognize the ontological specificities of both actions and structures". The paper will now argue that critical realism provides such an ontology, and that critical realist ethnography, in particular, may be a useful tool in capturing the role of agency in MNEs.

Critical realism

From a critical realist standpoint, human action is conceived as both enabled and constrained by social structures, but this action in turn reproduces or transforms those structures. For the purposes of this paper, the essential promise of CR is that it offers a

meta-theoretical paradigm for explaining the underlying structures or ‘generative mechanisms’ that shape corporate agency, and the social relations that this agency in turn reproduces and transforms (Reed 2005). The relevant core principles of critical realism will now be outlined in more detail before suggesting how it might usefully be applied to the study of MNEs.

Ackroyd and Fleetwood (2000) cluster the theoretical diversity of organization and management studies into three general methodological perspectives: positivism, postmodernism and realism. Although realist and positivist ontology share the assumption that “the world exists independently of our knowledge of it” (Sayer 1992, p. 5), only realists assume a differentiated and stratified world. Specifically, critical realism posits a real, an actual and an empirical domain (Bhaskar 1978; Outhwaite 1987).

Within CR, pre-existing material and social structures are considered to have an independent ontological status and explanatory claim irrespective of their recognition and acknowledgement by social actors (this is one of the key domain assumptions that sets critical realism apart from both positivism and constructionism), and causality is regarded as referring to the inherent powers or capacities of mechanisms or structures to generate certain tendencies or regularities, which may or may not be contingently observed in empirical events or outcomes (Collier 1994; Danermark et al 2002). Bhaskar (1978) describes three inter-related and ordered ontological domains: the real, actual and empirical. He outlines these (along with their relations to mechanisms, events and experiences) as follows:

Ontological Domains

	Domain of Real	Domain of Actual	Domain of Empirical
Mechanisms	●		
Events	●	●	
Experiences	●	●	●

This shows the domain of the real consisting of underlying structures, mechanisms and relations, as well as events, actions and experiences. While deep structures and generative mechanisms are not readily apparent, they can be observed and experienced through their effects. In critical realist terms, structures are social relations and not the events, actions or behaviours they generate. Accordingly, the objects of social research

are those “persistent relations between individuals and groups, and with the relations between these relations. Relations such as between capitalist and worker, MP and constituent, student and teacher, husband and wife” (Bhaskar 1989, p.71).

So, realist ontology assumes the world to consist of generative mechanisms or causal powers located in the real domain, whose activation may generate events in the actual domain. Events are only observable as experiences in the empirical domain, and may be out of phase with the mechanisms that create them. In Sayer’s (2000, p. 11) words: “the real is the realm of objects, their structures and powers. Whether they be physical, like minerals, or social, like bureaucracies, they have certain structures and causal powers, that is, capacities to behave in particular ways, and causal liabilities or passive powers, that is, specific susceptibilities to certain kinds of change”.

Objects are characterized by *internal* or necessary relations as well as by *external* or contingent relations. When internally or necessarily related, an object has an identity, which cannot be dissociated from that of another object. A manager and a subordinate, for instance, are internally or necessarily related in the sense that one can only be defined in relation to the other. Conversely, when externally or contingently related, either object can exist without the other. When two objects are necessarily related and thus have their identity mutually constituted, they form a structure, that is, “a set of internally related objects or practices” (Sayer 1992, p. 92). Such a structure is expected to have emergent powers itself, which are irreducible to those of its constituent parts (Tsoukas 2000). Internal or necessary relations between objects thus determine (why) the nature of social phenomena (what), whereas external or contingent relations determine whether its causal powers will be activated (how, where, when) and with what effects (Danermark et al 2002). Whether a causal power is activated or not thus depends on *intrinsic* conditions, which preserve the nature of the object, and on *extrinsic* conditions, which are external to the object (Sayer 1992).

Such a realist stance clearly contrasts with positivist ontology, which assumes reality to consist of determinate relationships between constituent parts whose behaviour is an objective and observable phenomena (Morgan and Smircich 1980). Positivism thus makes no distinction between the actual and the real domains of reality, assuming that objects of knowledge are atomistic events, whose regular co-occurrence may be equated with the causal laws underlying them. Realism assumes instead that “a

cause is whatever is responsible for producing change” (Sayer 2000, p. 94), which can also include unique and irregular events.

A critical realist perspective thus views social phenomena as concept-dependent and the production of knowledge as a social practice, which influences its content (Sayer 1992). Crucially, CR avoids conflationism by recognising that *structures precede actions*. What Archer (1995) describes as conflationist theorising is not difficult to find in sociology. It is replete with attempts to conflate qualitatively different social objects to others. For example, in the ‘downward conflation’ of Durkheimian and Parsonian sociology individuals and small groups are taken as simple expressions of larger societal structures. Conversely, in the ‘upward conflation’ found in the interpretivism of Weberian sociology or the voluntarism of Giddens’ structuration theory, structural arrangements are reduced to the actions of individuals and small groups (see Archer, 1995 and 1998). Upward and downward conflationism share “the same homological premises about there being no more, no less and or different properties characterizing different levels of society” (Archer, 1995, p.8), not recognising, for example, social structures and the actions of people as (ontologically) different kinds of things. The challenge is “how to consider simultaneously the influence of both actors’ actions and the structures in which they are embedded, without conflating them” (Leca and Naccache 2006).

Importantly, mechanisms simultaneously pre-exist and depend upon human agency. Critical realism thus recognises the “vexatious fact of society” (Archer, 1995), that social reality is as it is because of its human constitution. It is thus the task of social science to establish the necessary structural conditions given for conscious human activity. This is the transcendental question. Edwards (2005) has stressed how scholars in the industrial relations research tradition have a history of doing exactly this, i.e. exposing the necessary conditions for particular workplace relations or management strategies to have certain effects.

It is clear that critical realism takes a stance against both positivism on the one hand, and relativist approaches such as constructivism and postmodernism on the other hand. Positivism is faulted for addressing only empirical regularities rather than the underlying mechanisms producing these regularities; its basis in deductive-nomological approaches prevents it from asking *why* things occur as they do. Relativism, in contrast, treats the social world as wholly socially constructed and neglects the causal influences

of structures that lie outside processes of social construction. Postmodernism thus sees organizations as discursive constructions and cultural forms with no ontological status beyond their textually created and mediated existence. However, once particular discourses become the objective elements of social structure, through institutionalization across time and space, then they are ontologically *prior* to agency and constrain its capacity to change the underlying conditions of action. As Searle (1995) powerfully observes, “we do not ‘create’ social structure, we reproduce and transform it”, and as such “a socially constructed reality presupposes a non-socially constructed reality”.

Critical realist method

Having briefly explained some of the ontological bases of critical realism, what does this imply for methodology? It is often said that CR remains at an abstract level and that the methodological implications are seldom made clear. This section introduces the critical realist method, before the case is made for organisational ethnography as a necessary part of critical realist-informed case study research.

Given that critical realism assumes necessary and contingent relations among objects, its methodological goals are thus primarily descriptive and explanatory. Causal explanation requires “finding or imagining plausible generative mechanisms for the patterns amongst events” (Harré 1975, p. 125), leading to “the postulation of a possible mechanism, the attempt to collect evidence for or against its existence, and the elimination of possible alternatives” (Outhwaite 1987, p. 58). Since critical realism argues that there are real, if unobservable, forces with ‘causal powers’, it is thus the task of science to understand the relevant mechanisms. The social world is seen as being different from the natural because it requires human intervention, but it does not follow that society is wholly the product of human design or discourse. Rather, rules, norms and institutions develop with logics independent of the choices of individual actors. CR stresses that causal powers are not necessarily activated and is thus very sensitive to the importance of institutional context. However, it aims to move beyond the discovery of empirical regularities to understand the mechanisms that not only produce these regularities but also, crucially, determine when they will occur and when they will not.

Generative mechanisms can be seen as 'tendencies'. There are no pre-defined causal influences, but rather sets of 'potentials' that may, or may not, be realised. This refers to the indeterminacy of causal powers. Once again, rules, norms and institutions develop logics independent of the choices of individual actors, and causal powers are not necessarily activated. However, since these underlying structures and mechanisms are not directly accessible to sense experience, they have to be theoretically constructed and modelled, through a process of conceptual abstraction, which critical realists call 'retroduction'. The retroductive research strategy and design contrasts with the deductive form characteristic of positivism and the abductive form typical of constructionism and postmodernism. The objective is to *explain*, rather than to predict, describe or deconstruct social behaviour. Retroduction is a 'mode of inference' that aims at discovering the underlying structures or mechanisms that produce tendencies or regularities, under certain conditions, through a process of model building, testing and evaluation (Reed 2005).

A critical realist explanation will thus involve a gradual transition "from *actions* through *reasons* to *rules* and thence to *structures*" (Sayer 1992, p. 112). Beginning with actions, these constitute the phenomena under study, presupposing conditions in terms of which reasons are formulated. Reasons, in turn, are inferred from actors' accounts as to why the actions have taken place. In this respect it is assumed that: a) reasons do not need to involve 'true' or coherent beliefs to be causes; and b) many causal mechanisms are ordinary and fairly well understood by actors (Sayer 1992). Such reasons are made intelligible in terms of the rules they invoke, through the identification of structures or objects responsible for such rules. A critical realist explanation will be complete with the identification of the set of circumstances in which the causal powers of objects and structures are exercised.

Actions such as, for example, personal contacts in MNE headquarters-subsiary relations are social events, which take place in the actual domain of reality. Such actions or events are observable as experiences in the empirical domain of reality by both the ones who experience them and those who study them. Those who experience them are able to suggest conditions in which such actions or events occur, that is, reasons, which researchers may further examine in terms of objects in the real domain of reality. In particular, objects may be characterised in terms of necessary and contingent relations and hence associated with intrinsic and extrinsic conditions for the occurrence of such

actions or events. Through necessary relations objects constitute structures with their emergent causal powers, which also need to be taken into account in eventual explanations of the observed actions or events.

As noted previously, critical realism conceptualises contextual factors as either internally linked with the phenomena under study or as contingencies whose impact on the phenomena is variable. The former type of contextual factors is generally valid in the real domain whereas the impact of the latter must be empirically established. As a result, “researchers do not postulate ironclad laws, but tendencies, which may or may not manifest themselves in the empirical domain” (Tsoukas 1989, p. 558). The traditional view that explanatory claims based on qualitative research have low external validity may, therefore, be challenged from a critical realist perspective, as long as causal powers are identified. Case study research supports such a goal by allowing the simultaneous investigation of parts of a phenomenon and its respective fit within wider contexts. The focus of critical realism is, therefore, on the interplay between micro-practices and macro-structures (Sharpe 2004). In other words, the generalization of insights from qualitative research in general and from case studies in particular is possible, but it will depend on the postulation of plausible causal mechanisms, the collection of evidence for or against their existence, and the elimination of possible alternatives. This is the painstaking critical realist-informed approach that could be usefully applied to comparative case studies of MNEs.

Edwards (2005) has argued that critical realism offers the opportunity for more “context-sensitive institutional research”. In his words, CR “encourages researchers to think about different levels of causal powers and about the kinds of arguments that they wish to address. For example, when different outcomes are identified under different institutional conditions, what reasons are adduced?” (Edwards 2005, 269-70). A key methodological challenge is therefore that of developing *plausible causal accounts* and then developing a research programme of cumulative analysis. To quote Edwards again, “the solution lies not in more and more refinements to surveys or individual case studies, but in identifying relevant causal mechanisms and then using an appropriate mix of methods to elucidate their operation ... to identify logical possibilities and then go through the evidence systematically to see what combination of factors is necessary and sufficient for a given outcome” (Edwards 2005: 274).

Critical realism is committed to a retroductive mode of inference in which putative causal relations are imputed by reasoning backwards (Reed 2005). Applied to organisations, research strategy thus focuses on the complex interplay between social structure and managerial agency over time and place, linking local changes in organizational forms and control regimes to deeper structural changes within the political economy of contemporary capitalism. This requires identification and exploration in painstaking detail of each historical case, revealing the complex interaction between relevant corporate agents, structural conditions and situational contingencies.

Underlying structures or mechanisms possess causal powers or capacities sufficient to generate observable events and outcomes that may or may not be actualized. Whether they are or not depends on a range of structural, historical and operational contingencies that interact in a highly complex and dynamic manner. Research needs to penetrate below the surface to identify underlying generative processes. Once a mechanism or process is identified, generalisation from case studies is possible if the same mechanism is recognizably operative in many similar situations. Comparative research can thus help pin down the character of the mechanism and distinguish these from the effects of the context. Case study accounts of generative processes involve the conceptual interpretation of causal sequences. As Ackroyd (2009) puts it, "What is sought are causal connections suggesting the typical way generative mechanisms and contexts have intersected historically to produce unique outcomes". And this brings us to the role of ethnography, an established favoured method for clarifying patterns of relationships between participants, based upon the sustained observation of behaviour to reveal emergent patterns of interaction.

Critical realist ethnography

Willis and Trondman (2000, p. 5) define ethnography as "a family of methods involving direct and sustained social contact with agents, and of richly writing up the encounter, recording, respecting and representing at least partly in its own terms the irreducibility of human experience". As noted by Hammersley and Atkinson (1997), ethnography is in many respects the most basic form of social research. Not only does it have a long history, it also bears a close resemblance to the routine ways in which people make

sense of the world in everyday life. The nature of the social world must be 'discovered', and this can only be achieved by first hand observation and participation in 'natural settings'. In this way ethnography can be described as a longitudinal research method, geared towards a 'process based' understanding of organizational life.

Ethnographic approaches are thus well suited to capture processes of management as socially constructed activities. Sharpe (2005) outlines the relevance of critical realist ethnographic research approaches to an understanding of practices and processes within the MNE. She argues that critical realist ethnographies begin with, but go beyond, agents' conceptualisations, offering a methodology for the comparative study of organizations that is sensitive to both process and structure. Critical realist ethnographies set out from the premise that subjects' own accounts are the starting point but not the end of the research process. Since realist ontologies go beyond agents' conceptualizations of events and seek to look at social structures, a realist approach to ethnography would thus aim not only to describe events but also to explain them, by identifying the influence of structural factors on human agency. Explanation also focuses on how agency maintains or transforms these structures. The focus on structures as well as agents' conceptualizations distinguishes critical realist ethnographies from ethnographies in the hermeneutic tradition.

Arguably ethnography is most useful when used explicitly within a realist framework, that is, when seen not merely as a method of data collection but rather as a sociological practice of linking observed accounts to context, and explaining rather than merely describing social phenomena. In terms of linking rich individual ethnographic accounts to various layers of context/structure, critical realism is best placed to provide this 'connective tissue'. Critical realism can thus act as an effective 'under labourer' to ethnographic theory and practice (Porter 1993). Critical realist ethnography (CRE) can provide a means of examining and theorizing about the connections between micro-practices and macro-structures. Empirically, CRE can help elucidate the specific, contingent manner in which a certain mix of causal powers has been formed and activated.

In the field of international management research the potential opportunities for ethnographic research have not been fully realized. A large amount of research on MNEs has used survey style research and structured questionnaires to address questions of what employment practices and work systems have been transferred from

headquarters to subsidiaries within the MNE. Framed within positivist epistemologies and nomothetic research designs, such surveys often are pitched at top management and require simply a tick-box acknowledgement of whether a practice has been transferred or not. Such analytical survey design is far less suited to an understanding of how management practices are introduced, received, responded to, adapted, resisted or transformed in different contexts.

Ethnographic approaches can make a significant contribution in this regard by providing an in-depth insight into how management practices translate across different social contexts and the ways in which different groups and individuals may make sense of and respond to them. Ethnographic studies provide a rich appreciation of the MNE as a social and political arena, and a critical realist framework provides a means of conceptualizing how actors' experiences within the MNE can best be examined by a macro regress to the social structures shaping and constraining individual action.

As noted in the previous section, within a critical realist framework detailed empirical description is the first stage in a 'retroductive' process of uncovering the underlying powers, tendencies and dispositions of phenomena. As Reed (2005, p. 1639) suggests, "realist-based research on organisations and management must begin with an in-depth and intensive historical and structural analysis of pre-existing institutional forms ... the painstaking detail of each historical case". Mutch et al (2006) point out that historical awareness is often missing in cross-sectional studies. Observations provide a more detailed, temporal account than cross-sectional interviews, entailing an increased sensitivity to the rhythm of the workplace and the structure of routines.

So, the core premise of critical realist ethnography is that the full value of the detailed micro level data gathered through ethnographic studies can only be realized if these data are situated and interpreted in their historical, economic and social contexts. The analysis of micro level data and the linking of this with abstracted social patterns is a perennial challenge in the social sciences and remains of central interest to those seeking to explore and explain organization (Barley 2008). There have several recent calls from organisational scholars to re-examine the value of the structure-agency dualism (Reed 2005; Edwards 2005), and there is a relatively small number of studies in the field of organization studies premised on a critical realist ontology (for example, Porter 1993, Reed 2005, Delbridge 1998, Smith and Elger 1996). The focus on process enables a view of the organisation as a political arena in which social interaction, power

and political games become more central in the analysis and understanding of organizational life. These in turn are shaped by the wider institutional context. The key for critical realist-informed organizational ethnographies is to explain why it is that certain persistent relations or features of the organisation have certain effects or observable outcomes in some settings and not others, and what the factors are – management strategy, employee resistance, sector, nation etc. – that explain this.

Conclusion

The paper has sought to make the case for critical realist ethnography as a fruitful ontological and methodological foundation for case study research exploring the dynamic relationship between the agency of MNE actors and the variety of institutional settings within which MNEs are located. Critical realism can add ontological depth to this field of research by more clearly explicating the fundamental social relations and processes that underpin and condition specific institutional patterns and organizational practices. A growing number of organisational scholars are now calling for more use of “theories reflecting the complex and interrelated layering of social experience” (Thompson 1990, p. 112-13), and critical realism offers the potential to provide “analyses of the powers and susceptibilities of social agents integrated with an appreciation of the antecedent contexts that inform activities” (Thompson and Vincent 2010, p. 53). Critical realist ethnography can therefore illuminate the ‘connective tissue’ between the agency of individual managers and workers at the MNE level and the structured context of national and sector-level constraints.

The dynamic relationship between the generative potential inherent in social structures and its contingent realization through corporate agency stands at the ontological core of critical realism (Fleetwood 2005). In terms of MNEs and their institutional context, critical realists would seek to identify the deeper structures or mechanisms at various levels (which may include the sectoral, national, regional and global) which shape events and regularities at a surface level. But since they are not directly accessible to sense experience, these structures have to be theoretically constructed and modelled through a process of conceptual abstraction, a mode of inference known as retroduction (Ackroyd 2009). This requires a combination of historical, structural and discursive analysis to identify and explain the specific causal

mechanisms that shape the emergence and elaboration of particular MNE strategies, strategies which in turn form part of the reproduction and transformation of those same social structures. The aim is thus to illuminate the complex interplay between social structure and managerial agency over time and place.

Approached through this analytical lens, the dynamics, trajectories and outcomes of change in national business systems are viewed as emerging from on-going power struggles between multiple collective agents located in structured settings that alternate between opportunities for agential creativeness and structural constraint. As such, MNE corporate agency reproduces and transforms the structural and institutional mechanisms through which organizational life is co-ordinated.

If we apply this reasoning to the transfer and diffusion of employment practices in MNEs, national institutional frameworks clearly exert strong forces on the transfer of practices but also leave open a range of indeterminacy for actors within MNEs. In critical realist terms, these institutions are not separate from organisational actors and their strategies, but rather are maintained and reproduced by them, and so we need to take analysis beyond the relatively simplistic metaphors of transplantation, dilution or hybridization. In practice, institutions constantly arise, decay and change. Useful though they are, we need to move beyond broad ideal-typical business system constructs and towards more detailed historical and processual studies of how transfer mechanisms reveal organizations, actors and institutions as engaged in a process of co-constitution (Morgan 2007); and, crucially, why and how it is that certain underlying structural forces condition management agency in particular circumstances whilst others do not. Critical realism can provide an ontological underpinning for this kind of rigorous and detailed case study research, shedding light not only on the dynamics of the transfer of employment practices within MNEs, but also upon corporate and institutional change more broadly.

The promise of critical realism is to “move beyond the vague notion of institutional pressures to investigate the dialectical interplay between actors’ actions and institutional embeddedness ... an unambiguous ontological position in which the ontological status of both actors and structures is recognized, as is their permanent interaction” (Leca and Naccache 2006). This paper has attempted to suggest that this ontological position is one that might usefully illuminate the relationship between agency and institutions in MNE research.

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