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# Adapting a Lean Production Program to National Institutions in Latin America: Danone in Argentina and Brazil

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ABSTRACT

This article argues that national institutions identified in the varieties of capitalism approach have a significant impact on the degree of fidelity and extensiveness of best practices adapted by geocentric multinational corporations in host countries in emerging markets. To illustrate this argument it shows how differences in national institutions between Brazil and Argentina caused Danone to adapt a lean production in radically different ways in each of these countries. Both of the programs implemented had low degrees of fidelity and extensiveness to the original best practice. This article contends that in Argentina strong labor laws and the ability of unions to negotiate significant salary increases combined with a desire of workers to have individual pride in their jobs caused Danone to empower them individually instead of creating teams as foreseen in this company's original lean production program. In Brazil the weakness of unions combined with labor laws that promote employee turnover and the desire of workers to improve their salaries caused this company neither to empower workers nor create teams. Instead, it motivated workers by providing them the previously unavailable opportunity to become a manager.

## 1. Introduction

Multinational corporations (MNCs) derive advantages over their domestic rivals in foreign countries from their ability to leverage knowledge across international borders (Scott-Kennel and Giroud, 2015; Tregaskis et al., 2010). The transferal of best practices to host countries is one way these companies seek to take advantage of this knowledge. Nevertheless, these practices often lose their effectiveness when they are altered to fit institutions in other countries (Ansari et al., 2010). Although particular attention has been paid to how best practices are altered to "fit" specific organizational contexts, greater attention needs to be given to how organizations adapt them to the particularities of national contexts (Ansari et al., 2010; Ansari et al., 2014). Articles that do address this topic focus almost exclusively on the transferal of best practices between subsidiaries of companies in the developed world (Horwitz, 2017; Sayim, 2011). The lack of attention to this topic in emerging markets is surprising given that best practices adapted by MNCs in these countries often fail (Khanna, 2014; Khanna et al., 2005). Although a plethora of scholars have focused on describing the apparent institutional weakness of institutions in emerging markets (Khanna and Palepu, 1997, 2010; Khanna et al., 2005; Schneider, 2013; Vassolo et al., 2011; Wilkinson et al., 2008), work still needs to be undertaken to demonstrate how specific national institutions shape the adaptation of best practices in these countries and how differences in institutions can cause firms to adapt these practices in different ways.

We address these gaps by examining how important institutional differences between Brazil and Argentina, two neighboring

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countries in Latin America generally believed to have relatively similar institutions, caused Danone to adapt a lean production program in radically different ways in each of these countries. Drawing on the varieties of capitalism approach (VoCA) we focus on how differences in industrial and employee relations caused the lean production programs adapted in each of these countries to have low degrees of fidelity and extensiveness to the original lean production program even while they differed radically from one another. We examine two aspects of employee relations, namely labor laws and sources of motivation. This article also demonstrates how regulatory, normative and cognitive institutions, the three types of institutions identified by Scott (1995), interact to shape firm behavior. These institutions are represented by labor laws, union power and sources of motivation respectively. We contend that strong unions combined with employee relations characterized by a desire of workers to take individual pride in their work in Argentina caused this firm to empower individual workers. The original lean production program designed by this company in France empowered teams, not individuals. Despite the fact that labor laws increase substantively the cost of terminating workers in Argentina, the power of the unions to prevent terminations caused these laws to have no real impact on the adaptation of this best practice in this country. In Brazil we argue that a weak union, labor laws promoting employee turnover and employee relations characterized by a desire of individuals to receive promotions that led to higher salaries caused this division of Danone to maintain its original organizational structure and forgo the creation of teams and worker empowerment. Nevertheless, it gave workers the previously unavailable opportunity of being promoted to managerial positions.

This article argues that the VoCA is the appropriate theory for conducting this type of comparative study because it identifies a critical set of variables that can be examined in a fine-grain manner. Only by examining institutions in this manner, we argue, can scholars effectively demonstrate the impact of institutions on the transferal of best practices. We also believe that our study demonstrates that best practices transferred from the developed world to emerging markets do not have to have high degrees of fidelity and extensiveness to be effective. We also assert that the ability of an MNC to adapt best practices is related to its management style.

## 2. The adaptation of best practices

The ability of an MNC to effectively transfer a best practice to another country depends on the nature of the practice itself. Some of them are "stickier", so harder to transfer, than others because they rely more heavily on a certain set of institutions (Jensen and Szulanski, 2004; Szulanski, 1996). However, best practices can be designed to be less sticky and more adaptable to different contexts (Ansari et al., 2014; Ferner et al., 2012). They can also be reconfigured to incorporate new meanings from a new setting (Ansari et al., 2010). Best practices should to be general enough to be able to be transferred to radically different institutional contexts, while at the same time specific enough to preserve the core idea. When adapting best practices MNCs have to ensure that the overall meaning of the practice is not dramatically changed in order to guarantee that its potential benefits can be realized. If the original idea is not transferred intact, a best practice can lose its significance. Although the concept of stickiness helps scholars understand why best practices sometimes have to be adapted, work on this topic has yet to demonstrate how a specific set of national institutions shape the stickiness of best practices and how they are adapted.

Best practices implemented in foreign subsidiaries differ from original ones in terms of their degrees of fidelity and extensiveness. The former term describes the extent to which it "resembles or deviates *in kind* from the features of the previous version" (Ansari et al., 2014: 1316), while the term extensiveness "assesses the *degree* of implementation" (Ansari et al., 2014: 1316). If the manner in which managers at a subsidiary interpret a best practice differs from the way it is interpreted at a company's headquarters, we should expect that it would have a low degree of fidelity to the original idea. For example, Friel (2003) points out that the manner in a lean production program was interpreted by managers at a U.S. subsidiary of a German company caused it to emphasize the flow of work and six sigma instead of the empowerment of workers to solve and diagnose problems with minimal managerial help as it was originally intended. An example of extensiveness is when German firms implemented only those parts of the Japanese form of work organization that fit with this country's industrial relations system (Jürgens, 2003). Until now the literature has focused only on the potential operational downsides of low degrees of fidelity and extensiveness. However, best practice can improve the operations of firms even if they differ radically from the original idea. The better suited a best practice is to a particular context, the more it can improve the operation of a subsidiary *in that context*. Indeed, the effectiveness of a best practice in any country may depend more on how well it is adapted to a local context than on how much it resembles the original one.

The ability of an MNC to effectively adapt a best practice to a host environment depends on the style of management of the company. Perlmutter (1969) delineates three management styles. The ethnocentric style is characterized by a company using the norms of their home country to control their subsidiaries, while the polycentric style is present when control is devolved to the subsidiary. The geocentric style exists when an MNC works with its subsidiaries to establish "universal standards and permissible local variations" (13). Executives at geocentric firms understand the benefits of best practices and provide local managers leeway in adapting them to the particularities of their institutional contexts. Nevertheless, the literature focuses on ethnocentric firms and the potential benefits to be derived from their ability to impose their will on their subsidiaries (Ferner et al., 2012; Gooris and Peeters, 2014; Kostova and Roth, 2002; Kostova et al., 2008; Oliver, 1991; Regnér and Edman, 2014; Wilkinson et al., 2008).

## 3. How institutions shape the adaptation of best practices

Despite the rise in interest in recent years in the manner in which institutions shape firm behavior, what institutions are and how they matter remains unclear (Hotho and Pedersen, 2012; Jackson and Deeg, 2008). Hotho and Pedersen (2012) contend that scholars in international business (IB) generally do not explicitly state what type of institutional theory underlies their work. They argue that these scholars generally rely on one of three institutionalist approaches, namely new institutional economics, new organizational institutionalism or comparative institutionalism. The first approach focuses on how the effectiveness of institutions shapes economic performance cross-nationally, while the second concentrates on organizational forms and questions of legitimacy within an organization. By contrast, scholars drawing on comparative institutionalism seek to explain intrinsic differences in socio-economic organizations across countries and examine how these differences shape the practices and structures of firms. Despite the importance of this last category for IB research, most scholars in this field use one of the first two approaches.

The field of organizational institutionalism focuses largely on questions of power and legitimacy. Ferner et al. (2012) emphasize the manner in which institutions within organizations shape power relations between the headquarters of MNCs and their subsidiaries, while Regnér and Edman (2014) examine how subsidiaries resist impositions from their headquarters. The work of Oliver (1991) encompasses both of these topics. Florian and Becker-Ritterspach (2006) contend that in order to better understand the process of knowledge integration into subsidiaries of MNCs, scholars need to examine not only how individual actors shape this process but also how they are shaped by it. Other scholars in IB concentrate on how the remoteness of subsidiaries from their headquarters shape the ability of the latter to control the former (Wilkinson et al., 2008; Gooris and Peeters, 2014). By focusing largely on power, these works overlook how institutions shape best practices beyond micro-political concerns.

Kostova and Roth (2002) coined the term institutional duality to describe the isomorphic pressures subsidiaries face from their headquarters and those originating from the institutional settings of the countries in which they operate. Kostova and Roth (2002) and Kostova et al. (2008) contend that larger MNCs in particular are relatively insulated from isomorphic pressures from their host environments. The fact that these firms operate in conflicting and often fragmented institutional environments is thought to provide them leverage in choosing the degree to which they adhere to any one of them. Although the works of Kostova and Roth (2002) and Kostova et al. (2008) claim to analyze national institutional contexts, they remain focused almost exclusively on organizational fields, power and legitimacy. All of these topics are part of new organizational institutionalism.

### 3.1. Moving beyond new organizational institutionalism: comparative institutionalism

Temple et al. (2006) contend that the literature in IB does not capture how national institutional frameworks of host countries impact the behavior of MNCs in general. This shortcoming can be explained by the fact that work in IB on national institutions relies primarily on new institutional economics (Hotho and Pedersen, 2012). One example of scholars using this approach is Khanna and his collaborators (Khanna et al., 2005; Khanna and Palepu, 1997, 2010). They argue that in emerging markets institutional voids in capital, labor, and product markets as well as strong labor laws and unpredictable governmental interventions in their economies increase the transaction costs of using the market, thereby causing firms to pursue vertical integration over the market. The focus of new institutional economics on the effectiveness of institutions limits its utility for objectively examining the impact of institutions on behavior. A best practice from a "strong" institutional environment such as one in the developed world would a priori be better than a version of it adapted to a "weak" institutional context in an emerging market.

By contrast, the comparative institutional approach compares institutions without evaluating them. Redding (2005) promotes the creation of theoretical frameworks to capture the impact of entire societies on firm behavior. However, he does not specify exactly what institutions should be compared. Although Scott (1995) does not compare countries, his work provides a means for comparing differences across them in the areas of regulative, normative and cognitive institutions. Differences between specific cognitive institutions in home and host countries can make best practices developed in the former difficult for managers in the latter to understand (Jensen and Szulanski, 2004; Kostova, 1999). Other difficulties can also arise from a practice being inconsistent with some regulatory and normative institutions (Jensen and Szulanski, 2004). D'Iribarne and Henry (2007) focus on the normative institution of Islam. They argue that conceptions of reciprocity, moral order, and honor in this religion enabled workers in Morocco to better understand total quality management, thereby facilitating its implementation. What remains unclear is which regulative, normative, and cognitive can serve as a basis for comparing societies.

Whitley (2001) focuses on financial systems, skill development and norms in work relations to create ideal types that identify different dominant forms of ownership across the developed world. Hall and Soskice (2001) construct a similar framework in the VoCA. They contend that institutions in the spheres of governance, industrial relations, training and education, inter-firm relations and employee relations coalesce to form two ideal types, namely liberal market economies (LMEs) and coordinated market economies (CMEs). The degree to which these institutions complement each other determines the strength of a country's comparative institutional advantage. The consonance between the five spheres mentioned above in LMEs is said to provide firms an advantage in radical innovation and mass production, while the correlation between them in CMEs provides companies advantages in incremental innovation and batch production. Nevertheless, Witt and Jackson (2016) find that firms derive advantages from conflictual logics instead of coherence. For example they contend that radical innovation in LMEs depends on coordinated employment relations, not market relations. At the same time, Hall and Thelen (2009) question the ability of scholars to simple deduce firm behavior from what are generally considered to be stable institutional configurations. They contend that institutions can become fragile and begin to change when they stop serving the interests of actors. The institutional arena described in the VoCA is simply more open than implied. In a similar vein other scholars have argued that this approach is too deterministic, treating actors as "institution takers" rather than autonomous individuals that can change institutions to suit their needs (Deeg and Jackson, 2007; Hanké et al., 2007; Morgan and Kristensen, 2006). Nevertheless, the actions of firms may continue to be limited by institutions, albeit in a broader manner. Friel (2011) has shown how firms can draw on past, recessive institutions to forge their own comparative institutional advantage.

According to Kuznetsov and Jacob (2015) the VoCA would predict that MNCs would choose the practices of their host countries over their own. Nevertheless, they question the need for companies to seek the "maximum fit with the prevailing institutional setup"

(9). In their study of German and British MNCs they found that subsidiaries of these firms combined parts from LMEs and CMEs. They contend that German subsidiaries in Britain adapted themselves more to the institutional context in that country than British subsidiaries did in Germany. Nevertheless, the work of Kuznetsov and Jacob (2015) does not provide details about institutions in these two countries. In their study of a Brazilian MNC operating in Canada Aguzzoli and Geary (2014) argue that the best practices that this firm transferred from the United States did not have to be substantively adapted to its subsidiary in Canada. Nevertheless, they contend that the Brazilian authoritarian management style complicated the implementation of some practices, in one case leading to 18 month-long strike. Geary et al. (2017) use the VoCA to examine how a Brazilian MNC transferred human resource practices to its subsidiaries in Canada, UK, Norway and Switzerland, arguing that this firm imposed a set of U.S. human resource practices on all four of these subsidiaries. As in the previous article, they also found that the assertive and unyielding Brazilian management style enabled the firm to overcome institutional constraints in these four host countries. Neither the work of Aguzzoli and Geary (2014) nor that of Geary et al. (2017) shed light on the impact of institutions from emerging markets on the transferal of best practices because both works cover the transferal of best practices developed in the United State to other advanced industrialized countries. Morevoer, only the work of Aguzzoli and Geary (2014) shows how minor adaptations were made to these practices. However, it does not link these adaptations to any specific institution. Apparently, the authoritarian management style of the Brazilian MNC enabled this firm to resist significant adaptations of the practices discussed. Nonetheless, the 18 month-long strike at this Brazilian MNC's facility in Canada described by Aguzzoli and Geary (2014) also highlights a potential drawback of the ethnocentric management style in adapting best practices. Although firms that have this management style may be successful in increasing the degree of fidelity and extensiveness of best practices in host countries, it is unclear that by doing so they actually increase the efficacy of organizational practices in their subsidiaries.

Jackson and Deeg (2008) argue that IB scholars would improve their understanding of the impact of institutions on firm behavior by abandoning the use of unidimensional institutional variables and pursuing fine-grained descriptions of them. Determining whether institutions are strong or weak does not enable scholars to understand how they shape the fidelity and extensiveness of adapted best practices. Work on the impact of institutions on the adaptation of best practices should be guided by clear descriptions of institutions that preferably are based, at least initially, on observations made by actors directly involved in this process. This article represents such a study.

## 4. Methodology

According to Edwards et al. (2011) scholars ideally want to examine how MNCs do similar things in different countries. This type of comparison is usually difficult to undertake even if it focuses on the same company in different countries because the degree to which different divisions of the same company rely on global sourcing varies considerably. Our study controls for this possibility because Danone's yogurt factories examined for this article are practically identical and rely almost entirely on local suppliers for the provision of their inputs. Both of them are located close to large urban centers. The factory of Danone in Argentina is located roughly 35 km from the city of Buenos Aires, while this company's factory in Brazil is situated in Poços de Caldas, a town that is roughly 250 km from the city of Sao Paulo. These two factories are the company's largest in Latin America and two of its largest in the world.

By focusing on the adaptation of the same lean production program at two divisions of the same company, we are also able to control for variables related not only to differences in programs but also to differences between industries and companies. We chose not to focus on more subsidiaries in order to be able to undertake a fine-grained analysis of the impact of institutions on the transferal of best practices. We can attribute any variance observed between the lean production programs adapted in each of these subsidiaries to institutional differences between these countries because we focus on only one MNC implementing the same best practice in similar factories producing the same product. This methodology enables us to control for the possibility that any variation observed did not result from difference in technologies or product lines.

Only a qualitative methodology enables scholars to understand differences between countries that have largely gone unstudied (Doz, 2011). The research undertaken for this article was guided by a case-based, qualitative methodology inspired by grounded theory (Glaser and Strauss, 1967) and the in-vivo approach (Andersen and Kragh, 2011). We used grounded theory "as a flexible orientation toward qualitative, inductive research that is open to innovation, rather than a 'cookbook'" (Gioia et al., 2013: 26). Our methodology draws on the in-vivo approach to the extent that we relied on an "articulated theoretical pre-understanding, which serves as the point of departure for initial data collection and preliminary analysis" (Andersen and Kragh, 2011: 152). Although neither of the authors of this article had previous knowledge about the concepts of fidelity and extensiveness, one of us had published an article exploring how the variables identified in the VoCA shaped the manner in which a lean production program was adapted by an MNC in the developed world. This same author published an article examining how an industrial district and a large firm in Argentina compensated for institutional difficulties in the five variables in the VoCA. Nevertheless, neither of the authors of this article knew about the substantive differences between labor laws and sources of motivation in Brazil and Argentina before our field work was conducted.

### 4.1. The interviewing process

Drawing on the work of Gioia et al. (2013) we focused on "how" questions in order to enable those interviewed to describe relationships between concepts. We relied extensively on face-to-face interviews because they are the best way to obtain information in emerging markets (Hoskisson et al., 2000). A total of 17 interviews were conducted. Four were undertaken in Paris, France, three were done in Sao Paulo, Brazil, and ten were undertaken in Buenos Aires, Argentina; see Annex 0 for a list of the people interviewed.

The majority of the interviews were conducted in Buenos Aires because Danone's headquarters for Latin America is located in that city. The first interview was conducted in Paris with Philippe Loïc Jacob, the General Secretary of Danone and a member of its board of directors. He recommended that we speak with the Vice President Human Resource Americas and the President Latin America at this company. Other contacts were also obtained using this same snowball sampling approach.

Interviews were conducted over a period of almost four years, starting in February of 2009 and ending in December 2012. All interviews were semi-structured and consisted of open-ended questions. They were conducted in Spanish, English, and French and generally lasted an hour and a half. Translators were not necessary because one of the authors speaks French and Spanish fluently and the other speaks Spanish and English fluently. As highlighted by Gibbert and Ruigrok (2010), we digitally recorded most interviews and transcribed them as a means for improving the reliability of our findings. Following the recommendations of Eisenhardt (1989) and Helper (2000), information derived from the interviews conducted was triangulated with that gathered from the company's website, other documents supplied by people interviewed as well as articles in newspapers.

### 4.2. Framing and coding

Before conducting the interview with Philippe Loïc Jacob, we decided that our study of Danone would focus on how institutions in Latin America shaped the policies of Danone in this region. The idea of focusing on Danone's best practices emerged out of this interview. At first we were indecisive about whether to focus on one or a multiple of best practices. We decided to focus only on this company's lean production program because in our interview with the President Latin America he mentioned that it was an important best practice that had been implemented in both countries (interview, March 23, 2010). Furthermore, one of us already had experience researching this topic. The next set of interviews was conducted with the Director of Social Affairs and Corporate Social Responsibility at the company's headquarters in France and key executives at its Latin American headquarters in Buenos Aires.[1] These executives were asked to describe the firm's philosophy of best practices, the manner in which the company's lean production program was adapted in Brazil and/or Argentina and how “environmental factors” in one or both of these countries shaped this process. We asked those interviewed about environmental factors instead of institutional ones because we believed that the latter concept was broader and more readily understood. Having broad concepts provides a more effective means of ensuring a wide variety of open responses. In these initial interviews we did not ask any questions about specific institutions.

After transcribing the interviews, both authors separately coded the data manually by creating different Microsoft Word documents in which headings were put above blocks of quotes and the notes taken immediately after the interviews were conducted. As mentioned by Shenton (2004), we used this software because it facilitates the ability of researchers to effectively search for terms within documents. To ease the processing of the information gathered all interviews were compiled into one document. Then the authors met to work out discrepancies in the open-coding process. Some of these discrepancies were resolved in the axial coding process. For example, one author coded some quotes about the underlying motivations of workers at both plants as examples of different work cultures, while the other author coded them largely as different sources of motivation. We chose different sources of motivation as the axial code because it is more specific. In a similar case one author used the heading of turnover to describe quotes about absenteeism, while the other used the term absenteeism. As in the previous case, the more precise axial code, namely absenteeism, was chosen. In those cases in which we had a number of quotes with the same open code, it became the axial code. For example, the word union appeared often in the interviews conducted and proved to be one of the most critical variables in shaping the adaptation of the lean production program at both facilities.

Taking into consideration the advice of Voss et al. (2002), we kept in mind the responses of the executives we interviewed at Danone's headquarters in Paris and Buenos Aires when we formulated questions for managers at the plant level. We began with Danone's factory in Argentina. They were asked the same open-ended questions that we had asked this company's executives before they responded to questions developed from the initial set of axial codes described above. We followed the same protocol for the interviews conducted at this company's factory in Brazil, albeit adding at the end questions related to the axial codes that had appeared in the previous interviews. For instance, no one interviewed at this company's facility in Brazil mentioned the importance of the unions in shaping the adaptation of Danone's lean production program. They were asked questions about these topics only after having responded to the open-ended questions. Some topics, such as the importance of motivation, emerged during interviews at both facilities without the person being interviewed having to be prompted. After all interviews were conducted, we combined the transcripts into one document. Then, each of us recoded the interviews again and met to resolve discrepancies; this coding process is illustrated in Fig. 1. We turned to the literature on institutions in IB and the VoCA literature only after this process was complete. It was at this moment that we decided that labor laws and sources of motivation could be coded as employee relations, one of the five variables in the VoCA. The code for union power was also changed to industrial relations.

## 5. The basic institutional context in Argentina and Brazil

The economic histories of Brazil and Argentina were relatively similar until the end of the liberalization period of the 1990s. While Argentina fell back into politically uncertain times after the crisis of 2001, Brazil witnessed political and economic stability (Fleury and Fleury, 2011), at least until the end of 2014. In general economies in Latin America are still characterized as having weak

[1] The Director of Institutional Relations at the company's Latin American headquarters was conducted at a later date because he was unavailable when the first interviews were conducted there.

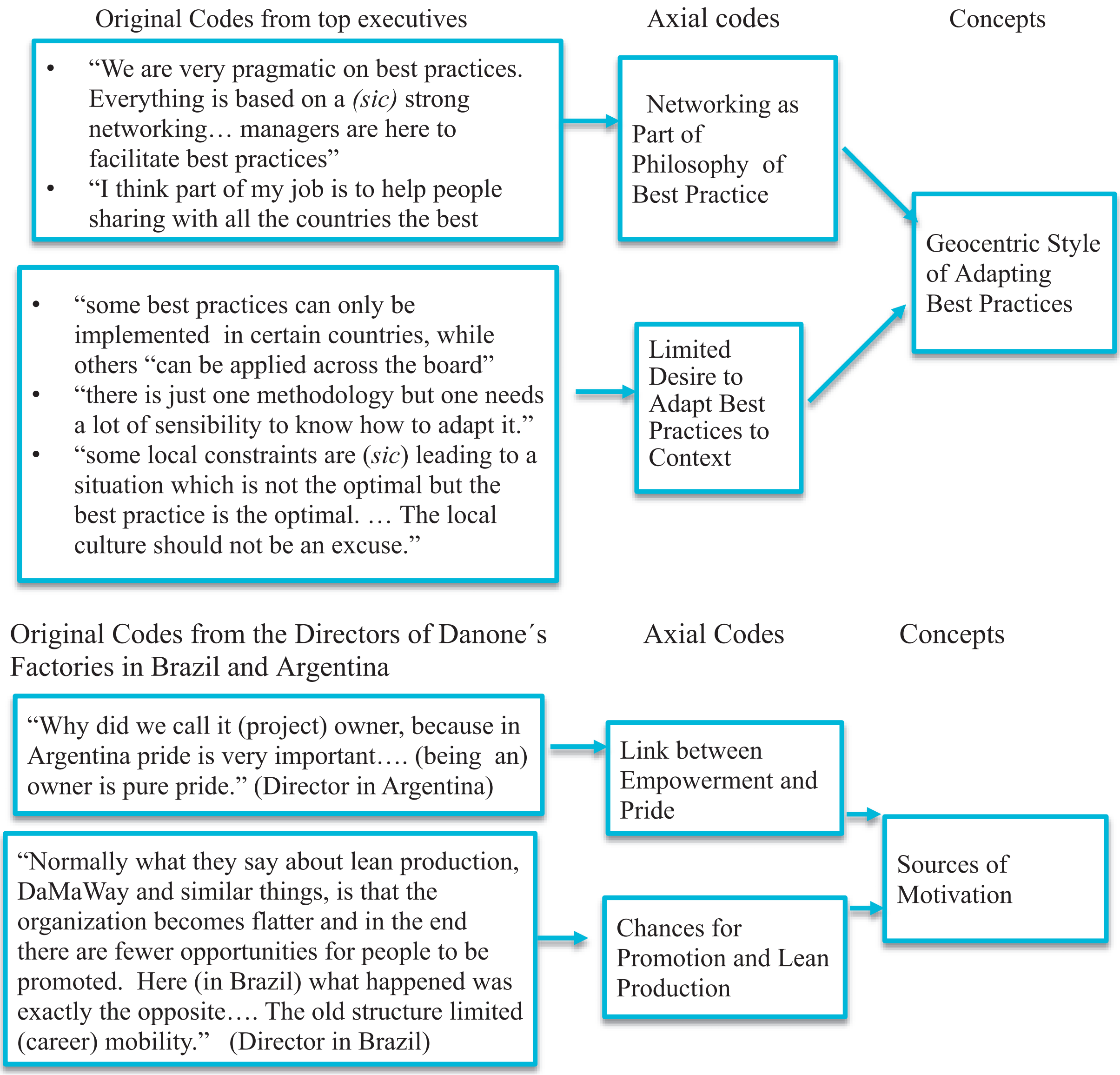


**Fig. 1.** The process for creating axial codes and concepts.

or missing formal institutions (Schneider, 2013). The next paragraph briefly describes governance, training and supplier relations in Argentina and Brazil. The other two variables in the VoCA, namely labor relations and employee relations, are discussed in the description of the cases.

Schneider (2007) argues that in Latin America political and economic volatility cause high levels of uncertainty, thereby undermining the operation of financial institutions and causing firms to rely on their own resources to finance their operations. In Argentina for example, there are only 93 companies listed on stock exchange. By comparison, 345 companies are listed on the Brazilian stock market (World Bank, 2016). Nevertheless, the Brazilian Development Bank remains an important source of financing for companies in that country. In 2011 it issued 72.4% of all corporate loans that had a maturity of more than three years (Pearson, 2012). The terms of these loans were superior to what firms could receive on the open market in Brazil. A similar development bank was disbanded in Argentina in the 1990s (Friel, 2011).

Even though Argentina and Brazil have skill regimes that extend to all levels, their coverage is shallow (Schneider, 2013). In Latin America educational attainment is on average six years, whereas in OECD countries this figure is 9.5 years (Vassolo et al., 2011). Workers employed on the informal labor market in Brazil, namely 40% of this country's workforce, have on average 6.4 years of education (Aguzzoli and Geary, 2014). By contrast, Argentina has led Latin America in terms of education. Technical education remains strong in this country, while increasing numbers of people participate in tertiary education (Schneider, 2013). Nevertheless, the closing of technical schools in the 1990s created significant problems for firms up until today, causing them to have to rely

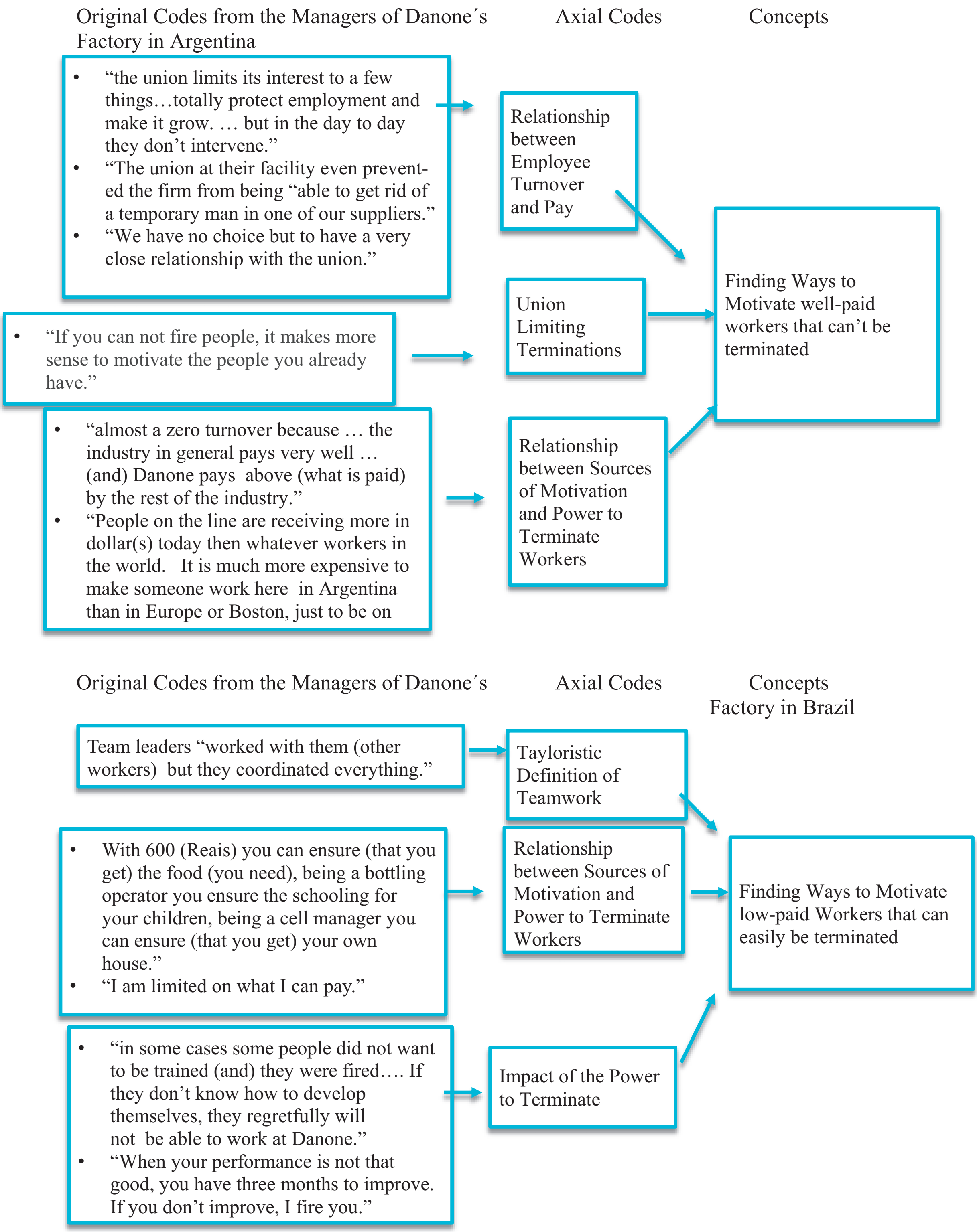


**Fig. 1.** (*continued*)

significantly on in-house training (Friel, 2011). Schneider (2013) argues that firms in Latin America operate in a “weak” legal environment, causing them to rely extensively on vertical integration.

## 6. Lean production and the transformation of production systems

Lean production programs are designed to improve the performance of manufacturing facilities by increasing the speed at which firms react to contingencies and reducing costs through the elimination of positions in middle management and the empowerment of workers. Lean production assigns workers to teams and empowers them to perform duties previously undertaken by managers, effectively reducing the division of labor and relying on workers to mutually coordinate their activities as much as possible. These teams generally take on the responsibility for an entire portion of the production process and are given duties ranging from organizing working hours to diagnosing and solving problems. Lean production requires firms to have committed and relatively skilled workers. They have to be committed so that they can be trusted to take on managerial tasks and they have to have the skills in order to take them on (Womack et al., 1990). Although Womack et al. (1990) argue that lean production can be implemented for any product in any country, they acknowledge that its effectiveness is undermined in institutional settings that promote high employee turnover. Friel (2005) contends that by limiting employee turnover, labor laws help create some of the proper conditions for lean production.

## 7. Danone and best practices

Danone is the leading maker of dairy products in the world and the second largest producer of water and baby nutrition. It is also a major producer of medical nutrition products. In 2014 dairy products made up 52% of its worldwide sales, followed by baby nutrition with 21%, waters with 20%, and medical nutrition with 7%. In 2014 this company had sales of 21.14 billion euros, 60% of which came from emerging markets. In this same year Danone had 99,927 employees worldwide, 27% of which worked in the Americas. In 2014 it operated 194 factories throughout the world, 33 of which were in Latin America. Brazil was the company's second largest market for dairy products in the Americas followed by Argentina (Danone, 2014). In 2010 roughly 1000 people worked at this company's subsidiary in Argentina, while around 600 people worked for its subsidiary in Brazil (interview, Vice President Human Resource Americas, September 20, 2010).

According to the Vice President Human Resource Americas, executives at Danone recognize that best practices often have to be adapted to fit the particularities of a country. They generally allow their subsidiaries to decide which best practices to implement because they believe local managers have the greatest knowledge about what works best in their countries. This vice president contends, “We are very pragmatic on best practices. Everything is based on a (*sic*) strong networking… managers are here to facilitate best practices” (interview, September 20, 2010). The Vice President of Finance, Latin America concurs. “I think part of my job is to help people sharing (*sic*) with all the countries the best practices I identify in a country” (interview, August 27, 2010). By contrast, a social innovation manager at Danone's Latin American headquarters contends that best practices are nothing more than inspirations and not specific ideas that have to be implemented (interview, February 3, 2011).

According to the President Latin America some best practices can only be implemented in certain countries, while others “can be applied across the board” (interview March 23, 2010). The Industrial Director of Danone's Factory in Brazil contends “there is just one methodology but one needs a lot of sensibility to know how to adapt it” (interview, December 7, 2012).[2] Some executives, such as the Vice President for Finance, Latin America, see any adaptation, even if necessary, as reducing the efficiency of a best practice. He argues that “some local constraints are leading to a situation which is not the optimal but the best practice is the optimal. … The local culture should not be an excuse” (interview, August 27, 2010). By contrast, the Industrial Director of Danone's factory in Argentina contends that adapting a best practice helps it to function better (February 9, 2011). Top management at this company insists that all of their factories implement some practices or explain why they cannot do so (interview, Vice President Human Resource Americas, September 20, 2010). Danone Manufacturing Way (DaMaWay), a lean production program designed by engineers at this company's facilities in France in 2003, is one such practice. It entails the elimination of middle management and the empowerment of workers (Danone, 2010).

### *7.1. Institutions and adaptation of DaMaWay in Argentina*

The implementation of DaMaWay at Danone's factory in Argentina was initially resisted by workers. The company responded by renaming it “Proyecto Dueños” (Project Owners) and assigning individual workers the responsibility for maintaining, cleaning and making suggestions about the machines they were assigned (interview, Industrial Director, February 9, 2011). The idea was to “divide the plant into a lot of different parts and each person would be the owner of the part that they were given” (interview, Senior Human Relations Business Partner, September 20, 2010).[3] Some machines were divided into pieces in order to ensure that every worker had his or her own individual responsibility. The company provided workers the training needed to maintain the machine, or part thereof, that they were assigned (interview, Industrial Director, February 9, 2011).

Khanna (2014) contends that the way to motivate employees varies from country to country. According to the Industrial Director

[2] In Spanish the original quote was: “La metodología sí es una sola, pero ahí cabe mucha sensibilidad de saber adaptar eso.”
[3] In Spanish the original quote was: “dividir la planta en un montón de partes y que cada persona que sea dueño de la parte que tocaba.”

in Argentina, the team component of this program was dropped because managers at this subsidiary believed that workers in Argentina take pride in their individual work, not that which is done in groups. "Why did we call it (project) owner, because in Argentina pride is very important…. (being an) owner is pure pride".[4] To reinforce feelings of individual pride, a picture of the person responsible for a machine, or a part of it, was placed above his or her workplace. Managers at this factory knew that they could not motivate their workers through improved monetary compensation because any increase in salary would be attributed to the power of the union and not to the firm's desire to reward their employees (interview, Senior Human Relations Business Partner, September 20, 2010).

Although Schneider (2013) contends that unions in Latin America are weak, Etchemendy and Collier (2007) point out that unions in Argentina have regained importance since the economic crisis of 2001 because they have been able to negotiate significant pay increases for their members. Unions in Argentina concentrate almost exclusively on obtaining higher wages for their workers and preventing terminations. They generally do not get involved in shop-room floor issues (Schneider, 2013). The Senior Human Relations Business Partner confirmed that the union at their facility in Argentina was not interested in these issues. It neither embraced nor resisted the empowerment of workers (interview, September 20, 2010). The Human Resources Director Argentina and Uruguay concurred: "the union limits its interest to a few things…totally protect employment and make it grow. … but in the day to day they don't intervene" (interview, June 25, 2010).[5]

Nevertheless, the union had considerable power. According to the Industrial Director, managers were aware that any attempt to fire any worker for practically any reason would be resisted by the union (interview, February 9, 2011). The union at their facility even prevented the firm from being "able to get rid of a temporary man in one of our suppliers" (interview, Vice President of Finance, Latin America, August 27, 2010). Directors at this factory are careful to avoid a possible strike because its factory processes 1.2 million L of milk per day. If milk is not processed quickly, it has to be discarded. The union's power was so strong that if the firm decided to further automate its operations, it would have to find new work in the factory for any displaced worker. "We have no choice but to have a very close relationship with the union" (interview, Senior Human Relations Business Partner, September 20, 2010).[6]

Although Argentine labor laws limit the desirability of firms to terminate workers by requiring them to pay an indemnity of one month's salary for every year a terminated employee has worked (Goldín, 1995), the power of the union to prohibit any dismissal caused this law to have little impact on the operation of Danone's factory (interview, Human Resource Director for Latin America, June 25, 2010). The union would simply not allow Danone to fire even a single worker even if it agreed to pay more than the indemnification required by Argentine labor law (interview, Director of Human Resources in Argentina, September 20, 2010). The Industrial Director believed that given these conditions the only means to improve the operation of this factory was to bolster the motivation of its workers by promoting feelings of belonging. "If you can not fire people, it makes more sense to motivate the people you already have" (interview, February 9, 2011).[7]

The Senior Human Relations partner contended that there was "almost a zero turnover (in this factory) because … the industry in general pays very well … (and) Danone pays above (what is paid) by the rest of the industry" (interview, September 20, 2010).[8] According to the Vice President of Finance, Latin America:

> People on the line are receiving more in dollar(s) today then whatever (sic) workers in the world. It is much more expensive to make someone work here in Argentina than in Europe or Boston, just to be on the line.
>
> (Interview, August 27, 2010)

The minimum salary of a worker in this factory in 2010 was 4500 pesos per month (US$ 1133 at that time), while that of a worker at one of its suppliers was 1400 pesos per month (US$ 353 US$). This difference in pay existed despite the fact that work at Danone was very basic. The ability of unions in Argentina to negotiate significant wage increases led to higher ranking workers receiving better salaries than their direct managers (interview, Human Resources Director, August 13, 2010). This "salary overlap" in Argentina has increased the power of unions and their membership, while also causing the motivation of mangers to decline (Pernas, 2012). Consequently, firms in Argentina cannot motivate workers with promises of promotions to managerial posts (interview, Director of Human Resources for Latin America, December 13, 2011).

### *7.2. Institutions and DaMaWay in Brazil*

In Brazil the adaptation of DaMaWay did not lead to workers being turned into "owners" nor did it cause the elimination of positions in middle management.

Normally what they say about lean production, DaMaWay and similar things, is that the organization becomes flatter and in the end there are fewer opportunities for people to be promoted. "Here what happened was exactly the opposite…. The old structure limited (career) mobility" (interview, Industrial Director in Brazil, December 7, 2012).[9]

[4] In Spanish the original quote was: "por qué llamamos dueño porque en argentina orgullo es muy importante… dueño es orgullo puro".

[5] In Spanish the original quote was: "el gremio limita sus intereses a pocas cosas…. absolutamente proteger el empleo y hacerlo crecer… Pero en el día a día no interviene."

[6] In Spanish the original quote was: "No tenemos otra forma que tener una relación muy estrecha con el sindicato."

[7] The original quote in Spanish was: "Si no podés terminar a nadie, tiene más sentido motivar a la gente que ya tenés."

[8] In Spanish the original quote was: "Casi cero rotación porque … la industria en general paga muy bien y … Danone paga más arriba que el resto de la industria."

[9] In Spanish the original quote was: "Pero normalmente lo que se dice del lean production, el DaMaWay y todo eso es que la organización se queda más plana y que

Although teams were created, the hierarchical structure remained unchanged. Team leaders “worked with them (other workers) but they coordinated everything” (interview, Human Resource manager, December 7).[10] Instead of eliminating positions in middle management, DaMaWay introduced the possibility that workers for the first time could be promoted to managerial positions (interview, Industrial Director, December 7, 2012).

In order to qualify for a position as team leader, a worker had to learn a variety of skills by attending classes offered by the firm. Although these classes were paid by Danone, workers that sought this promotion had to stay 3 or 4 h a day for five days a week after working an eight-hour shift in order to receive training in electricity, mechanical repairs and food preparation. Ten percent of the workforce at any time received this training and positions for team leaders generally opened every three months (interview, Human Resource Manager, December 7, 2012). However, this training was in the end almost obligatory. The Industrial Director at this facility contended, “in some cases some people did not want to be trained (and) they were fired…. If they don't know how to develop themselves, they regretfully will not be able to work at Danone” (interview, Human Resource Manager, December 7, 2012).[11]

Nevertheless, the prospect for promotion was also an important source of motivation. According to a human resource manager, entry-level workers at this factory often came from humble backgrounds and had never thought that they would be able to have a career. The significant increases in salary that accompanied promotions were also an important motivating force for workers to seek promotions. While an entry-level worker made roughly 600 Reais per month at the end of 2012 (approximately US$ 300 at that time), his or her salary doubled by being promoted to the next highest position. A worker could receive as much as 6000 Reais per month (roughly US$ 3000 at that time) if he or she reached the highest managerial position open to him or her.[12] These increases in salary had dramatic impacts on people's lives.

With 600 (Reais) you can ensure (that you get) the food (you need), being a bottling operator you ensure the schooling for your children, being a cell manager you can ensure (that you get) your own house (interview, Human Resource Director, December 7, 2012).[13]

Workers were also motivated by year-end bonuses for team performance of up to a month's salary. The desire of workers to receive this bonus caused some of them to complain about the performance of other team members. A few of them even asked the firm to fire underperforming members of their teams (interview, Human Resource Manager, December 7, 2012).

According to a Human Resource Manager, Danone did not hesitate to fire people that were not performing. Employee turnover at this factory was between 16% and 18% per year, the vast majority of which occurred with people in their first year of employment with the company. Yet, managers at Danone were not concerned by this level of employee turnover. It was partially attributed to the fact that Poços, the town where Danone's factory is located, had almost zero unemployment. At the same time the company would not increase the salary of workers. A human resource manager contended, “I am limited on what I can pay”.[14] Yet she doubted the quality of the majority of workers she hired. Most of the people terminated lost their jobs for poor performance. “When your performance is not that good, you have three months to improve. If you don't improve, I fire you” (interview, December 7, 2012).[15]

Although the union agreed to the implementation of DaMaWay because it believed it was good for the workers, it was not consulted for this or other operational matters and proved relatively ineffective in forcing the firm to retain workers or raise their salaries. The union did not even seek to limit terminations resulting from the introduction of new machinery (interview, Human Resource Manager, December 7, 2012). The inability of the union to shape policies at this factory is not surprising. According to Aguzzoli and Geary (2014) unions in Brazil are weak and fragmented in almost every sector except banking and public employment. When collective bargaining agreements exist, they rarely address the organization of work, focusing instead almost exclusively on working hours and wages. According to a human resource manager, the union at Danone only becomes involved in terminations under extreme circumstances such as harassment or drug use on the job. She claims that such cases are rare (interview, December 7, 2012).

Labor laws in Brazil stipulate the establishment of Severance Indemnity Funds for employees (Fundo de Garantia de Tempo de Servicio) as a means for compensating them in case of termination. It requires firms to make monthly contributions in the amount of 8% of an employee's salary to an escrow account in the person's name at the Federal Bank of Brazil (Caixa Economica Federal); this amount is roughly the same as one month's salary for every year worked. If a person is fired for any reason, he or she has the right to access this account. Alternatively, people can also access it after turning 70 years old, after not having had a job for more than three years or when they make a down payment on a house. If a worker is unjustly terminated, the company has to pay him or her an additional 40% of the amount of money in his or her account. People that change their jobs willingly do not get access to this account and funds from a new job are simply added to it (Ferrer and Riddell, 2012).

Although Schneider (2013) argues that labor laws in Brazil are strong but not enforced, they had a significant impact on employee turnover at Danone's facility in this country. Paradoxically, the nature of these laws caused employee turnover to be greater than it

(*footnote continued*)
en verdad hay menos oportunidades para la gente de subir. Aquí es exactamente lo contrario. … La estructura antigua dificulta más esa movilidad.”

[10] In Spanish the original quote was: “trabajaba con ellos, pero coordinaba todo.”

[11] In Spanish the original quote was: “Sí, en algunos casos algunas personas que no quisieron hacer la formación, fueron desvinculadas. …. Si no saben desenvolverse, lamentablemente no van a poder trabajar en Danone.”

[12] By comparision an average worker at Danone's factory in Argentina made three times the salary of the average Brazilian work in 2012 (interview, Vice President Human Resources Latin America, December 13, 2011).

[13] In Spanish the original quote was: “Con 600 vos te garantizás los alimentos, siendo operador de envase garantizás la escuela de tus hijos, siendo gerente de célula te vas a garantizar una casa propia.”

[14] In Spanish the original quote was: “Yo tengo unos límites para el pago.”

[15] In Spanish the original quote was: “Cuando el desempeño no es tan bueno tenés tres meses para mejorar. Si no mejorás, te echo.”

otherwise would have been. Instead of limiting turnover, they actually promoted it. Although the amount of money received by a terminated individual is roughly the same as in Argentina, the fact that the firm pays this money in advance means that it has no incentive not to fire an individual. Furthermore, the larger institutional context in which this law is embedded actually causes it to increase employee turnover. A human resources manager argued that lower paid workers at Danone sometimes asked to be fired so that they could access this money, because in 2012 they could relatively easily find a new job (interview, human resource manager, December 7, 2012). These accounts prove particularly important for the poor in countries like Brazil because normal banking institutions do not lend them money and loans on the black market can be prohibitively expensive. Since these workers generally lack any savings, even the smallest problem requiring additional funds can prove devastating if they do not obtain access to extra funds.

## 8. Findings and discussion

This article demonstrates how the differing nature of industrial and employee relations between Argentina and Brazil influenced the manner in which a lean production program was adapted by a French geocentric MNC at its factories in each of these countries. Despite differences in opinion with respect to the degree to which best practices should be adapted, top management allowed managers to have significant leeway in the degree of extensiveness and fidelity in implementing a lean production program in each of these countries. The program implemented in Argentina had low degrees of fidelity because it empowered individuals instead of teams. Nevertheless, it had a high degree of extensiveness because individuals replaced managers and were given the tasks normally assigned to teams. The version of DaMaWay implemented in Brazil had low degrees of fidelity and extensiveness because power continued to reside in the hands of managers and they continued to perform their usual duties even though teams were created. We argue that a powerful union effective at limiting employee turnover and negotiating significant wage increases for their workers in Argentina proved conducive to a program designed to empower workers and eliminate middle management because it enabled the firm to take advantage of the high salaries they had to pay their workers, while also firing middle managers that were difficult to motivate. Labor laws, an important component of employee relations, did not have a significant impact on the adaptation of this program in this country because unions prevented the termination of workers. We contend that another part of employee relations, namely sources of motivation deriving from the desire for individual pride, caused workers at Danone's facility in Argentina to reject the creation of the type of teams imagined in DaMaWay. In stark contrast, the motivation of workers to receive a promotion and the accompanying rise in salary in Brazil combined with labor laws that promoted employee turnover hindered the creation of teams that devolved power to workers. The lack of a strong union in Brazil is seen as reinforcing this hierarchical system because it did not provide other mechanisms for workers to receive increases in their salaries. In this sense, DaMaWay at this company's Brazilian subsidiary reinforced a hierarchical system, albeit while also opening managerial positions to workers. Fig. 2 summarizes our argument.

### *8.1. The varieties of capitalism approach and best practices in emerging markets*

Like the literature on institutional distance (Ghemawat, 2001; Kostova, 1999) and institutional voids (Khanna and Palepu, 1997; Khanna and Palepu, 2010; Khanna et al., 2005), the VoCA applied to Latin America by Schneider (2013) relies on general descriptions of institutions that do not capture important differences between Argentina and Brazil. We contend that only the type of fine-grained analysis described by Jackson and Deeg (2008) can expose these differences. For example, Schneider (2013) argues that both Argentina and Brazil have "strong" labor laws. However, we have shown that these the laws in these two countries differ substantively and that these differences have a significant impact on organizational practices. The fact that indemnity payments are made by the firm at the time of termination in Argentina serves to reduce employee turnover, whereby the fact that such payments in Brazil come from an escrow account established by the firm in the name of the employee actually promotes employee turnover when overall unemployment is low and the working poor have difficulty accessing credit. Hence, the saliency of variables in the VoCA is shaped by the broader institutional context.

We have also shown that source of motivation, a variable within the sphere of employment relations, is shaped by the larger institutional setting. The desire of workers at Danone's factory in Brazil to focus on obtaining a promotion to receive a higher salary is related not only to a weak union, but also to low unemployment and significant wage differentials between workers and managers within the Brazilian economy. The fact that workers in Argentina were motivated by the desire to have pride in their work is related to a low level of wage differential between workers and managers and a strong union that was successful at obtaining significant raises for its members.

If these factors change in either Brazil or Argentina, the source of motivation is also likely to change. Some scholars argue that VoCA cannot account for institutional change because it neglects how actors actively seek to maintain or undermine existing institutions (Deeg and Jackson, 2007; Hall and Thelen, 2009; Hanké et al., 2007; Morgan and Kristensen, 2006). However, work still needs to be done on how institutions beyond those described in this approach shape the nature the five institutions in it. Perhaps institutional change in these variables is related more to alternations in other institutions than to attempts by actors to change them. As concerns the latter, change may actually result from actors seeking to introduce new ideas into existing organizational structures, rather than conscious efforts to undermine specific institutions.

**Proposition 1a.** *The impact of any institution on the adaptation of best practices is mediated by the larger socio-economic context.*

**Proposition 1b.** *Strong unions and limited wage differences between workers and managers cause firms to have to seek emotional means for motivating workers that are related to the larger cultural context.*

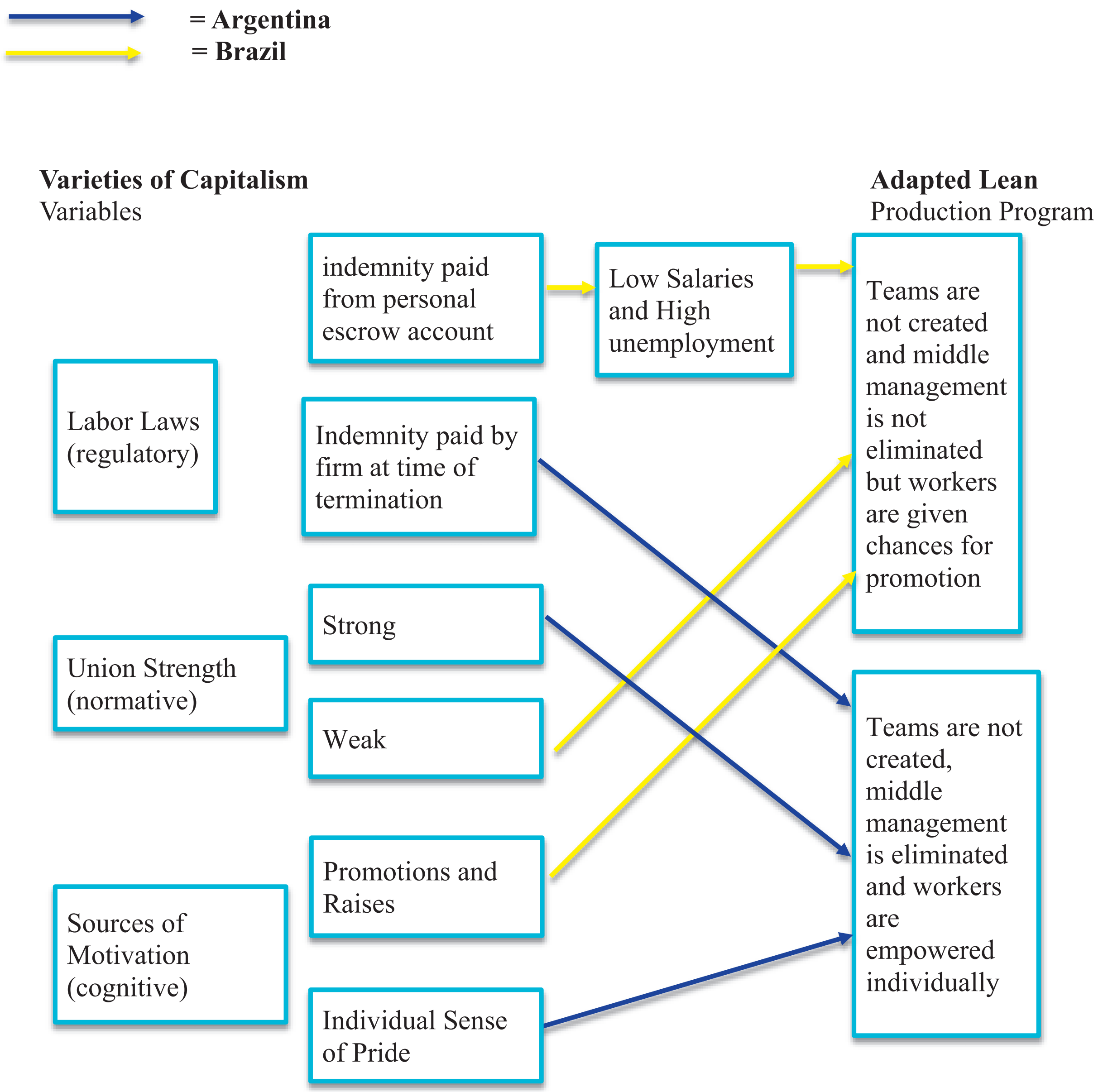


**Fig. 2.** Impact of institutions on the fidelity and extensiveness of best practices.

### 8.2. Implications for Scott's theory

The explanatory power of Scott's (1995) theory of institutions may lie more in exploring the interrelations between the types of institutions he describes than in its utility of assigning them to categories. This article highlights the specific manner in which particular normative, cognitive and regulatory institutions together shape the adaptation of best practices, highlighting the interaction between them. We examine how examples of each of these institutions, namely labor laws (regulatory), unions (normative) and sources of motivation (cognitive), shaped how a lean production program was adapted in Brazil and Argentina. Labor laws in Brazil only proved important because the union was weak. By contrast, labor laws in Argentina were not important because unions did not permit terminations. At the same time, the cognitive institution studied, namely sources of motivation, seems to have been influenced by one or both of the other two variables in each of the countries studied. In the case of Argentina the pursuit of individual pride arguably surfaced as an important motiving force because unions had already secured workers a relatively good wage. In the case of Brazil, the desire for promotion was important to the firm only because workers did not have a strong union to secure them higher wages. In this case labor laws only proved important because unions were weak. In Argentina they proved unimportant because unions were strong.

Until now, work on the VoCA has emphasized the potential advantages of complementarities between institutions, neglecting issues of diversity, incoherence and change (Jackson and Deeg, 2008; Kuznetsov and Jacob, 2015; Morgan and Kristensen, 2006). Kuznetsov and Jacob (2015) suggest that MNCs are able to break a country's institutional complementarities. Our article contends that institutional complementarities may not be as strong as originally thought. Instead of complementarities, we propose the idea of predominance. In our study the normative institution of union strength predominated the institution of labor laws in Argentina because the union was strong. The cognitive institution of sources of motivation was predominated by union power in the Argentine case and labor laws and larger socioeconomic factors in the case of Brazil. Although Peng et al. (2008) contend that informal institutions such as culture underpin formal institutions and play a more important role in emerging markets, our study suggests the opposite. The informal institution of sources of motivation was shaped by a formal institution in each of our cases. In Argentina it was shaped by the power the union, while it Brazil it was shaped by the larger socio-economic context; the latter is a formal institution because it is determined by government policies. Furthermore, our findings caste doubt on assertions by scholars that contend that informal institutions serve as functional substitutes for weak formal institutions (Holms et al., 2013; Jackson and Deeg, 2008; Peng et al., 2008) because the find a variety of formal institutions underlying the informal institution of sources of motivation.

**Proposition 2a.** *The ability of regulatory institutions such as labor laws to shape the manner in which best practices are adapted depends on the strength of normative institutions such as union power.*

**Proposition 2b.** *Sources of motivation (an informal institution) are shaped by the formal institutions. Which formal institution has the most impact on the source of motivation in a particular society depends on which formal institution is stronger in that society.*

### *8.3. Fidelity, extensiveness and management styles*

At first glance, MNCs with an ethnocentric management style would seem to be able to derive the greatest benefits from best practices because they are willing to impose such practices on their subsidiaries, insuring that they are implemented with high degrees of fidelity and extensiveness. However, in cases in which a given best practice does not fit the institutional context of a given host country, a geocentric MNC is more effective at deriving benefits from it. Scholars studying the transferal of best practices need to examine their effectiveness within a national institutional context. Given the significant institutional differences between emerging markets and the developed world, geocentric MNCs will be more effective at deriving benefits from best practices than ethnocentric ones.

Although Womack et al. (1990) argue that lean production can be implemented for any product in any country, they acknowledge that its effectiveness is undermined in institutional settings that promote high employee turnover. Hence, our finding that the lean production program implemented in Brazil had a low degree of fidelity and extensiveness to the original program is not surprising given the variety of institutions the promoted employee turnover in that country. We hesitate to argue that either of the programs adapted in Argentina or Brazil were in the end lean production programs because neither implemented empowered teams, arguably the critical component of any lean production program. To an extent, best practices that are radically adapted in the way described herein, cease to be such.[16] In these cases best practices may serve more as an inspiration as mentioned by the Social Innovation Manager for Danone in Latin America (interview, February 3, 2011). This type of best practice inspires managers to rethink ways of doing things, potentially proving more useful than more specific practices that are not suited to a particular host country.

**Proposition 3.** *Geocentric MNCs from the developed world will be more successful than ethnocentric ones from these countries at deriving benefits from best practices implemented in emerging markets despite the fact the programs implemented by geocentric MNCs will have lower degrees of fidelity and extensiveness to the original practices.*

## 9. Conclusions

Knowledge about institutional contexts in emerging markets often proves more important for the profitability of MNCs operating in these countries than knowing how to improve production processes (Khanna, 2014; Khanna et al., 2005). This article contends that scholars and practitioners alike need to have fine-grained knowledge about institutional contexts in order to understand not only how they shape the manner in which best practices are adapted but also how firms work within them to bring about effective organizational change. A unidimensional description of labor laws and unions would not have captured the differing impact these institutions had on the adaptation of best practices in our cases. Manhke et al. (2012) argue that the character of an MNC's regional headquarters and its relations with its home office shape what occurs in a company's subsidiaries. We cannot rule out the possibility that these factors along with the fact that this company's factories in Brazil and Argentina are two of its largest in the world influenced the leeway Danone's factories in these countries had in adapting DaMaWay. We can also not dismiss the possibility that micropolitcs could have influenced the degree of latitude given to these subsidiaries in adapting this program.

Drawing on Tsang and Williams (2012) our article makes contextual generalizations and seeks to inspire future research that will either refute them or serve as the basis for new theory. Specifically, we argue that the nature of union power and labor laws in a country will shape how people are motivated and thereby the manner in which best practices can be effectively adapted. Future research could explore this relationship in two other neighboring countries in other emerging markets regions such as Africa and Asia

[16] I would like to thank one of the blind reviewers for highlighting this possibility.

by examining the adaptation of best practices from the developed world. We would expect significant, yet fine-grained, differences in these institutions to cause best practices to be adapted in radically different ways. Emerging markets, we contend, are significantly different than what has previously been imagined. Future research could also examine the manner in which best practices brought by an MNC from an emerging market was adapted to two neighboring countries in the developed world. The countries would preferably both be CMEs or LMEs. Future research could also examine whether ethnocentric MNCs are more successful than geocentric ones in countries that are not institutionally distant from their home country.

VoCA has been criticized for overemphasizing institutional complementarities (Jackson and Deeg, 2008; Kuznetsov and Jacob, 2015; Morgan and Kristensen, 2006). We concur with this criticism, arguing that the predomination of one institution over others may be more important in shaping the behavior of firms than institutional complementarities. Despite the contentions of Hall and Soskice (2001) to have developed a firm-based approach, the VoCA has also been criticized for being too deterministic, deducing firm behavior from institutional configurations instead of actually studying it (Deeg and Jackson, 2007; Hanké et al., 2007; Morgan and Kristensen, 2006). Kuznetsov and Jacob (2015) argue that the impact of national institutions on the organizational behavior of firms has been overstated. They contend that the VoCA provides a valid description of institutions at the macro level but fall short in helping scholars understand firm behavior at the micro level. In contrast, we claim that only MNCs with an ethnocentric management style actively seek to ignore the institutions of their host countries. Multinational corporations with a geocentric style are interested in understanding how to adapt to them. Existing studies have generally failed to specify what type of MNC is being studied, creating generations that should only apply to a limited set of MNCs. Moreover, current research has concentrated on exploring how firms attempt to change institutions (Deeg and Jackson, 2007; Hall and Thelen, 2009; Hanké et al., 2007; Morgan and Kristensen, 2006), largely neglecting how they work within them (Friel, 2011). In the end, such work may be the real source of institutional change in the long run. Institutions are a set of resources on which firms can build in order to improve their performance, not something that necessarily has to be changed in order to make firms more effective. Best practices such as lean production may indeed work in emerging markets. However, they are perhaps successful in ways that have previously not been imagined and been shaped by institutions in ways that still need to be further explored.

## Annex 1. People interviewed

| Title of the person interviewed | Date of interview | Place interviewed | Language of the interview |
|---|---|---|---|
| General Secretary | February 11, 2009 | Paris, France | English |
| Director General/President Latin America | March 23, 2010 | Buenos Aires, Argentina | English |
| Director of Social Affairs and Corporate Social Responsibility | June 9, 2010 | Paris, France | French |
| Human Resources Director, Argentina and Uruguay (first one) | June 25, 2010 | Buenos Aires, Argentina | Spanish |
| Human Resources Director, Argentina and Uruguay (first one) | August 13, 2010 | Buenos Aires, Argentina | Spanish |
| Vice President of Finance, Latin America | August 27, 2010 | Buenos Aires, Argentina | English |
| Senior Human Relations Business Partner | September 20, 2010 | Buenos Aires, Argentina | Spanish |
| Vice President Human Resource Americas | September 20, 2010 | Buenos Aires, Argentina | English |
| Director of Supply Chain Quality for Fresh Dairy Products | November 16, 2010 | Paris, France | French |
| Social Innovation Manager | February 3, 2011 | Buenos Aires, Argentina | Spanish |
| Industrial Director of Danone's Factory in Argentina (first one) | February 9, 2011 | Buenos Aires, Argentina | Spanish |
| Director of Institutional Relations | November 5, 2012 | Buenos Aires, Argentina | Spanish |
| Human Resources Director, Brazil | December 7, 2012 | Sao Paulo, Brazil | Spanish |
| Human Resource Manager | December 7, 2012 | Sao Paulo, Brazil | Spanish |
| Industrial Director of Danone's Factory in Brazil | December 7, 2012 | Sao Paulo, Brazil | Spanish |
| Industrial Director of Danone's Factory in Argentina (second one) | December 13, 2012 | Buenos Aires, Argentina | Spanish |
| Vice President Human Resources Latin America (second one) | December 13, 2012 | Buenos Aires, Argentina | Spanish |

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