Situated between headquarters and local environment: local managers' scope for action in training activities

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Abstract

Purpose – The purpose of this paper is to explore the scope for action of local human resource managers, who are employed in foreign subsidiaries of multinational companies (MNCs), for implementing training activities. These managers are situated in relationships to headquarters and the local environment. Related to this is the question whether MNCs contribute to the local skill base by implementing training activities or whether they exploit the existing skill formation system.

Design/methodology/approach – This study focusses on German subsidiaries of MNCs with headquarters in the USA and the UK, France, China and Japan. The study is based on 107 expert interviews with subsidiary managers and representatives of local stakeholder organisations, such as educational organisations, chambers, economic promotion agencies and governmental bodies in Germany.

Findings – The study reveals that headquarters introduce general schemes for training. In addition to these MNC-internal trainings, local managers use their information advantage over headquarters to implement dual training activities.

Research limitations/implications – The training activities of subsidiaries are dependent on the institutional settings of the host country.

Practical implications – Albeit dual training activities are laborious and tie the local managers down for the medium and long term, the future need of the subsidiary for adequately skilled workforce prompts local managers' engagement in implementing dual training activities.

Social implications – Subsidiaries contribute to the local skill base and do not act in a free-rider position, at least in the German variety of capitalism.

Originality/value – The study deepens insights on distanced relations within and how subsidiaries generate scope for action by using this kind of relationships.

Keywords Skills, Human resource management, Vocational education and training,
Multinational company, International strategy, Local management

Paper type Research paper

1. Introduction

Local managers employed in international subsidiaries of multinational companies (MNCs) have some, however limited, scope for action. This scope depends on headquarters' control (Dörrenbächer and Gammelgaard, 2011; Dörrenbächer *et al.*, 2021a; Kristiansen and Schweizer, 2022). In addition, the local environment limits the elbowroom of the subsidiary managers, for example, by institutional settings and local actors (Becker-Ritterspach *et al.*, 2017; Gammelgaard and Kumar, 2023; Hutzschenreuter *et al.*, 2016). Situated between headquarters and the local environment, local managers act in a field of different demands and requirements from two sides. However, they can use their "in-betweenness" to gain increased freedom from the influence of top management in headquarters (Dörrenbächer and Gammelgaard, 2011; Dörrenbächer *et al.*, 2021a; Dörrenbächer *et al.*, 2021b).

How this situation presents itself in human resource (HR) management, and particularly in the case of recruiting, vocational education and training and further training activities, is an exciting question. On the one hand, studies on international business (IB) provide evidence for top-down processes from headquarters and thereby show increasing central control through standardised schemes and harmonisation efforts in the MNC (Dörrenbächer *et al.*, 2021a; Krzywdzinski and Jo, 2022). On the other hand, these findings of IB studies contradict outcomes of interdisciplinary studies on vocational education, showing that it is the task of local HR managers to procure and develop a skilled workforce; related decision-making in MNCs' worldwide subsidiaries is largely decentralised (Fuchs, 2022; Gessler, 2016; Li and Pilz, 2023; Wiemann, 2022).

The following addresses this contradiction and analyses how foreign MNCs organise their training activities in relation to headquarters and the local environment. The aim of this paper is to explore these fields of conflict and to analyse how local managers use their scope for action to extend the local skill base by implementing training activities. The focus is on HR managers in foreign subsidiaries located in Germany, with headquarters in the USA, the UK, France, Japan and China (see Section 3). In Germany, initial vocational education and training, which follows on from attending general school, usually takes place in multi-annual coordinated programmes. These programmes systematically combine, in a commonly called "dual" mode, comprehensive practical training processes in companies on the one hand, and teaching in vocational schools, vocational colleges and universities of applied sciences on the other hand (Pilz and Wiemann, 2021, p. 95). The apprentices and students, who have successfully completed dual vocational education and training, have comprehensive competencies that are practically useful for the work processes in the companies (Pilz and Fürstenau, 2019).

Local HR managers of foreign subsidiaries in Germany can benefit from this kind of dual skill formation system, for example, in the fact that they are able to employ people from the labour market who are already skilled through training activities to which other companies have contributed. This could be considered as a free-rider position. Alternatively, the local HR managers can actively implement dual and non-dual training activities and thereby contribute to the local skill base (Wiemann, 2022). Until now, it was largely unknown if and how they are involved in a dual skill formation system (Meuer *et al.*, 2019; Muehlemann, 2014; Muller, 1998). This paper contributes to literature in IB and economic geography on local HR managers between headquarters and the local setting and thereby investigates the empirical research gap on their engagement in local training activities.

The following Section 2 explains headquarters and local contexts of the subsidiary, particularly by seizing on literature in IB, economic geography and interdisciplinary research on vocational education. Section 3 specifies the research design and the method.

The results in Section 4 illustrate how this "in-betweenness" of local HR managers allows them to define their scope for action. The final Section 5 elaborates on relevant factors influencing local HR managers' decisions and practices. Moreover, the section integrates the findings in literature and critically draws conclusions for the debate on headquarters–subsidiary relations and training activities.

2. Subsidiary situated between headquarters and local contexts

2.1 Headquarters' control and local managers' scope for action

Control of local managers by top management in headquarters and local managers' scope for action has attracted considerable attention in IB research (Becker-Ritterspach *et al.*, 2010; Dörrenbächer and Gammelgaard, 2011; Dörrenbächer *et al.*, 2021a; Kristiansen and Schweizer, 2022). The kind of control and the scope for action differs between MNCs and between the areas of activity within the MNC (Saka-Helmhout, 2011; Verbeke and Yuan, 2020). This nuanced view rejects crude notions of a communication model from sender to receiver and also rejects simplistic notions of top-down and bottom-up relations of information and power in MNCs and instead recognises the complex and subtle interaction and relations within MNCs (Bathelt *et al.*, 2018; Becker-Ritterspach *et al.*, 2010; Bjerregaard *et al.*, 2016; Forsgren and Yamin, 2023).

Over time, IB has developed a differentiated view on the topic and discovered a broad range between consciously decentralised tasks and internationally centralised control, thereby developing different patterns of internationalisation strategies (Pudelko and Harzing, 2007; Schneider, 1988), each with different kinds of international knowledge flows, coordination and cooperation in the MNC, to bridge the distance between headquarters and the subsidiaries (Dickmann and Müller-Camen, 2006).

Often, top management tries to implement standardised kinds of coordination, which generally reduce interpersonal cooperation, communication and mutual sense-making between headquarters and subsidiary. The intention of standardised coordination is to contribute to the smooth functioning of communication within a globally coherent company. Uniformly coordinated relations run along established organisational "pipelines" (Bathelt *et al.*, 2018, p. 1009).

However, such standardised relations can generate or increase "perceived distance" (or in a similar understanding: "psychic distance", Håkanson and Ambos, 2010, p. 196). This kind of distance emerges because of the lack of mutually shared knowledge and insufficient common understanding between the international partners. Perceived distance can create considerable problems, such as misinterpretations and uncoordinated processes (Bathelt *et al.*, 2018). It can lead to othering in MNCs; then, the person not only feels distance but perceives the other to be in an inferior position or considers the other as incompetent and not legitimised to make the decision (Fuchs and Schalljo, 2017). The friction in interpersonal relationships can, for instance, lead to higher costs, increase redundancies, reduce productivity and may even cause the investment to fail (Bathelt *et al.*, 2018).

Although such friction is not a direct result of factors such as different institutional systems, these institutional backgrounds play a role in the creation of perceived distance (Boschma, 2005). Top management has to deal with partners socialised in different skill formation systems. Hall and Soskice (2001, p. 1) explained that HR is one of the key factors for MNCs acting in different parts of the "varieties of capitalism". Skill formation systems vary internationally, for instance, regarding the actors involved and their coordination (Busemeyer and Trampusch, 2012). Variations furthermore exist within a skill formation system, for example, between companies of different size and age (Emmenegger *et al.*, 2019;

Wolf, 2021). In addition, the involvement of social partners, such as trade unions and employers' associations, plays a role in some countries. For instance, German law allows that workers elect works councils in their company. In companies where they are established (usually larger firms), they frequently have a positive impact on activities in vocational education and training for the employees (Dörrenbächer *et al.*, 2021b; Koch *et al.*, 2019; Wolf, 2017).

MNCs are involved with different skill formation systems where they have established their subsidiaries. Top management, on principle, can react to this situation in three ways and thereby shape these interactions. Firstly, top managers can meet the variety and related opaqueness by consciously assigning responsibility for decision-making and related processes to the local management; this decentralised solution has been described frequently for the international transfer of vocational education and training (Gessler, 2016; Vogelsang and Pilz, 2021). Secondly, top management can communicate with the various local HR managers and thereby improve their own insights about the situation in HR on international level and increase mutual understanding of the different HR managers internationally. This kind of combined top-down and bottom-up communication and coordination has been described as a geocentric learning strategy of MNCs (Pudelko and Harzing, 2007; Zaheer *et al.*, 2012). Thirdly, in contrast to such a laborious communication strategy, top management can pursue efforts to disseminate standardised schemes top-down in the MNCs. Recently, the latter has been an increasing trend in HR (Dörrenbächer *et al.*, 2021a). For instance, headquarters implement quality-assurance training measures to comply with internationally standardised technical and organisational requirements, and, moreover, to spread the values and principles of corporate ethics in the training activities that they implement in their worldwide subsidiaries (Dörrenbächer *et al.*, 2021a; Lahiff *et al.*, 2019; Wiemann, 2022). These processes of standardisation and harmonisation aim to contribute to MNC-wide transparency and consistency regarding the competencies of employees and therefore to the building of a globally coherent company.

However, generally top management is only partially successful in implementing top-down processes in this area (Dörrenbächer *et al.*, 2021a; Wiemann, 2022). Dörrenbächer *et al.* (2021a) revealed the scepticism of local managers against pressure imposed by such measures, for example, when top management conduct coercive comparisons that increase the pressure on the local HR managers and lead to fierce competition for posts and jobs. Measures implemented top-down run the risk of being perceived by local managers as inadequate and unnecessary (Forsgren and Hagström, 2007), causing them to try to broaden their room for action in their own way (Dörrenbächer *et al.*, 2021a; Dörrenbächer *et al.*, 2021b). By mindfully recognising how far they can go and by acknowledging the limits of their autonomy, local managers pre-empt any negative reaction from headquarters. Dörrenbächer and Gammelgaard (2011, p. 32) characterised this scope for action as skilful use of "micro-political bargaining power". Given this difficult situation, Forsgren and Yamin (2023, p. 501) recommended that it is necessary to seriously question the "ability of headquarters to manage the complicated internal and external processes in the different countries where they operate". The following therefore focusses on local managers in subsidiaries of MNCs.

2.2 Local human resource managers' relation to the environment surrounding the subsidiary

Local managers employed in foreign subsidiaries not only perceive distance to headquarters, as described above, but also perceive distance to the local environment of the

subsidiary. This distance, which not only relates to training and other HR matters but to various tasks of the subsidiary, has frequently been described as "liabilities of foreignness" and "outsidership" in host countries (An *et al.*, 2022; Johanson and Vahlne, 1977). Perceived distance can decrease over time; temporality plays an important role in the relation between the local management of a subsidiary and its environment. Generally, in later stages of subsidiary development, managers adapt to the local institutional settings, get involved in local actor networks and at least partially share the social values of the host country. This has been described as local embeddedness of the subsidiary (Cantwell *et al.*, 2010; Fuchs *et al.*, 2022; Johanson and Vahlne, 2009; Walcott and Liefner, 2017).

Particularly in earlier stages after the subsidiary has been established, "boundary spanners" can promote such adaptation and involvement (Bathelt *et al.*, 2018, p. 1011). Boundary spanners are international experts, frequently from headquarters or other subsidiaries, who encourage sense-making and who stimulate the exchange of expertise and experience between top management, local management and actors of the local environment. Boundary spanners are sometimes also locals who are able to promote mutual understanding across international borders (Finken and Pilz, 2023). Boundary spanners thus can turn a relation between the subsidiary and the local environment, which was formerly characterised by gaps of knowledge, into a relation of mutual understanding and smooth cooperation (Bathelt *et al.*, 2018). Then, the liabilities of foreignness and outsidership may, at least partially, be transformed into an asset when local managers use their "in-betweenness" consciously and balance between the requirements of headquarters and the local environment (An *et al.*, 2022).

How local managers contribute to processes of local embeddedness in foreign locations has been described for vocational education and training in MNCs with headquarters in Germany, Austria and Switzerland and subsidiaries especially in countries of the so-called Global South (Fuchs, 2022; Li and Pilz, 2023; Pilz and Wiemann, 2021; Wolf, 2021; Wiemann, 2022). Studies that have emerged in this field provide evidence of widely decentralised decision-making in MNCs with headquarters in German-speaking locations and generally limited activities in multi-annual dual vocational training in the foreign subsidiaries located in the South. There are some exceptions, particularly of large and prominent MNCs that build up centres for vocational training in their subsidiaries (Fuchs, 2022; Pilz and Wiemann, 2021; Wiemann, 2022). Generally, however, local managers perceive distance and complain about "institutional voids" (Becker-Ritterspach *et al.*, 2017, p. 187) in the regions of the Global South; this is also the case for those who principally see their role in boundary spanning (Fuchs, 2022; Li and Pilz, 2023; Wiemann and Fuchs, 2018). This implies that vocational education and training, which is part of a specific skill formation system such as in Germany, is difficult to transfer to other skill formation systems (Wiemann, 2022). In contrast, transfer activities are more successful if we shift the view from multi-annual dual vocational training to other kinds of (frequently shorter and specific) training activities that headquarters disseminate to the international subsidiaries (Wiemann, 2022).

In contrast to the considerable literature on North–South transfer activities, few studies exist on local HR managers of foreign subsidiaries that act, vice versa, in dually coordinated skill formation systems and thus in environments that are characterised by "institutional thickness" (Amin and Thrift, 1995, p. 91) of the local skill formation system (Fuchs *et al.*, 2021; Meuer *et al.*, 2019; Muehlemann, 2014; Muller, 1998). "Institutional thickness" (ibid) means, related to the German dual skill formation system, a framework that is highly differentiated and thus difficult to understand, and moreover, arduous when local managers

aspire to participation in dual training activities. The complexity is particularly evident in the case of dual cooperation with vocational schools on the level of intermediate skills. This educational path comprises sophisticated laws, rules and framework plans, defined learning contents, detailed descriptions of professions and standardised certificates (BIBB, 2017). If local managers decide to offer dual vocational education and training in coordination with vocational schools, they enter a formally structured field of actors that consists of employers' federations, chambers, trade unions and the national and federal state authorities. Dual cooperation for higher degrees, with vocational colleges and universities of applied sciences, is less defined. However, companies also need time and money for organising and implementing the training, and they have to invest in qualified training personnel, learning locations and training equipment (Pilz and Fürstenau, 2019). At the same time, the dual educational pathways enjoy a good reputation among firms and in the population. In Germany, around half of all graduates of general educational schools opt for dual vocational education and do not go to research-oriented universities. The majority of dual learners, about 1 million, are apprentices on intermediate skill level (vocational schools), and about 100,000 are students in vocational colleges and universities of applied sciences (BIBB, 2021). Evidently, the assets and challenges of the German dual skill formation system are difficult to understand for executives of MNCs with headquarters located where different skill formation systems prevail. Until now, there has been a research gap on how local HR managers in foreign subsidiaries in such an institutionally complex skill formation system interact with these local actors.

3. Design and method

The study focusses on local HR managers employed in MNCs with headquarters in the USA and the UK, France, China and Japan. The headquarters are located where skill formation systems exist that are different to each other and different from the German system. Although Germany uses a dually coordinated skill formation system, this study covers countries of origin with liberal (USA and UK), school-based (France), company-based (Japan) and state-administered (China) skill formation systems and thus includes the most frequent international types of skill formation systems (Pilz, 2016a, 2016b; Li and Pilz, 2023). This variety of different designs (Gerring, 2008) enabled the study to cover a range of relations between top HR management and local HR management. In this study, the term "local" does not specifically differentiate between impacts of the broader national surroundings (such as the skill formation system) and subnational-regional conditions. This is in line with recent notions that understand "local" as not defined by specific administrative boundaries but by social relations that develop within institutional frameworks (Bathelt et al., 2018; Boussebaa, 2021).

FDi Markets, a commercial online database of cross-border investments, served as a starting point for the selection of greenfield subsidiaries. The information was supplemented by further Web research. In addition, interview partners were asked for contacts to further interview partners to accomplish the study (snowball procedure). Because of the COVID-19 pandemic, it was difficult to contact interviewees and convince them to take part in an interview, making an extended time span for the interview stage necessary: the interviews took place from early 2021 to the end of 2022. To complete a sufficient number of interviews, the study did not select particular economic sectors. Some imbalances with regard to the countries of origin are because of the extremely difficult access to the contact persons. In total, the team, which consisted of two senior researchers and two junior researchers of economic geography and vocational education research, conducted 107 interviews. Thereof, 77 interviews were conducted in German subsidiaries of

MNCs. The interviewees were HR managers responsible for recruitment and training; in companies with specialised functions, the interviews usually included two to three interviewees to cover the existing range of tasks. In addition, the team conducted further 30 interviews with representatives of local educational organisations, chambers, business development agencies and governmental bodies. These interviews were conducted to complement the findings on the local environment. Table 1 shows the structure of the study. The direct and indirect quotations from the interview material, which are cited in the results section below, are numbered according to the order mentioned in the results section (see Appendix).

Interviews were carried out as video and audio conferences and lasted about 1 h. Core questions to the local HR managers covered recruitment, vocational education and training in different forms, decision-making and related reasons and relations with headquarters and local actors. The questions to the local actors related to their activities, or non-action, with regard to foreign MNC's training activities, their motives and their assessment of the consequences. The questionnaire was adapted according to the tasks and responsibilities of the interviewees. The interviews were completely transcribed and analysed using qualitative methods to adequately account for the specificity of the topic. Thereby, documentary methods were combined with more open interpretative approaches to interpret the transcripts (Soeffner, 2004). The direct quotations below have been translated from German to English.

No. of persons employed in the subsidiary / Subsidiary Country of origin	USA	UK	France	Japan	China	Sum
1–49	2	0	2	4	3	*11*
50–249	6	1	3	4	2	*16*
250–1,999	6	2	7	10	0	*25*
>= 2,000	10	2	9	3	1	*25*
Sum	*24*	*5*	*21*	*21*	*6*	*77*
Age of the subsidiary (years) / Subsidiary Country of origin	*USA*	*UK*	*France*	*Japan*	*China*	*Sum*
0–5	3	0	4	1	0	*8*
6–14	6	1	0	6	5	*18*
15+	15	4	17	14	1	*51*
Sum	*24*	*5*	*21*	*21*	*6*	*77*
Other organisations	*Vocational schools, universities of applied sciences*	*Chambers*	*Economic promotion agencies*	*Other*		*Sum*
Number of interviews	15	7	4	4		*30*

Table 1.
Structure of the study

Source: Authors' own work

4. Results: local managers situated between headquarters and the local environment

The following starts with the relation between headquarters and local management regarding general training activities within the MNC (Section 4.1). Then, the focus shifts towards local activities of subsidiaries in dual vocational education and training, that take place in subsidiaries in cooperation with vocational schools and with universities of applied sciences (Section 4.2). It must be mentioned that in principle, in addition to the MNC-internal training activities organised from headquarters, and the dual training activities, there are also various case- and task-specific training activities that occur only at the local level of the subsidiary; owing to their diversity and their specificity related to the local subsidiary requirements, these are not considered in the following.

4.1 Multinational company-internal training activities

4.1.1 Kind of multinational company-internal training activities. The results of our study show that headquarters frequently offer MNC-internal training activities to enable newly employed staff to solve technical and organisational problems and to master internationally standardised requirements. These initial training activities are usually short (some days or weeks) and introduce the employees to their work tasks. The activities comprise technical training on the characteristics of the products; for instance, how to install the products and how to put them into operation, how to maintain and repair them and training in handling customer problems. Most of the training is related to the production process and the process of service creation (I 1–I 3).

Furthermore, there are measures that contribute to conveying the values and principles of corporate ethics of the MNC. Frequently, these issues are not taught in extra courses; rather, the above mentioned technical, customer- and organisation-related training includes these dimensions (I 4–I 14). Some MNCs exceptionally offer travel for the employees to visit the home country of headquarters; there the learners not only gain specific expertise relevant for their work but also experience a taste of corporate ethic. Such travels also serve as a reward and show the esteem of the company for the employee. These results confirm recent studies revealing the tendency for headquarters' striving to implement standardised technical, organisational and social skills, including values and principles of corporate ethics (see Section 2.1; Dörrenbächer *et al.*, 2021a; Lahiff *et al.*, 2019; Wiemann, 2022).

4.1.2 Local managers' perception of their relationships to headquarters. The majority of the local HR managers explained that they would administer the above-mentioned central training programmes and did not complain explicitly about headquarters' control. However, 10 of the 77 interviews, which were conducted in the subsidiaries, showed clear distanced relations between local managers and headquarters. Local managers reported difficulties relating to standardised schemes for processes of recruitment and training that headquarters implement as frameworks in HR management, such as organisational measures and IT programmes, to increase the consistency and efficiency within the MNC. An interviewee from an MNC with headquarters in France illustrated the distance by saying (italic emphasis by the authors):

> Well, of course we have a corporate tool that comes from France. We use our e-learning courses, we use the applicant management system and yes, there are always action weeks that *are imported* from France. There are many specifications, such as guidelines, certain audits or certifications that we should carry out and yes, there are various projects that come from headquarters. (. . .) *But we rarely have direct contact with France*. (I 15)

Some interviewees also expressed that they felt overwhelmed by top-down approaches and criticised that these measures were not tailored to the local needs (I 14, I 16–I 18). For example, the interviewee from a subsidiary with headquarters in the UK described the distance by saying (italic emphasis by the authors):

> Human resource management is *stamped* from England, so that many things *come over from England*, such as processes. England (. . .) just says 'process is everything' (. . .), and we sometimes have so many internal processes that make life more difficult for us. (I 19)

Some interviewees reported that they had to collect data and transfer them to headquarters; however, they did not perceive any useful purpose for such reporting (I 12, I 20–I 22). Even more pronounced than the above quoted interviewee, an interviewee employed in an MNC with headquarters in France (I 21) described the poor match of top-down processes to the local needs, at least from his point of view (italic emphasis by the authors):

> Because sometimes, with some tools, it is just *a filling for* the international [imposed conditions]. Actually, you *don't get any high added value* from it. Or you *don't really stand behind* individual steps of this process. (. . .) They develop something–that is certainly not bad either, but then you really *have to squeeze yourself into it*. (. . .) These *headquarters are incredibly well staffed*, for example in the HR department. Then someone does it: employee surveys. One does it: a tool for appraisal interviews. (. . .) And there is always someone [who has time for this] *in this headquarters*. But me, *I am all in one*. Well, that means I have all these local tasks, which they have on different shoulders. I am only one person for me and that cannot work.

Although the interviews did not show fierce competition for posts and jobs as described in literature, which can be considered as an extreme case of pressure exerted by headquarters (see Section 2.1; Dörrenbächer *et al.*, 2021a), the findings indeed confirmed insights that local management sometimes perceives headquarters' top-down measures as inadequate and unnecessary (see Section 2.1; Dörrenbächer *et al.*, 2021a; Forsgren and Hagström, 2007). The interviews show processes of othering, a symptom that frequently appears in social relations in MNCs where persons from different countries of origin meet (Fuchs and Schalljo, 2017). An issue that contributes to this kind of distanced relation is that the local HR managers usually are socialised in the German institutional setting; in our study, only exceptionally and in early stages of the subsidiary, expats from headquarters sometimes are employed as "boundary spanners" (Bathelt *et al.*, 2018, p. 1011; Finken and Pilz, 2023). The insights on perceived distance and related friction support the findings of Dörrenbächer *et al.* (2021a, p. 648) who note that the standardisation observed in European MNCs promotes "an increasingly centralised and technocratic form of managerial control that is not free of 'functional stupidities' (. . .)".

Remarkably, the way local managers characterised their distanced relation to headquarters was similar regardless of where headquarters were located; the different countries of origin had little influence on the relations between subsidiary and headquarters in the context of training. This quite surprising insight shows that in this study, the perceived distance hardly goes along with othering and prejudices about the persons from particular nations, as frequently described in literature (Boussebaa, 2021; Fuchs and Schalljo, 2017). Rather, in our study spatial distance intersects with the perception of the hierarchy within the MNC (Boschma, 2005).

Our qualitative study only reveals one particular exception, where the country of origin shows some impact. Because of the company-based skill formation system and highly valued responsibility of the company for training activities in Japan (see Pilz, 2016a, 2016b), local managers in German subsidiaries, which are part of MNCs with headquarters in Japan, report on top managements' appreciation of their dual training activities (I 10, I 45, I, 46).

However, more restrictive attitudes of top management cannot be attributed to specific countries of origin. For instance, our study did not show that headquarters in liberal Anglophone systems, to which a high pressure on quick profits is frequently ascribed (see Pilz, 2016a, 2016b), exhibit a more restrictive attitude towards dual training activities than headquarters located in other skill formation systems. In sum, the country of origin generally has little impact in this regard.

4.2 Participation in dual training activities

The following illustrates that local HR managers use the distanced relation, which was described above, to comprehensively take part in the local dual skill formation system, if they perceive such dual activities as necessary for the development of the subsidiary. It also shows that participation in dual training activities takes place against obstacles generated by the dual skill formation system and by the distanced relations to headquarters but can evolve through local managers' scope for action.

4.2.1 Relation to the dual skill formation system. Practically, all local HR managers expressed the opinion that the German skill formation system poses laborious requirements, particularly relating to dual vocational education and training on the intermediate skill level and in cooperation with vocational schools. Interviewees stressed that the organisational expense and related requirements of time and cost for such training activities are extensive (e.g. I 3, I 5, I 6, I 23–I 27). Particularly, interviewees employed in young and small subsidiaries emphasised these challenges as inhibiting their participation in dual vocational education and training; however, those in mature and large subsidiaries also described difficulties. Planning uncertainties, which are always present in economic life, are an obstacle for dually coordinated activities, which require fixed commitments for several years in advance (e.g. I 1, I 3, I 28, I 29). The interviewees confirmed the general insight revealed by previous research that if the subsidiary has decided to participate in dual vocational education and training in cooperation with vocational schools, and accepts the laborious institutional requirements, it cannot do so in a reduced or slimmed-down manner but must accept the complete regulatory setting for skill formation on intermediate skill level (Greinert, 2007).

Besides the dual training activities in cooperation with vocational schools, there are dual training activities in cooperation with universities of applied sciences. This relation is less regulated; however, cooperation also requires medium- and long-term commitment for these dual training activities. Despite the obstacles generated by the dual educational pathways, managers of subsidiaries in mature stages and above a certain size (usually around 20–30 employees) see these challenges as less relevant compared to their notions on comprehensive needs of the subsidiary for skilled workers in the medium- and long-term perspective. Thus, they are willing to participate in dual training activities and implement related measures (e. g. I 14, I 22, I 30–I 33). Despite the considerable effort, local HR managers over time usually opt for participation in dual training activities.

4.2.2 Local managers' perception of their relations to headquarters. The laborious institutional setting in Germany contributes to difficult communication with headquarters. An interviewee from a company with headquarters in France (I 34) explained:

> Well, [in headquarters] there is often a lack of understanding for this dual vocational education and training that we offer here. They just don't know that, and it sometimes takes decades until you can explain it to them, until they understand that there is something different here, besides the university. Well, that is very unique, what we have here (. . .).

The interviewees consistently stressed that headquarters did not exercise detailed control, such as over the fine-grained organisation and the contents of training. Headquarters' focus is only on headcount control and on the general performance of the subsidiary, not how HR management contributes to achieving this goal in detail (I 7, 1 14, I 22, I 23, I 28, I 32, I 34–I 44). Typically, communication between local managers and headquarters is limited to local managers' reporting on facts and asking for headcount in the subsidiary. There is hardly any exchange of knowledge and experiences, interpersonal cooperation, familiarity and mutual sense-making. As described in the previous Subsection (4.1), also in this regard the relation to headquarters is characterised mainly by formal coordination and less by collegial-amicable interpersonal communication. Headquarters' unfamiliarity with the local skill formation system thus goes hand in hand with a distant relationship between headquarters and the local managers.

4.2.3 Enhanced scope for action. To maintain and appropriately use these distant relationships, local managers pursue foresighted communication with headquarters and anticipate any negative reaction from headquarters (see Section 2.1, Dörrenbächer and Gammelgaard, 2011). An interviewee of a machine building MNC with headquarters in the UK (I 30) expressed that "I am not pushing through these measures and this special focus on dual vocational education and training with a crowbar". He thus expresses that he does not think that it is wise to force these measures through.

Interviewees frequently expressed appreciation for headquarters' ignorance, because it allowed scope for action. At least from interviewees' point of view, even activities, that they concealed from top management, are useful and beneficial for the company, because they, as insiders, developed fitting solutions. If a subsidiary takes over a person who has been under contract as an apprentice before, headquarters usually do not see this as an external hire, but rather as an internal transfer (I 11, I 30, I 34, I 49). An interviewee in an MNC with headquarters in UK explained:

> Headquarters controls very, very strongly according to headcount and the like and imposes restrictions. The good thing is that apprentices, dual students and the like do not count in this headcount calculation. That gives us much, much more freedom in Germany, because we do not have to go through any complex approval processes and the like. So insofar as this strategy is to train more, that is entirely in our hands (. . .). (I 30)

The interviewees explained that headquarters' distance, and the generally decentralised mode of detailed control regarding the particular training activities, is a result of the heterogeneity of the MNC, which is embedded in various local contexts (I 1, I 2, I 4, I 12, I 22, I 30, I 31, I 38, I 50–I 52). An interviewee from an MNC with headquarters in France expressed that headquarters, in the view of the various local managers, will not "push that into micro-management" (I 15). Moreover, the interviewees justified their selective information strategy with headquarters by saying that neither headquarters nor other subsidiaries of the MNC would benefit from their local knowledge about the German skill formation system anyway, because of the uniqueness of the German settings. An interviewee from a pharmaceutical MNC with headquarters in the USA (I 37) explained the usefulness of having this autonomy, and thereby expressed the distanced relations by using "we" and "the other (side)", which again points to othering (see Fuchs and Schalljo, 2017; italic emphasis in the following quote by the authors):

> *We* simply have this training system, and it is just a completely different one. Well, *we* also find it interesting to see that system *on the other side*, how things are going in *other countries*. It is just that *they* cannot do it that way in *other countries* (. . .).

Hence, the interviewees generally described how they used their advantage in knowledge and familiarity with the local environment to generate opacity. They develop a camouflage tactic as condition for their dual training activities and thereby create micro-political bargaining power (see Dörrenbächer and Gammelgaard, 2011). The "multiple local environments" (Dörrenbächer and Gammelgaard, 2011, p. 33) of MNCs obstruct possible headquarters' control of the particularities of local training activities. The main motivation for local managers' engagement is, as they consistently agree, that dual training activities produce employees with useful skills that match the technical and organisational requirements of the subsidiary and, moreover, dual training activities generate loyal employees. These employees value their long-term belonging and trustful relation to the company. This attitude goes along with the interviewees' motivation to increase the reputation of the subsidiary on the labour market (I 4, I 10, I 35). All interviewees stress coincidently that they engage in dual skill formation to prevent bottlenecks of skilled labour in the medium and long term.

In addition, bargaining power of local managers benefits from the influence of German co-determination. If a subsidiary has a works council, the works council frequently supports the local manager's efforts for the approval of the intended headcount of apprentices against headquarters. Works councils also support those who have finished their apprenticeship in being taken on as employees of the company, which is also often in line with the intention of local HR managers (I 8, I 16, I 34, I 35, I 47, I 48).

Notably, little of the commitment of local managers to dual training activities results from targeted engagement of other local actors involved in vocational education in Germany. Vocational schools seldom specifically contact HR managers of foreign subsidiaries. Universities of applied sciences are generally more active in contacting companies, for example, through job fairs, but also not different from the way they address German companies (I 10, I 11, I 18). Members of economic promotion agencies and of chambers of industry and commerce consistently stressed that they indeed do react to particular questions from local managers of foreign subsidiaries; however, they do so in the same way as they react to questions from managers of companies in German ownership. They do not see foreign subsidiaries as a particular target group that requires specific attention (I 53–I 56). For example, an interviewee from a chamber expressed (I 53):

Well, if a company doesn't offer dual training yet, but would like to do so, and says dual training sounds exciting to me, I want to deal with it more closely, then we go to these companies and advise them, we will explain it. But of course, we only do that if the company is interested, so that they come to us and say yes, we would like to know a little more about it and if you can help us, then we will go out.

The interviewees from these regional stakeholder organisations expressed the opinion that local managers would learn over time, and that local knowledge about dual skill formation somehow would diffuse into the subsidiaries, as described by a member of a chamber (I 55):

Of course, (. . .) we have [the topic of dual training] in our portfolio (. . .). Of course, foreign companies will sooner or later realise that they have to do a little bit to secure their skilled workers and then automatically come to our responsible organisational units (. . .).

Only in exceptional cases of very large and prominent foreign direct investments do the local stakeholders actively approach the foreign subsidiary to encourage the local managers to adopt dual training activities (I 57, I 58). Then, investors often can use the advantages of public funding opportunities that, in turn, oblige them to make use of dual vocational education and training (I 19). However, usually local stakeholders do not target foreign investors in a different way to companies in German ownership (see Fuchs *et al.*, 2023).

5. Conclusions

This study confirmed the findings of IB studies that provide evidence of top-down processes from headquarters in HR. These processes are introduced to comply with internationally standardised technical and organisational requirements, and, moreover, to spread the values and principles of corporate ethics in the training activities. The study showed that these MNC-internal top-down training activities are considerable and should not be ignored in discussions about training activities in subsidiaries of foreign MNCs.

Moreover, the results showed that top managements' efforts aimed at standardising technical and organisational conditions in HR and training are increasing. Local managers perceive this, at least partially, as unwarranted central control and, in turn, practice (mostly subliminal) resistance and try to defend and expand their scope of action (Dörrenbächer *et al.*, 2021a; Krzywdzinski and Jo, 2022).

This study revealed that these top-down training measures are in line with outcomes of interdisciplinary studies on vocational education, which show that it is the task of local HR managers to procure and generate a skilled workforce, and that related decision-making is largely decentralised in MNCs' worldwide subsidiaries (Gessler, 2016; Li and Pilz, 2023; Wiemann, 2022). This contribution thus solved the apparent contradiction between research in IB and vocational education, which was mentioned in the introduction, by showing that the previously described top-down processes relate to training within the MNC, while the latter relate to activities in dual vocational education and training that occur in cooperation with vocational schools and universities of applied sciences in Germany. These differentiated findings contribute to clarity in the vivid conceptual discussion on the scope of action of local managers (Dörrenbächer and Gammelgaard, 2011; Dörrenbächer *et al.*, 2021a; Krzywdzinski and Jo, 2022) and their engagement in training activities (Fuchs, 2022; Li and Pilz, 2023; Pilz and Wiemann, 2021; Wolf, 2021; Wiemann, 2022).

By drawing on the empirically largely neglected field of dual vocational education and training activities in foreign subsidiaries located in German-speaking countries (Fuchs *et al.*, 2021; Meuer *et al.*, 2019; Muehlemann, 2014; Muller, 1998), the study showed that the managers interviewed perceive particular factors influencing their relationships to headquarters and to the local environment. These factors are relevant for implications on the theoretical-conceptual level:

- Firstly, when subsidiaries become older, they usually grow over time; the *age and the size of the subsidiary* influence their local embeddedness (Cantwell *et al.*, 2010; Johanson and Vahlne, 2009; Walcott and Liefner, 2017). If the subsidiary has reached a critical size and age, their resources, which they need for dual vocational education and training, increase. This motivates local HR managers to engage in dual vocational education and training.

- The second factor and, so to speak, the antagonist to the need for engagement in dual vocational education and training, is the *laborious German skill formation system* (see Busemeyer and Trampusch, 2012; Emmenegger *et al.*, 2019). It requires a lot of time and organisation, and thus costs, for the engagement in this institutional environment. However, this friction shifts to the background when the subsidiary has grown, and local HR managers see the need to employ a larger skilled workforce.

- Thirdly, such engagement goes along with a directly connected factor, namely, the *need of skilled labour* foreseeable in future, which cannot be covered simply by recruiting persons from the labour market (see Meuer *et al.*, 2019; Muehlemann, 2014; Muller, 1998). The loyalty of the workforce and reputation of the company as a

renowned employer is relevant in this kind of personnel development. It should be
mentioned that this is not only the case in domestic companies (see Pilz and
Fürstenau, 2019), but also in the case of foreign subsidiaries mentioned here.

- Fourthly, *corporate ethics* plays a (however minor) role here. Although it is relevant
  in top-down training measures to create coherence in the MNC, as described above,
  it is less relevant with regard to dual vocational education and training. The
  appreciation of top management rather works as an acknowledgement and
  reinforcement for local managers' routines, which they follow anyway.

- Fifth, another factor of minor relevance is *boundary spanning*. International experts
  only rarely act as boundary spanners and then for a limited period. Local managers,
  on their part, hardly engage in boundary spanning; they see their insider-knowledge
  of the local situation as an asset enabling them to maintain and expand their scope
  for action (see Finken and Pilz, 2023).

- Sixth, labour representation can play a role, if the subsidiary has a works council.
  Works councils and unions in Germany generally support local managers in their
  efforts to maintain and expand dual training activities (Dörrenbächer *et al.*, 2021b;
  Koch *et al.*, 2019; Wolf, 2017).

- Seventh, the *local actors, such as vocational schools, applied universities and
  chambers*, which are part of the German skill formation system, perform their task
  within the regulatory setting, but do not specifically address the local managers
  with regard to dual training activities.

These insights raise three major questions for research and that practitioners, who are
involved in vocational education and further training activities, may consider:

(1) Firstly, the question arises if, in principle, top management could benefit from
    MNC-wide geocentric learning strategies (Ietto-Gillies, 2023), which obviously
    hardly exist in this field. The remarkable perceived distance, that local managers
    described in the interviews, raises the question whether top managers in this
    regard possibly are failing in their job, if we consider the notion that "international
    management *is* management of distance" (Zaheer *et al.*, 2012, p. 19; emphasis
    Zaheer *et al.*). Local managers' evasive manoeuvres, othering practices and
    activities "behind the scenes" (Fuchs and Schalljo, 2017, p. 24) indicate that there
    are fields of hidden conflict (see Dörrenbächer and Gammelgaard, 2011;
    Kristiansen and Schweizer, 2022). Top managers might reflect on the question
    whether communication could be improved by mutual sense-making between the
    international partners, including training for the international training managers.

(2) Secondly, at the same time, it must be considered that local managers interviewed
    stated that there is limited need for their colleagues, who work in different skill
    formation systems, to receive information about the peculiarities of the German skill
    formation system and related practices. This speaks for the advantages of a
    decentralised mode of organisation in HR management (see Forsgren and Hagström,
    2007; Pudelko and Harzing, 2007). However, limited intervention by headquarters,
    and local scope for action, do not necessarily contradict the point that some activities
    aimed at improving the mutual understanding and communication within the MNC
    could overcome the previously described existing friction.

(3) Thirdly, it remains an open question if actors in the local environment, who do not
    specifically target local HR managers employed in foreign subsidiaries, are

following the best way in this regard. Although subsidiaries contribute to the local skill base and do not act in a free-rider position, the question appears if these local actors could consider to further improve the situation in local apprenticeships by deepening their contacts to local HR managers. This way of not being interested in foreign subsidiaries' embeddedness at least surprises from scientific perspective.

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Appendix

No. of the interview, according to the order mentioned in the paper	Economic subsector of the firm	Role interviewee	Country of origin	Participation German VET system? Yes/no
I 1	Electronics	1 General manager	France	No
I 2	Health care	2 HR specialists	USA	Yes
I 3	Industrial supply	1 General manager	Japan	No
I 4	Retail	1 HR specialist	France	Yes
I 5	Cosmetics	1 HR manager and 1 HR specialist	UK	No
I 6	Electronics	1 HR manager	Japan	No
I 7	IT	1 HR manager and 1 HR specialist	Japan	Yes
I 8	Finance	1 HR manager	Japan	Yes
I 9	Chemicals	1 HR specialist	Japan	No
I 10	Logistics	1 HR specialist	Japan	Yes
I 11	Machinery	1 HR specialist	Japan	Yes
I 12	Electronics	1 HR specialist	Japan	Yes
I 13	Consumer goods	1 HR specialist	USA	Yes
I 14	Automobile	1 HR specialist	USA	Yes
I 15	Logistics	1 HR manager and 1 HR specialist	France	Yes
I 16	Finance	1 HR manager	France	Yes
I 17	Machinery	2 HR specialists	USA	Yes
I 18	Media	1 HR specialist	USA	Yes
I 19	Machinery	1 HR manager	UK	Yes
I 20	Materials	1 HR specialist	France	Yes
I 21	Media	1 HR manager	France	Yes
I 22	Law	1 HR specialist	UK	No
I 23	Machinery	1 General manager	China	No
I 24	Chamber	–	–	–
I 25	Health care and consumer goods	1 HR specialist	USA	Yes
I 26	Machinery	1 HR specialist	Japan	No
I 27	Food	1 HR manager	USA	Yes
I 28	Real estate	1 HR manager	USA	No
I 29	Electronics	1 HR specialist	USA	No
I 30	Machinery	1 HR manager	UK	Yes
I 31	Food and beverage	1 HR specialist	France	Yes
I 32	Trade	1 HR specialist	Japan	Yes
I 33	Machinery components	1 HR specialist	France	Yes
I 34	Machinery components	1 HR specialist	France	Yes
I 35	Pharmaceuticals	1 HR specialist	USA	Yes
I 36	Automobile	1 HR specialist	France	Yes
I 37	Pharmaceuticals	1 HR specialist	USA	Yes
I 38	Media firm	1 General manager	France	Yes

Table A1.
List of interviews (only those that are quoted or mentioned in the paper)

(*continued*)

No. of the interview, according to the order mentioned in the paper	Economic subsector of the firm	Role interviewee	Country of origin	Participation German VET system? Yes/no	
I 39	Chemicals firm	1 HR specialist	USA	Yes	
I 40	Machinery	1 HR specialist	USA	No	
I 41	Machinery components	1 HR specialist	China	No	
I 42	Pharmaceuticals	2 HR specialists	USA	Yes	
I 43	Sports equipment	1 General manager	France	No	
I 44	Machinery components	1 HR specialist	Japan	Yes	
I 45	Electronics	1 HR specialist	Japan	Yes	
I 46	Tools	1 HR specialist	Japan	Yes	
I 47	Machinery components	2 HR specialists	Japan	Yes	
I 48	Hospitality	1 General manager and 1 HR specialist	France	Yes	
I 49	Energy	1 HR specialist	France	Yes	
I 50	Machinery components	1 HR specialist	China	No	
I 51	Media	1 HR Specialist	USA	Yes	
I 52	Energy	1 HR specialist	USA	Yes	
I 53	Chamber of City 1	–	–	–	–
I 54	Chamber of City 2	–	–	–	–
I 55	Chamber of City 3	–	–	–	–
I 56	Cluster network organisation	–	–	–	–
I 57	Economic Promotion Agency 1	–	–	–	–
I 58	Economic Promotion Agency 2	–	–	–	–

Source: Authors' own work

Table A1.

About the authors

Prof Martina Fuchs studied in Trier and Göttingen and did her doctorate on digitalisation and its effects on employment at the University of Frankfurt. She then worked for two years at the General/Euro Works Council of Volkswagen AG in Wolfsburg. In the 1990s, she completed her habilitation in Düsseldorf on employment in the economic crisis using the example of Mexico. Then, she held a substitute professorship at the Institute of Geography at the University of Cologne. After research projects at the INEF (Institute for Development and Peace) at the University of Duisburg, she received a call from the University of Lüneburg in 2002. Since 2004 she is working as a Professor and Head of Department at the Institute of Economic and Social Geography at the University of Cologne. Her teaching and research focus is on the global–local interplay of multinational companies and global value chains with regions in Europe and the Global South. Central topics are digitalisation, regional learning and social and ecological sustainability. Martina Fuchs is the corresponding author and can be contacted at: fuchs@wiso. uni-koeln.de

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knowledge base – an evolutionary perspective: regional variants of initial vocational education and training activities in Germany and teaches bachelor's as well as master's courses. Johannes Westermeyer received his MSc in geography of environmental risks and human security after attending a joint master's programme by the Institute for Environment and Human Security of the United-Nations-University (UNU-EHS) and the Department of Geography of the University of Bonn. He also received his BSc in geography from the University of Bonn and was further funded by the EU-Erasmus-Programme, and studied at the Department of Geography of the University College London (UCL).