

TRANSLATING MODELS OF ORGANIZATION:
CAN THE *MITTELSTAND* MOVE FROM BAVARIA TO GEELONG?

TRANSLATING MODELS OF ORGANIZATION:
CAN THE *MITTELSTAND* MOVE FROM BAVARIA TO GEELONG?

Abstract

In this paper we examine the increasing global attention being given to the German organizational form of the *Mittelstand* over the past decade. We do so, especially, in consideration of the construction of Australian analogues to the *Mittelstand*. Such translations have been posited as a solution to the current crisis facing Australian manufacturing. Translation out of context always poses problems: Can a specifically national form of organization, such as the German *Mittelstand*, be something that can, potentially, be translated to other nations and industrial contexts? The Australian case offers an empirical setting in which to explore understandings of transnational translation of management innovations. Our findings demonstrate how globally theorized models subject to translation align abstract value orientations with local templates. Our discussion focuses on the translation of a Bavarian model of organization into very different locations, such as Geelong, Australia.

Keywords: translation, glocalization, theorization, innovation, *Mittelstand*.

1 Introduction

Institutional theory has become a dominant lens in the theoretical framing of research into the diffusion of management innovations (Strang and Meyer 1993; Strang and Soule 1998; Campbell 2004; Djelic 1998; Djelic and Sahlin-Andersson 2006; Ansari, Fiss, Zajac 2010). Institutional studies of innovation are often focused on organizational fields, analysing change at a local or industry level, usually within the boundaries of a single nation. Yet, institutional processes are not bounded by nation states and often travel beyond their boundaries such that, today, most spheres of activity are enmeshed in transnational dynamics and influences (Djelic and Quack 2008; see also Drori, Meyer and Hwang 2006). Horizons of action and meaning are increasingly global as interdependencies increase and cultural waves break internationally (Djelic and Quack 2008; Kostova, Roth and Dacin, 2008; Drori, Höllerer, Walgenbach 2014; Logue 2014).

Ideas travel. As they travel they are translated. Empirically, we examine the translation of the German organizational form of *Mittelstand* over the period 2002 to 2012, specifically in the Australian context, as part of a search for solutions for a declining manufacturing sector. Squeezed between a high value currency as a result of its ‘safe haven’ status and the pressure on input costs that this creates, as well as labour market pressures from a resources boom in minerals destined primarily for China, Australian manufacturing searches for new solutions. One mooted possibility is the *Mittelstand*, described in the *Financial Times* as “a model that everyone wants” (Bryant 2012), widely seen as having enabled Germany not only to withstand much of the global financial crisis’ (GFC) aftermath but also to position it for sustainable growth. Can this widely admired model be copied by other nations (it has garnered attention in the UK, USA, Australia, China and elsewhere), given the specificity of its values and embeddedness? Consideration of this empirical case of

transnational theorization and translation of the *Mittelstand* from Bavaria to Geelong is the topic of this paper. Thus, we ask two related research questions: *What do conceptual stage models of translation reveal about how a fully institutionalized local organizational model, such as the Mittelstand, might translate to a completely different local context? What happens when the value orientations of globally theorised models are developed into localised templates?*

The paper is structured as follows. First, we examine studies that provide insights into processes of theorization and translation, and the transnational translation of forms of economic and industrial models. Second, we explore the crisis facing Australian manufacturing, and describe the German organizational model of the *Mittelstand*, which has been seen as a key element of the Germany economy, ripe for emulation. We describe the historical development of the *Mittelstand* organizational from its emergence and dominance in Bavaria, and its structures, strategies and underlying management philosophies and values (as opposed to a generic label for all small and medium enterprises in Germany). Third, we present an empirical example of how this very German, embedded, values-based model is currently being theorized and translated as a solution in a very different part of the world – Australia. Although the *Mittelstand* is globally and positively discussed post the global financial crisis, attention to the core philosophy and value structures underlying the success of the *Mittelstand* is often absent, particularly in the Australian context. We conclude by speculating on the future organizational developments of the Australian manufacturing industry, and institutional understandings of the translation, or attempted transposition of cross-national models of industrial organization.

2 Theoretical Framing

2.1 Institutional Translation

When institutionalists consider transnational dimensions, they often cite or rely on complementary work by economic sociologists that focuses on comparisons between different national systems. Bendix (1956), drawing on Weber (1978), initiated this as a modern tradition that has been continued more recently by authors such as Hamilton and Biggart (1988), Guillen (1994), and Djelic (1998). The political and social processes inherent in the development of economic systems, organizational models, and management ideologies and the consequent political and social values represented are explored in this nationally comparative work. From this tradition it is evident that adoption of any economic system or organizational model implies the more or less successful translation of different social and cultural values. In such transnational settings, the spread and adoption of models thus often relies more strongly on cognitive and cultural processes insufficiently explained by traditional structural network imagery relied upon in earlier institutional studies of diffusion (Strang and Meyer 1993). Strang and Meyer (1993) refer to these cognitive and cultural processes as *theorization*. Theorization implies some abstraction of observed qualities of any phenomena in question, providing a process that literally, can ‘abstract’ practice. It involves the typification of a ‘problem’ and a ‘solution’ – disembedding a practice or a model, enabling it to diffuse to very different contexts. Yet a volume of work on translation and glocalization (Drori, Höllerer and Walgenbach 2014) refutes the clean diffusion and adoption of such typified models or practices, arguing that models or practices cannot be transported ‘wholesale’ from one cultural context to another:

..Instead, they have to pass through a powerful filter of local, cultural and structural constraints to also gain legitimacy in their new local context and can, thus, only spread if they resonate with this context...a new fit has to be accomplished, a new adjusted theorization with standardised vocabularies that are aligned with the values and beliefs has to be developed and so translated (Meyer 2014:81; see also

Czarniawska and Joerges 1996; Sahlin-Andersson 1996; Benford and Snow 2000; Campbell 2004; Czarniawska and Sevón 2005; Meyer and Höllerer 2010).

While theorization is one part of the diffusion process, often in de-contextualising organizational models and practices, translation is the process of re-contextualising these models and practices into new settings. One needs to consider both the theorization and translation of organizational models or practices to understand the sensemaking that occurs in the diffusion of management innovations, especially in transnational fields.

2.2 Theorization and Translation: Settings of Transnational Diffusion

Theorization involves simplifying and distilling “the properties of new practices and explaining the outcomes they produce” (Greenwood et al. 2002:60). As stated by Strang and Meyer (1993: 495), new ideas have to be “compellingly presented as more appropriate than existing practices” if they are to be picked up. Studying how a specifically national form of organization, such as the German *Mittelstand*, has been theorized as something that can, potentially, be translated to other nations and contexts (such as Australia) draws attention to empirical studies of theorization in the institutional literature. There are various studies in organizational institutionalism that directly refer to and apply the notion of theorization (Greenwood, Suddaby and Hinings 2002; Rao, Monin and Durand 2003; Munir and Phillips 2005; Suddaby and Greenwood 2005; Lounsbury and Crumley 2007). For example, Tolbert and Zucker (1996) describe the role of theorization in an abstracted three-stage model of institutionalization in organizational change; Birkinshaw, Hamel and Mol (2008) also describe theorization as a stage in the creation and distribution of management innovations. Focusing on field level change, Suddaby and Greenwood (2005) demonstrate the role of theorization in the legitimation of new organizational practices in professional business services; Rao et al. (2003) also describes the role of theorization in the emergence and

diffusion of new practices and identities of chefs in the field of French cuisine. Rao et al. (2003), referring to Strang and Meyer (1993), describe how theorization increases the zones of acceptance by creating perceptions of similarity among potential adopters and by doing so increases rates of adoption.

In contrast to those applying a theorization lens to understand diffusion of models and practices, a significant volume of work focuses on how theorized models need to be translated in order to spread (for example see Czarniawska and Joerges 1996; Sahlin-Andersson 1996). Ideas never arrive in a new arena without being added to or interpreted in some way that makes a difference. This perspective within the broad institutional tradition of diffusion is often associated with Scandinavian scholars such as Czarniawska and Sevón (1996, 2005) and Sahlin-Andersson and Engwall (2002), who highlight ‘the peculiarities of the context on the diffusion path and patterns of appropriation’ (Djelic 2008: 548). Indeed, in ‘using a metaphor of travel, these scholars stress the transfer of ideas is highly interactive, with diverse means of transportation carrying ideas from one setting to another’ (Powell, Gammal and Simard 2005: 237).

Building on these understandings of theorization and translation, and at a transnational level, is recent work in institutional and organizational studies that encapsulates these processes within the concept of ‘glocalization’: “a complex process that fuses the global and the local, and interlaces worldwide similarity with cross-national variation” (Drori, Höllerer and Walgenbach 2014:3). In attempting to articulate the mechanisms that underlay these processes of globalization and localization, they suggest four phases of glocalization that provides a bridge between theorization and translation. The stages in this process model are useful for understanding transnational diffusion (Drori et al. 2014:10):

- a) Abstraction through theorization (creating a typified problem-solution; through de-contextualisation);
- b) Based on such abstraction, construction of equivalency across boundaries on a more macro level;
- c) Adoption and enactment of the ‘globally’ theorised idea or model through translation, adaption and re-contextualisation (i.e. modifying to fit local context);
- d) Rebound of the locally adapted and enacted ideas and models onto theorised templates.

In attending to the interaction between the global and the local, Lounsbury (2007:301) in a study of the US mutual fund industry, argues for a:

[D]eeper analysis of how such broader symbolic meaning systems systematically structure localized practices and identities, as well as how such ground-level translations and performances ... contribute to the editing and reformulation of broader cultural ideas and discourse in more interactive and discursive ways.

The process is echoed in other institutional work that also suggests accounting for bottom-up theorizing of change (Höllerer 2013). Recent work by Meyer (2014) suggests that local ‘accounts’, framed by broader symbolic meaning systems, are central discursive micro re-contextualisation devices that both manufacture local consent for a global model and also minimise local dissent in development and enactment of local models.

2.2 Origins of Organizational Models and Implications for Cross-national Diffusion

According to Drori et al. (2014:17), when ideas and models are translated “across regions, sectors, fields, or organizations, two prerequisites have to be met”. Firstly, equivalency has to be constructed across the respective locations or sectors. Secondly, the translated model must

be edited to fit with the local adoptive and enacting locale. Any such translation requires institutional underpinnings that, successfully innovated, enhance economic performance. As the *Mittelstand* is an organizational model with inherent values concerning vision, mission and governance, it is evident that these values will be bundled up in its practices and components, playing a central role in its successful functioning, comprising what Bendix (1956) referred to as an industrial 'ideology'. Bendix's classic (1956) study, titled *Work and Authority in Industry*, directed early scholarly attention to the role of managers' ideologies, ideas and world-views in shaping organizational and societal change. Drawing heavily on the work of Weber to describe the development of managerial ideologies and practices in England, Russia, and the United States, he focussed on how the problem of industrial organization was constituted in each national setting. One model, above all, was pre-eminent for much of the twentieth century – that of the United States.

In the post-war era, the United States or 'American' model travelled to Europe where it was met not without resistance: nationally influential commentators, such as Servan-Schreiber (1967), saw the American model of industrial organization as a form of cultural and business imperialism. As Djelic describes it, in France, in particular, these American ideas seemed to threaten "a certain idea of French 'civilisation'" (Djelic 1998:49). The core component of the American model, defined against the command economies that emerged in the East of Europe after the Second World War (Judt 2005), comprised free markets, albeit overshadowed by US corporations that were giant bureaucracies. Reflective of the struggles represented in the Federalist papers that gave birth to the American constitution, 'freedom' is a constitutive ideological element of American social and economic space, inherent in the American model of corporate capitalism and industrial organization. Freedom is understood largely in terms of an absence of regulation, especially from the state (Bauman 1988). Closely related values are respect for competition, efficiency and the free play of market

forces, all emanating from an ideological framework that believes, variously, in the invisible hand of the market, natural selection, or even divine election (Djelic 1998).

American organizational knowhow did not easily or immediately translate to Europe, despite the geo-political balance of power that pertained after the Second World War when Europe and Japan were in ruins and bankrupt. For one thing, European firms were on the average much smaller, weaker in the global market, and more fragmented than the behemoths of US corporate capitalism. In addition, industrial activity in France, Germany and Italy was organised differently, often in smaller, family owned enterprises with a greater role for the local and federal state. Traditionally, the firm had an important social function, meaning that its management was fairly conservative with a main priority being the survival of the firm (and protection of family control).

Value-orientations and convictions always underpin particular models and their preferred ways of organising, whether the American idea of sacrosanct freedoms or the French idea of a distinct national cultural difference. When firms globalize, the values and the practices implicit in their models necessarily struggle with the values represented in those sites that they penetrate. Actors involved in the institutionalization of value processes, including the state, professional associations, trade unions, business schools and education systems, productivity commissions and planning boards, as well as representatives of the broader business and industrial community, shape theorization and translation. Djelic's (1998) study provides a detailed account of how individuals from these groups, using the complex and powerful web of social relations, aid and resist large-scale processes of cross-national diffusion. Djelic (1998) notes that the existence or availability of foreign models does not necessarily lead to their adoption. Elites need to be familiar with the model in

question be convinced of its superiority; there also needs to be an initial sense of crisis to exist if alternative models are to even be considered (Djelic 1998).

In addition to the spread of the American model, scholars have also examined East Asian business models, again inspired in large part by work that draws from the taproot of Bendix (1956). Hamilton and Biggart (1988) describe a combination of economic, cultural and authority relations that shape the growth of common forms of organization across South Korea, Japan and Taiwan. In examining how these industrial arrangements emerged, Hamilton and Biggart (1988) demonstrated the role that market, cultural and structural explanations play in addressing organizational models and practices in each of these countries. For example, this quote illustrates the complexity of the different national models of organizing, with cultural, market and structural influences: “South Korean firms draw their managerial culture from the same source, the state, and from state-promoted management policies; they do not have the local character of the corporate culture of Japanese firms. Instead, they have developed an ideology of administration, an updated counterpart to the traditional Confucian ideology of the scholar-official. For this reason, American business ideology has had an important effect in South Korea, far more than in either Japan or Taiwan” (Hamilton and Biggart 1988:82).

As they see it, analyses that attend only to political explanations that stress state policies or economic accounts focused on entrepreneurial action do not capture what is specific to East Asian industrialization. They indicate that “generalized expressions of beliefs in the relative importance of such social factors as belongingness, loyalty, and submission to hierarchical authority” (1988:53) play an important role, in addition to political and economic factors. Their work has been influential: Guillen (1994), focusing on models of management and their diffusion to different nations also draws on their work as well as that of Bendix

(1956). He considers how models of management (such as scientific management, human relations and structural analysis) have been taken up in the USA, Germany, Spain and the UK. Guillen described how “managers use new organizational models to address the ideological and technical problems that appear whenever changes in the scale and complexity of the firm, the international competitive environment, or working-class unrest challenge current practices” (1994:1). These studies of transnational development and diffusion of industrial organization and management demonstrate the importance of examining the historical, political and social construction of seemingly rational economic models and ways of organising, and the historical role of business and its relationship with society (Blasco and Zølner 2010). In more recent times, one model that has been perceived as superior by elite opinion makers is that of the *Mittelstand*, so the heightened process of translation into Germany in the post-war era is now a two-way traffic: it is Germany that provides the economic and organizational models for emulation and translation today.

3 Method and Data

3.1 Research Context: Australian Manufacturing in Crisis

Australian manufacturers currently face claims of diminished levels of productivity in a context of a high exchange rate and competition for skilled labour from other sectors of the Australian economy (such as mining). Competition occurs in an open global economy characterized by disappearing boundaries between manufacturing and services, with manufacturers now involved in production, research, design, and service provision (Australian Business Foundation 2011). It was in this context that perceptions of a continued decline of manufacturing industry led the then Prime Minister to establish a *Manufacturing Task Force* in 2011. In August 2012 the non-government members of the Taskforce provided a report reviewing the conditions of the sector, its importance to the Australian economy, and

policy responses required for its future growth and stability. The report noted that more than 100,000 jobs had been lost since the start of the GFC and that “many workers, their families and communities are facing tough times and many family-owned businesses and factories that have been here for several generations are under pressure and some have closed” (2012:1). The sector itself is declining as a proportion of gross domestic product, the share of which apportioned to manufacturing has fallen from 29% in 1960 to 8.6% in 2011 (James, 2012). It is also perceived by the report as being not attractive to a younger workforce that now associates the manufacturing industry with an imagery of job instability and dirty work, exemplified by high profile job losses from large manufacturing firms such as Holden, Rio Tinto, Pacific Brands and Alcoa.

As the Australian manufacturing industry struggles, commentators write of the lack of mid-sized manufacturing firms in Australia, especially ones that are global and highly innovative (Marceau 1997). Solutions are sought in overseas models that might be emulated. *Business Review Weekly* proposed that the “*Mittelstand* is the solution to Australia’s manufacturing ills. In fact it is the only solution. We have a handful of such businesses but we need hundreds and we must find ways to nurture them” (Tipler 2012).

3.2 The Workings and History of the Mittelstand Model

The *Mittelstand* refers historically to petit bourgeois involvement in business: for instance, the “independent *Mittelstand* of peasant proprietors, artisans, small businessmen and shopkeepers has long, and rightly, been seen as crucial to an understanding of National Socialist success” according to Blackburn (2008:409). Its roots go much deeper than National Socialism, however. The *Mittelstand* emerges from the formative nineteenth century grounds for cultural, social and moral ideas embedded in Germany’s Social Market Economy (Berghoff 2006). Glossner (2010), Fioretos (2011) and Paster (2012) separately but

collectively argue that the *Mittelstand* is an outcome of Germany's quest to find an economic system that was best suited to achieving broad economic goals such as structural reform, growth and social equality. The Institute for *Mittelstand* Research (IfM) in Bonn defines contemporary *Mittelstand* as "small and medium-sized enterprises" (SMEs), based on number of employees and/or annual turnover. In Germany that means enterprises up to 500 employees and turnover to 50 million Euros. The definition of *Mittelstand* is somewhat flexible, however: a firm with a workforce of over a thousand can be considered part of the *Mittelstand* if it is owned and run by a family and if its business culture has retained aspects of the original economic and cultural arrangements, such as family control and management, lean management structures, strong family values, a patriarchal culture, and an emphasis on continuity. In this paper we focus on the *Mittelstand* as an organizational model, rather than as a generic label that is sometimes used to describe all SMEs. The petit bourgeois form has evolved over time but family ownership remains central.

Mittelstand organizations' have distinct guiding values and philosophy that prioritise long term decision-making, conservative forecasting, employee loyalty and respect, as well as deep embeddedness, networking and cooperation with other *Mittelstand*. They draw much of their strength from Germany's technical and vocational education system, enshrined in Germany's post World War II constitution and social market economy. The most famous and successful firms in this category, such as Miele and Beckhoff, are known globally, however many are unknown business-to-business models, colloquially described as Germany's 'hidden champions' (Simon 1996). Many *Mittelstand* firms are focused on top end global niche markets, having invested heavily over many decades in highly trained employees and advanced technologies. While mostly family-owned and based in broadly dispersed provincial towns, they hold market shares of up to 90% in global market niches (Venohr and Meyer 2007). They also have strong links to regionally based university research and

education, with characterize regional embeddedness in local communities. *Mittelstand* companies seek to secure high levels of customer satisfaction rather than short-term profit maximisation and focus on the long-term viability of the business and its role as a familial and communal asset. For example, firms such as Roeckl, located outside Munich, have been producing handmade leather gloves since 1839, focussing on craftsmanship, while maintaining an increasing international reputation over six generations, such that they are now the world leaders in glove making for many professional and Olympic sports.

Several studies have attempted to distil the characteristics of the *Mittelstand* organizational model (Berghof 2006; Simon 1996; Venohr and Meyer 2007). Summarizing the salient features, these are that the family firm form ensures generational continuity, which assists the development of focussed, long term strategies. Typically, successful *Mittelstand* strive for world market leadership in their markets and segments, using strategies that are deep rather than wide: deep in their value chain, not wide in their coverage of different markets with different needs. They keep close to their customers, in particular top customers, being highly innovative in products, services, and technological adoptions. Innovation activities are globally oriented and continuous. They have very strong corporate cultures associated with excellent employee identification and motivation, in part sustained by highly focused selection procedures for employment as well as a high degree of independence ensured through using self-financing rather than raising external capital. The IfM nominates the following qualitative factors as especially important: the identity between ownership and personal responsibility for the enterprises' activities; the centrality of ownership and personal liability for the success or failure of the enterprise and the personal relationship between employer and employee. As Bergoff (2006) describes: "their *raison d'être* is not maximizing short-term profits but securing the company's existence for the next generations" (2006:272). Even in times of crisis (such as the GFC), *Mittelstand* firms "are reluctant to shed workers, as

they value the loyalty and the skills of their staffs and take their social corporate responsibility very seriously” (Berghoff 2006:272). In return, this results in high levels of employee loyalty, further embedding the *Mittelstand* in regional communities.

Mittelstand serve as an organizational manifestation of attitudes and values found not only in laws such as *Mitbestimmung* (co-determination) but also in the German constitution. Tracing back to events after the Treaty of Westphalia at the close of the Thirty Years War of Religion in 1648, strong threads relating to the need to protect human dignity can be found in moves away from the influence of the princes/Holy Roman Empire to the rise of thousands of hometown constitutions through to Bismark's 1871 founding of German welfare state (the first forms of worker employment insurance). Those hometown constitutions (Walker, 1978/1998) sought independence from the princes and their ilk, and championed the need to resolve their issues within the town's walls (Walker, 1971/1998). They knew of the perverse outcomes of such moves and in the vast majority of cases those provisions were incorporated into their constitutions. Many guilds, merchants, education institutions were within these towns so the practices of "in-house" dispute resolution and recognition of constitutional values for mutual benefit had their origins here. These hometowns were the same origins of many of the most successful *Mittelstand* organizations. More broadly, in the constitution, attention is given to class collaboration in economic outcomes, including ample prior notice of decisions that are likely to have an impact on the maintenance of dignity (Eberle 2002; 2008).

The most influential values for the institution of the *Mittelstand* come not from inherited practices reflected in the constitution so much as from legislation, shaped and reinforced by deep roots in social and economic practices both before and following two world wars. In this regard the values inherent in codetermination (*Mitbestimmung*) play a

central role. Codetermination “ranks among the foundation pillars of the German economic order” and is widely seen as “the trademark of a socially regulated, tamed, ‘Renish capitalism’” (Silvia 2013:51). Scholars have traced codetermination’s roots back to a mixture of influences: nineteenth century republicanism, employer paternalism, accommodations after the First World War, socialist planning, syndicalism, and Catholic social teaching (Silvia 2013). Post war codetermination practices consist of two distinct components: employee representation on supervisory boards and works councils. More broadly, the term captures the relationship between German business and labour as although the two parties regularly engage in serious conflict, they share an acceptance of each other as legitimate partners, and a commitment to the rule of law (Silvia, 2013:51).

3.3 Interest in the Mittelstand Goes Global: The Theorization of a Global Model

Interest in the *Mittelstand* has expanded beyond academic circles globally and publically since the GFC, including recent special reports in *The Financial Times* and *The Economist* (2012). Figure 1 below demonstrates the increasing attention (via citations) of *Mittelstand* globally, that have been published in English during the past decade.

Insert Figure 1 about here

A recent special series in the *Financial Times* presented the *Mittelstand* as a “model that everyone wants” (Bryant 2012), as Germany’s “miraculous machine” (Atkins 2012) and as something that “China industry groups” are confronting (Marsh 2012). The success of the *Mittelstand* is compared favourably with manufacturing in the US, UK, China and Australia. Importantly, in considering how or if this model can be translated into other nations, Bryant

(2012) notes, in recognition of its deep embeddedness, instilling *Mittelstand* values elsewhere “may turn out to be the biggest challenge of all”. Nonetheless, global attention to the *Mittelstand* has seen some nation, such as China, particularly in times of global or national crisis, recruiting German engineers in attempts to emulate the German model. Recent articles in *The Economist* (20 October 2012), also headline “Why doesn’t France have a *Mittelstand*?” and “The mighty middle: medium-sized firms are the unsung heroes of America’s economy”, referring to the many characteristics that America’s successful mid-sized firms are said to share with the *Mittelstand*. After finding elements of the *Mittelstand* in the United States some commentators have wondered whether it might be a potential export to Australia.

3.4 Data Source and Analysis

Theorization and translation can be observed through discourse in a field, its rhetoric and the narratives espoused by a variety of actors (Greenwood et al. 2002; Rao et al. 2003; Munir and Phillips 2005; Suddaby and Greenwood 2005; Svejenova, Mazza and Planellas 2007; Nigam and Occasio 2010). Sources include media reports, newspaper articles, industry publications and interviews with leaders in the field. We explore such data in our contemporaneous empirical setting of *Mittelstand* and the current discussions of the German model in Australia. Australia provides a rich empirical setting in which to begin to examine processes of translation and the role of theorization in a distinct national context. As Zilber has argued “societal-level artifacts (e.g. newspaper articles) and field-level artifacts (e.g. industry reports), like any cultural product, reflect and construct generally shared cultural meanings as well as more level-specific ones. For this reason, they are suitable for exploring translation processes” (2006: 287). Drawing on Zilber (2006), we first explore key recent industry publications on the manufacturing sector in Australia to understand the nature of the much-

vaunted crisis of manufacturing and the organizational solutions being proposed (both in structure, strategies, processes and values), theorised and translated. Three such publications have been produced:

1. Report of the Prime Minister's Manufacturing Taskforce (2012) (PM)
2. Manufacturing Futures (2011) by the NSW Business Chamber and the Australian Business Foundation (ABF)
3. Victorian manufacturing: meeting the challenges (2011) (VIC).

Reay and Hinings (2005) note that “such [field level] documents represent the end result of internal negotiations designed to portray a particular point of view” (2005:361), providing a rich source of information about key actors' view and understanding of the changes occurring. These publications draw on contributions by industry, government, universities, local councils, unions, associations and researchers. Other reports on these issues were either published before the extent of the manufacturing crisis was apparent, focused on singular issues or areas, and/or did not widely canvas the views of all stakeholders. The contributions and data used in the selected reports draw upon submissions from all types actors in this field as well as results from multiple sector roundtables, workshops and public forums. Theoretical and empirical interests shaped our choice to use a qualitative methodology, drawing upon insights from a grounded theory approach by employing content analysis, to examine 445 pages of field-level materials.

The analysis began by identifying relevant concepts in the data and grouping them into categories, that is, an open coding approach (Van Maanen 1979) to examine how actors conceptualised the current and future models of manufacturing in Australia – in both structural and value terms. We then grouped these codes into higher order themes, seeking relationships between and among these codes (Gioia, Price, Hamilton, Thomas 2010),

drawing upon insights from Gioia et al.'s (2010) grounded theory approach. Similar to Gioia et al. (2010), we coded using NVIVO software, keeping track of emerging categories, enabling the collapsing categories into fewer themes and supported by relevant samples of text. The coding resulted in the development of 10 codes, which we then grouped into five overarching themes. Figure 2 illustrates the structuring and ordering of the data from the initial codes to researcher-induced higher order themes (Gioia et al. 2010), not in a dynamic or causal representation but as an illustration of the methodological process underpinning the findings.

Insert Figure 2 about here

Second, we explored media coverage of *Mittelstand* in Australia, using media archives drawn from Factiva (news database), similar to other studies that have used such news archives to measure legitimation and the rationalisation of new practices, myths and social constructions (Zilber 2006; Baum and Powell 1995). We then restricted our search to the past decade (2002-2012), limiting our search only to news articles, published in Australia that cited *Mittelstand* (n=36). While we recognise that this volume of articles may not initially be compelling, as a mechanism, the role of the media (especially top tier media outlets) and local 'accounts' (Meyer 2014) have been demonstrated to be influential in many other studies of theorization (for example, see Rao et al. 2033; Davis, Diekmann and Tinsley 1994). Most were published in 2012, reflecting international newspapers, such as the *Financial Times'* lauding of the *Mittelstand* as the backbone of the German economy, as something that held

the European Union together financially in the face of multiple bailouts of other European nations. Table 2 presents illustrative quotes from the most recent articles.

Insert Table 1 about here

These newspaper articles provided a supplementary data source on which we also conducted content analysis, and opportunity to triangulate how this model was being theorised and translated in Australia, compared to field-level reports.

4 Results

The first thing that is evident from the data analysis is that there is an element of the ‘garbage can’ model (Cohen, March and Olsen 1972) to the current espousal of the *Mittelstand*, as it was not so long ago that *The Australian Financial Review* wrote a story on the economic woes of Germany, arguing for the need for fundamental reforms of taxation, the welfare system, hiring and firing and other labour market laws, and the laws governing bankruptcy (Taylor, 2003), which positioned the *Mittelstand* model as a problem. The article reported the resistance to change in the German political landscape and how political parties at the time did not want to suggest “rethinking their deeply held belief in the social market economic system that had served them so well since they rebuilt their nation after World War II” (Taylor 2003). The article interviewed several experts and reported that:

...the social market economy is taught in German schools as a way of stopping extremism from ever happening again. The Germans always look at the impact on individual works; there is a strong distaste for anything that looks like corporate greed ... after the horror of World War II, Germans wanted protection and normality ... they

no longer trusted the market to deliver them political and economic stability, so they put in place a system designed to deliver stability their whole life long, even if the market should fail ... and when Germany was a manufacturing-based economy, that system served it well. But now everything has changed the economy is more service based, the industries less location-specific. We need flexibility, we need to be more competitive to keep up, but all of the vested interest groups which have been built up around the old Germany social economy system in place and so, until now, nothing has changed.

A decade later the tune has changed – the *Mittelstand* and the German Way are now held up as a global success and the envy of many nations around the world. Part of this global theorization, Mazzarol (2012), describes the *Mittelstand* as an organizational model characterised by high levels of innovation and private ownership, high investment in R&D, and a location in smaller or regional towns where they have close networks and ties amongst employees, suppliers, R&D and customers. Interestingly Mazzarol (2012) also describes the culture and management style of these *Mittelstand* as bottom-up, where company leadership has a hands-on approach, deep knowledge of their products, and a culture of investing in the skills and development of the local community.

Insert Table 2 about here

The desired characteristics and future of the Australian manufacturing sector very closely reflects the current and well-known characteristics of the *Mittelstand*. Several members of the Prime Minister’s Taskforce had written previously about the success of this model and the

need for something similar to be developed in Australia: it is evident that this thinking informs not only this report but also the other industry reports considered. For example, we can note the significance afforded to developing longer time horizons, engaging employees and developing trust and knowledge sharing in the workplace (across hierarchical levels) (Riege and Zulpo 2007), focussing on customers and investing in R&D, and fostering a shared commitment within the firm. The call for Australia to develop a tier of mid-sized firms that are globally competitive and deliver high quality, niche products seeks to develop something similar to the *Mittelstand*. The other data source, news articles published in Australia, more explicitly theorise the *Mittelstand* as a solution to the current crisis in Australian manufacturing.

Insert Table 3 about here

In *Business Review Weekly* and in *The Age* there are echoes of the *Mittelstand* proposed as solutions for Australian manufacturing industry. James (2012), in *Business Review Weekly*, writes of ten practical steps, straight out of *Mittelstand* best practice, which could help make the manufacturing sector viable and sustainable, while Chandler (2012), in *The Age*, reports on Geelong manufacturer Austeng – a family owned manufacturing firm, with regional networks, high quality products, operating in a niche market, proud of the company’s stability and family culture in the factory, which did not lay off long-term workers during the GFC. What is important, according to the article, is the company’s CEO mind-set: “we’re not into growth”, whilst still being innovative, dynamic and export-oriented. The reason they can survive, the article notes, is that they are allowed to take a longer perspective “and not face

hostile takeovers from private-equity firms looking for a quick return”. Firms such as Austeng are described in the article as the Victorian *Mittelstand*, “critical to the future of manufacturing and the maintenance of a productive skills base” and, it is suggested, “providing better access to finance on fair terms would be the single best way to support them” (Chandler 2012). In the same article, the managing director of a government-funded research centre for the manufacturing sector also suggests Australian manufacturing firms need to think globally, as do the *Mittelstand*. He described how *Mittelstand* do the high-level work in Germany and send low-end work to China or Eastern Europe – enabling them to innovate continually, work with the customer, and drive down costs. He also notes the excellent apprentice training in German as a success factor of the *Mittelstand*, as well as the importance of cooperation between managers, employees and unions. Tipler (2012), a management consultant writing in *Business Spectator*, refers to the *Mittelstand* as a “German elixir for our Dutch disease”, and that the “strategies of Bavaria’s ‘*Mittelstand*’ companies show a path back to health”.

5 Discussion

That the German example of the *Mittelstand* is being considered as an organizational and management solution for Australian manufacturing industry is a contemporary case of theorization and translation. The transnational and contemporaneous nature of this empirical illustration (as compared to detailed historical studies such as Djelic 1998, who identifies the actual individuals involved in the transnational diffusion of models), makes the four phases of glocalization as outlined by Drori et al. (2014) (theorization and de-contextualisation of a global model; construction of equivalency; adoption and enactment through translation and re-contextualization; and rebounding of local onto global templates) a useful framework with

which to parse current discourse and speculate as to the successful diffusion and institutionalization of this German model into the Australian context.

De-contextualisation (abstraction through theorization): In feature articles on the *Mittelstand* published in the *Financial Times* in 2012, those suggesting the applicability of translating this model to other national contexts included the UK Chancellor of the Exchequer, Directors of the World Bank, as well as owners of *Mittelstand*. In Australia, those doing the theorizing of this model come from a variety of quarters, with commentators ranging from consultants, to educators, to heads of manufacturing research centres, to manufacturers, united in discussing the promise of the *Mittelstand* model. Recent and major industry reports provide consensual collations of the submissions, views, and opinions of many actors in the field in support of the theorization, mobilising consent through their accounts of what the problem-solution was in the field (Meyer 2014). A pervasive sense of manufacturing crisis creates the opportunity for alternative models to be considered and government support and resources to be forthcoming. Alternative ways of organizing become more feasible at times of crisis, as observed in Djelic's (1998) study of the export of American model of capitalism to Europe post-World War II.

Construction of equivalency: In the public discourse analysed, the Australian manufacturing sector, specifically SMEs, is considered by many to be equivalent to the German manufacturing sector, with similar attributes such as skilled labour, and needing to be globally competitive especially in the face of lower labour costs from China. Thus, Australia, it is argued, needs to build or create a cohort of SMEs or middle-tier firms similar to those in Germany (i.e. the *Mittelstand*) to overcome the current oligopolistic structure of the industry plus the long tail of poor performing smaller enterprises. Somewhat missing in the construction of equivalency is a broader consideration that the *Mittelstand* model, to be

adopted, would require adoption by not only existing manufacturers, but also trade unions, local communities, national and local education systems, the state and employees. The *Mittelstand* model is an embedded model (within value chains and knowledge networks) with support systems essential to its operation, specifically the apprenticeship system and R&D, involving closer connections between company research and university researchers. While some of the characteristics of the sector and the issues it is facing are equivalent to Germany, the other actors involved in the working of this model are quite different. There culturally deep roots that embed and sustain this model in its native land that are not found in Australia.

Re-contextualization (adoption and enactment through translation): The *Mittelstand* model of organization has both tangible and intangible aspects – the intangible being the values and philosophy underpinning the model, which, many argue, is its core strength. It seems that as the model is theorized in Australia the tangible aspects of the business model are the focus, such as niche markets, high end technology and R&D and the production of business to business products. The intangible aspects receive limited attention. The model's deeply held value orientations arguably come into conflict with many of the existing models of organization and management in the manufacturing sector.

For example, in the recent report from the Prime Minister's *Taskforce in Manufacturing*, there is a focus on long-term thinking, increasing collaboration in workplaces and building stronger relationships with universities and researchers. In the German context such elements are manifestations of values cultivated over many years, and through many generations. This is especially evident, for example, in the strong collaborative relationships for which the *Mittelstand* are known can be seen in the notion of codetermination (*Mitbestimmung*). Considering the *Mittelstand* as a socially embedded organizational manifestation of a specific German value system, beyond seeing it merely as a successful

model for SMEs with a certain turnover and number of employees, the likelihood of its translation from Bavaria, Germany to Geelong, Australia, is seemingly both implausible and unlikely, requiring deep and broad processes of translation by many actors. The collective commitment in the *Mittelstand* to pursuing “mutual interests” (Walker, 1971/1998) necessarily but challengingly broadens the focus of stakeholders well beyond those served routinely by neo-economic liberal market analysis. For instance, in a system of codetermination it would be highly unusual to inform employees of job losses overnight and escort them off the premises with security guards as occurs in some manufacturing workplaces in Australia (Jarvis and Logue 2012). Australian approaches to business generally (and not merely SMEs), in common with the vast majority of most Anglo-US practices, do not share the foundational values embedded in German law (Mazarol, 2012). The German approach shifts the focus well beyond shareholders and “maximizing shareholder value”, the ideology that has framed the dominant stakeholder role since the late 1970s in Anglo-US business circles which a considerable and growing literature linking the roots of the ongoing GFC/Global Recession with the centrality of this Anglo-US ideology (see Locke, 1996; Locke and Spender, 2011; Avery, 2011; Stout, 2012; Jones, 2012).¹

Theoretically, we contribute to understandings of glocalization, and the translation diffusion of management innovations through our empirical testing and evidence of support for the models outlined by Drori et al. (2014) and Meyer (2014). In our case we see that the local theorization of globally theorized templates is necessary to mobilize consent. Local experts provide accounts and mobilize other experts in field-level studies that produce reports that suggest field-wide support and consensus for such global models, and also construct

¹ As we are in the early stages of the development of a localised template, we are unable to demonstrate how this locally translated model may rebound and have implications for the globally theorised model of the *Mittelstand*.

equivalency. Such accounts ‘work’ as they “explain and justify by linking to a shared frame” (Meyer 2014:84); in our setting that the manufacturing sector in Australia was important, that it needed a new organizational model; and that the *Mittelstand* was a viable model to adopt. Its translation and re-contextualization is ongoing, and faces significant challenges in translating such historical value orientations into a very different national and industrial setting. Our data is limited in that it does not provide details of the finer grained processes of translation (for example, ethnographically or by specific interviews) that are occurring (or may in the future) in the manufacturing sector of this foreign model. We do show however that the value orientations inherent in such models, often neglected by organizational theorists’ focus on diffusion as a clean 1/0 coded adoption, present a more realistic and richer account of the likelihood of institutionalization of organizational models from one context to another, and indeed opportunity to trace movement towards other models or ideal types. Our analysis of the *Mittelstand* model, as presented in Table 3 and Figure 2, also demonstrates the importance of considering organizational models beyond just formal and informal structures. We suggest that organizational models need to be considered in terms of the way they create and capture value, underlying purpose, managerial mind-set and environmental positioning.

7 Conclusion

Understanding the process of how a fully institutionalised local organizational model, such as the *Mittelstand*, may be usable in a completely different local context is aided by applying a four-stage process of glocalization (Drori et al. 2014). By considering the four stages, a very localised model can be seen to be globally theorised (as the *Mittelstand* was done in international media, business and policy experts), then locally theorised, contributing to local translation and development of a localised model. However, through these phases, in

considering both theorization and translation, we see the challenges in how the value orientations of globally theorised models are developed in to localised templates.

Translation from German practice to what Australian commentators value appears narrow, with the hard aspects of the model, such as a focus on niche products, customer markets, and university linkages more readily transported, than the ‘softer’ values-based elements, such as long term vision, collaboration with employees, and a sense of purpose focused on the continuance of the business as the primary concern. Such a focus differs enormously from that of an ideology oriented to maximising shareholder value. Under the latter very short, mainly quarterly horizons predominate; under the former longer-term horizons for all decision-making are inscribed in practice. Tellingly, Australian business management frequently views questions of productivity gains in terms of cost reduction rather than creativity and innovation (Gittens 2012).

The *Mittelstand* represents far more than an economic or even manufacturing model. The success of the *Mittelstand* reaches beyond questions of technical mimesis or translation. The *Mittelstand* represents a uniquely German story accommodating societal wellbeing with economic prosperity. In Germany’s *Mittelstand* (and beyond) human dignity is manifest in business; that is, human dignity serves to ensure that business not only serves society but also that human wellbeing is an always-embedded governing principle (Polanyi 1944; Glasman, 1996; see also Crawford and Czuczka, 2013). Theorizing *the Mittelstand* as a vehicle for economic success raises moral questions of “mutual interests”, in which constitutional governance and governmentality at all levels of organization are explicitly, and publicly, bound.

The contemporary nature of recent consideration of *Mittelstand* in Australia provides an opportunity to explore initial theorizations of this management model, compared with

other historical studies relying on immense archives (e.g. Djelic 1998; Guillen 1994). Such consideration offers an opportunity too rarely developed – that organization theory might shape policy and practice and not just theory. The empirical setting of recent policy debates in Australia demonstrate that organization theorists need to study not only established institutional fields on which there are large data sets and historic data but also need to use theoretical insights to contribute to nascent fields, collaborations, and theorizations in order to be engaged as policy scientists in contemporary political, social and economic developments.

References

- Ansari, S. M., Fiss, P. C., and Zajac, E. J. (2010). 'Made to Fit: How Practices Vary as they Diffuse'. *Academy of Management Review*, **35**(1), 67-92.
- Atkins, R. (2012). Germany: The Miraculous Machine. *Financial Times*, UK.
<http://www.ft.com/intl/cms/s/0/dff3976a-8a08-11e1-87f0-00144feab49a.html> (accessed on 19 April 2012)
- Australian Business Foundation (2011). *Manufacturing Future*. Australia: Australian Business Foundation and NSW Business Chamber.
- Baum, J. A., and Powell, W. W. (1995). 'Cultivating an Institutional Ecology of Organizations: Comment on Hannan, Carroll, Dundon, and Torres'. *American Sociological Review*, 529-538.
- Bauman, Z. (1988). *Freedom*. London: Routledge.
- Bendix, R. (1956). *Work and Authority in Industry: Ideologies of Management in the Course of Industrialisation*. Berkley: University of California Berkley.
- Benford, R. D., and Snow, D. A. (2000). 'Framing Processes and Social movements: An Overview and Assessment'. *Annual Review of Sociology*, 611-639.
- Berghoff, H. (2006). 'The End of Family Business? The Mittelstand and German Capitalism in Transition, 1949-2000'. *Business History Review*, Vol. **80**:263-295.
- Birkinshaw, J., Hamel, G., and Mol, M. (2008). 'Management Innovation'. *Academy of Management Review*, **33**, 825-845.
- Blackbourn, D. (2003). *History of Germany, 1780-1918: The Long Nineteenth Century*. Oxford: Blackwell.
- Blasco, M. and Zølner, M. (2010). 'Corporate Social Responsibility in Mexico and France: Exploring the Role of Normative Institutions'. *Business and Society*, Vol 49(2):216-251.
- Bryant, C. (2012). A model that everyone wants. *Financial Times*, UK.
<http://www.ft.com/intl/cms/s/0/cdd959be-df8e-11e1-b81c-00144feab49a.html#axzz2AqVi7qtt> (accessed on 6 August 2012).
- Campbell, J.L., (2004). *Institutional Change and Globalization: Problems and Prospects*. Princeton New Jersey: Princeton University Press.
- Chandler, J. (2012). 'New Polish on the Factory Floor'. *The Age*, 16 March 2012. Accessible at:
<http://www.theage.com.au/national/new-polish-on-the-factory-floor-20120315-1v83k.html> (accessed on 19 April 2012).
- Cohen, M. D., March, J. G., and Olsen, J. P. (1972). 'A garbage can model of organizational choice'. *Administrative Science Quarterly*, 1-25.
- Czarniawska, B. and Joerges, B. (1996) 'Travel of ideas'. in Czarniawska, B. and Sevón, G. (Eds.), *Translating Organizational Change*. Berlin: Walter de Gruyter, 13-48.
- Czarniawska, B. and Sevón, G. (1996). *Translating Organizational Change*. Berlin: de Gruyter.
- Czarniawska, B., and Sevón, G. (Eds). (2005). *Global Ideas: How Ideas, Objects, and Practices Travel in the Global Economy*. Copenhagen: Liber and Copenhagen Business School Press.

- Davis, G., Diekmann, K. And Tinsley, C. (1994). 'The Decline of the Conglomerate Firm in the 1980s: The Deinstitutionalization of an Organizational Form'. *American Sociological Review*. Vol **59**(4):547-570.
- Djelic, M.-L. (1998). *Exporting the American model: The Post-war Transformation of European Business*. Oxford: Oxford University Press.
- Djelic, M. L. (2008). 'Sociological Studies of Diffusion: Is History Relevant?' *Socio-Economic Review*, **6**(3), 538-557.
- Djelic, M-L and Quack, S. (Eds). (2003). *Globalisation and Institutions: Redefining the Rules of the Economic Game*. Edward Elgar: United Kingdom.
- Djelic, M-L. and Sahlin-Andersson, K. (eds). (2006). *Transnational Governance: Institutional Dynamics of Regulation*. Cambridge: Cambridge University Press.
- Drori, G., J.W. Meyer and H. Hwang, eds, (2006) *Globalization and Organization: World Society and Organizational Change*. USA: Oxford University Press.
- Drori, G., Höllerer, M., and Walgenbach, P. (2014). *Global Themes and Local Variations in Organization and Management*. New York, USA: Routledge.
- Du Plessis, J., Grobfeld, B., Lutterman, C., Saenger, I., Sandrock, O., and Casper, M. (2012). *German Corporate Governance in International and European Context* (2nd Ed). London: Springer.
- Eberle, E. (2002). *Dignity and Liberty: Constitutional Visions in Germany and the United States*. Westport, CT: Praeger Publishers.
- Eberle, E. (2008). 'Equality in Germany and the United States'. *San Diego International Law Journal*. Vol.**63**.
- Fioretos, O. (2011). *Creative Reconstructions: Multilateralism and European Varieties of Capitalism after 1950*. Ithaca: Cornell University Press.
- Gioia, D. A., Price, K. N., Hamilton, A. L., and Thomas, J. B. (2010). 'Forging an identity: An insider-outsider study of processes involved in the formation of organizational identity'. *Administrative Science Quarterly*, **55**(1), 1-46.
- Gittens, R. (2012). 'For True Productivity Gains, Co-operate don't Fight'. *Sydney Morning Herald*, 8 August 2012. <http://www.rossgittins.com/2012/08/for-true-productivity-gains-co-operate.html> (accessed on 8 May 2014).
- Glasman, M. (1996). *Unnecessary Suffering: Managing Markets Utopia*. London: Verso.
- Glossner, C. (2010). *The Making of the German Post-War Economy: Political Communication and Public Reception of the Social Market Economy after World War Two*. London: Tauris.
- Greenwood, R., Suddaby, R., and Hinings, C.R. (2002). 'Theorizing Change: The Role of Professional Associations in the Transformation of Institutionalized Fields'. *The Academy of Management Journal*, **45**(1), pp. 58-80.
- Guillen, M. (1994). *Models of Management*. USA: University of Chicago Press.
- Hamilton, G. and Biggart, N. (1988). 'Market, Culture, and Authority: A Comparative Analysis of Management and Organization in the Far East'. *The American Journal of Sociology*, Vol. **94**, Supplement: Organizations and Institutions: Sociological and Economic Approaches to the Analysis of Social Structure (1988), pp. S52-S94.

- Höllerer, M.A. (2013). 'From Taken-for-Granted to Explicit Commitment: The Rise of CSR in a Corporatist Country'. *Journal of Management Studies*. Vol 50(4):573-606.
- James, D. (2012). For want of a Nail. *Business Review Weekly*.
http://www.brw.com.au/p/sections/features/for_want_of_nail_c8idXmCiXM9FUNTjHKeVj (accessed on 15 March 2012)
- Jarvis, W.P. and Logue, D. M. (2012). Is the Toyota way the only way? *The Conversation*.
www.theconversation.org.au (accessed on 3 May 2012).
- Jones, D. (2012). *Masters of the Universe: Hayek, Friedman, and the Birth of Neoliberal Politics*. Princeton: Princeton University Press.
- Jones, L. P., Sakong, I., & Jones, L. (1980). *Government, business, and entrepreneurship in economic development: The Korean case*. Cambridge, MA: Council on East Asian Studies, Harvard University.
- Judt, T. (2007). *Postwar: A History of Europe Since 1945*. Random House.
- Kissler, L, Griefenstein, R., Schneider, K. (2011). in Silvia, S. (2013) *Holding the Shop Together: German Industrial Relations in the Postwar Era*. Ithaca: Cornell University Press.
- Kostova, T., Roth, K., and Dacin, M. T. (2008). 'Institutional theory in the study of multinational corporations: A critique and new directions'. *Academy of Management Review*, 33(4), 994-1006.
- Locke, R. (1996). *The Collapse of the American Management Mystique*. New York: Oxford University Press.
- Locke, R. and Spender, J.C. (2011). *Confronting Managerialism: How the Business Elite and Their Schools Threw Our Lives Out of Balance*. London: Zed.
- Logue, D.M. (2014) 'Adoption and Abandonment: Global Diffusion and Local Variation in University Top Management Teams' in Drori, G., Höllerer, M., and Walgenbach, P. (2014). *Global Themes and Local Variations in Organization and Management*. New York, USA: Routledge, pp:175-188.
- Lounsbury, M. (2007). 'A Tale of Two Cities: Competing Logics and Practice Variation in the Professionalising of Mutual Funds'. *Academy of Management Journal*, Vol 50(2):289-307.
- Lounsbury, M., and Crumley, E. T. (2007). 'New Practice Creation: An Institutional Perspective on Innovation'. *Organization Studies*, 28(7), 993-1012.
- Marceau, J. (1997). *The High Road or the Low Road: Alternatives for Australia's Future*. Sydney: Australian Business Foundation.
- Marsh, P.(2012). China's Industries in Mittelstand-off. *Financial Times*, UK.
<http://www.ft.com/intl/cms/s/0/c27821fc-b167-11e1-bb9b-00144feabdc0.html> (accessed on 13 June 2012).
- Mazorol, T. (2012). The Missing Middle: What could Australia learn from Germany. *The Conversation*.
www.theconversation.org.au (accessed on 19 May 2012).
- Meyer, R.E. (2014). 'Re-localization' as micro-mobilization of consent and legitimacy', in Drori, G., Höllerer, M., and Walgenbach, P. (2014), *Global Themes and Local Variations in Organization and Management*. New York, USA: Routledge, pp:79-89.
- Meyer, R. E. and Höllerer, M.A. (2010). 'Meaning Structures in a Contested Issue Field: A Topographic Map of Shareholder Value in Austria'. *Academy of Management Journal* 53(6):1241-1262.

- Munir, K. A., and Phillips, N. (2005). 'The Birth of the 'Kodak Moment': Institutional Entrepreneurship and the Adoption of New Technologies'. *Organization Studies*, **26**(11), 1665-1687.
- Nigam, A. and Occasio, W. (2010). 'Event Attention, Environmental Sensemaking, and Change in Institutional Logics: An Inductive Analysis of the Effects of Public Attention to Clinton's Health Care Reform Initiative'. *Organisation Science*, Vol **21**(4):823-841.
- Paster, T. (2012). *The Role of Business in the Development of the Welfare State and Labor Markets in Germany: Containing social reforms*. London: Routledge.
- Polany, C. (1944/2001). *The Great Transformation: The Political and Economic Origins of Our Time*. Boston: Beacon.
- Powell, W., Gammal, D. and Simard, C. (2005). 'Close Encounters: The Circulation and Reception of Managerial Practices in the San Francisco Bay Area Nonprofit Community', in Czarniawska, B. and Sevon, G. (Eds), *Global Ideas*. Copenhagen, Liber and Copenhagen Business School Press, pp. 233–258.
- Rao, H., Monin, P. and Durand, R. (2003). 'Institutional Change in Toque ville: Nouvelle Cuisine as an identity Movement in French Gastronomy'. *The American Journal of Sociology*, Vol. **108**(4): 795-843.
- Riege, A. and Zulpo, M. (2007). 'Knowledge Transfer Process Cycle: Between Factory Floor and Middle Management'. *Australian Journal of Management*, Vol **32**(2):293-314.
- Sahlin-Andersson, K. (1996). 'Imitating by Editing Success: The Construction of Organizational Fields', in Czarniawska, B. and Sevon, G. (Eds), *Translating Organizational Change*, p:69-92. Berlin: DeGruyter.
- Sahlin-Andersson, K., and Engwall, L. (Eds.). (2002). *The Expansion of Management Knowledge: Carriers, Flows, and Sources*. USA:Stanford University Press.
- Sandrock, O. and du Plessis, J. (2012) 'The German System of Supervisory Codetermination by Employees', in du.Plessis, et al., (Eds), *German Corporate Governance in International and European Context* (2nd Ed). London: Springer.
- Servan-Schreiber, J. (1967). *The American Challenge*. New York: Scribner.
- Silvia, S. (2013). *Holding the Shop Together: German Industrial Relations in the Postwar Era*. Ithaca: Cornell University Press.
- Simon, H. (1996). *Hidden Champions*. Boston: Harvard Business School.
- Strang, D. and Meyer, J.W., (1993). 'Institutional Conditions for Diffusion'. *Theory and Society*, **22**(4), pp. 487-511.
- Strang, D., and Soule, S. A. (1998). 'Diffusion in Organizations and Social Movements: From Hybrid Corn to Poison Pills'. *Annual Review of Sociology*, **24**, 265–290.
- Suddaby, R. and Greenwood, R. (2005). 'Rhetorical Strategies of Legitimacy'. *Administrative Science Quarterly*, Vol **50**(2005):35-67.
- Svejenova, S. Mazza, C. and Planellas, M. (2007). 'Cooking up Change in Haute Cuisine: Ferran Adrià as an Institutional Entrepreneur'. *Journal of Organizational Behavior*, Vol **28**(5):539-561.
- Taylor, L. (2003). 'Facing up to change'. *Australian Financial Review*, Australia, (18 January 2003). Accessible at: http://www.afr.com/p/national/item_XealjWGTwTGFL0G49tT8LL.

- Tipler, C.(2012). German elixir for our Dutch disease. *Business Spectator*.
<http://www.businessspectator.com.au/bs.nsf/Article/Dutch-disease-German-manufacturing-economy-currenc-pd20120222> (accessed on 24 February 2012).
- Tolbert, P. and Zucker, L. (1996) 'Institutionalization of institutional theory', in Clegg,S., Hardy, C and Nord, W. (Eds), *Handbook of Organizational Studies*. London: Sage.
- Venohr, B. and Meyer, K. (2007). *The German Miracle Keeps Running : How Germany's Hidden Champions Stay Ahead in the Global Economy*. Berlin: Working Paper No. 30, Institute of Management Berlin, Berlin School of Economics.
- Walker, M. (1971/1998). *German Home Towns: Community, State, and General Estate, 1648-1871*. Ithaca: Cornell University Press
- Weber, M. (1978). *Economy and Society: An Outline of Interpretive Sociology*. Berkely: University of Califronia Press.
- Zilber, T. B. (2006). 'The Work of the Symbolic in Institutional Processes: Translations of Rational Myths in Israeli High Tech'. *Academy of Management Journal*, **49**(2), 281-303.

Appendices

Tables and Figures

Table 1. Sample of recent news articles on *Mittelstand* in relation to Australia

Year	Title	Author	Publication	Illustrative quotes
2012	Australia's missing mid-tier firms	Tim Mazzarol	Business Spectator	<i>"it would be desirable for policy makers to give more attention to strengthening Australia's Mittelstand"</i> .
2012	Inside Knowledge	Peter Wilson	The Deal	<i>"Germany is very lucky, we have the Mittelstand companies, which are amazing in these (green) technologies, and the Chinese are keen to have joint venture with them"</i> .
2012	New polish on the factory floor	Jo Chandler	The Age	<i>"John Legge recognises Austeng without ever sitting foot in the factory. It's typical of what the Germans call the Mittelstand - export-oriented, high value, mid-sized, often regionally based manufacturers. The reason they survive and are innovative is because that are closely held, mainly family businesses....they don't face the risk of a hostile takeover by an asset stripper aka private equity firm if their profits drop below trends for a few months. They are allowed to take a longer perspective"</i> .
2012	For want of a nail	David James, Nassim Khadem, Jeanne-Vida Douglas, Michael Bleby, Leo D'Angelo Fisher	BRW	<i>"Australia's oligopolistic industry structure results in a small number of big companies that concentrate on controlling the domestic market, a large number of smaller companies and very little in between. The managing director of Advanced Manufacturing CRC, Bruce Grey compares this with Germany's Mittelstand structure in which large numbers of middle-sized family companies do the high level work in Germany and the low end work is sent to eastern Europe or China. They continue to innovate, they continue to work with the customer, they continue to drive costs down and there is excellent apprentice training, Grey says"</i> .
2012	German elixir for our Dutch disease	Christopher Tipler	Business Spectator	<i>"Australian manufacturing has evolved in the wrong direction; that we have too few genuinely local enterprises whose fundamental motivation is to create wealth and employment here. Enter the Germans, specifically the Bavarians". ..."The Mittelstand approach of constant innovation, of doing things faster and smarter than competitors, enables these businesses to offset the disadvantage of a cost base that is higher than their Asian counterparts. Mittelstand is also a philosophy, a way of living and working, that is not dependent on size"</i> .
2012	Australia needs from German drive: Gettler	Smartcompany	Business Spectator	<i>"having spent some time in Germany this month, I discovered that with the help of government industrial policies, German companies have set up successful manufacturing base making parts for complex systems. It's all about strategy – something Australia can learn from."</i>

Table 2. Representative data for coding themes

Theme	Representative quote(s)
Value creation (internal)	<p><i>"building better, more productive, smarter workplaces, where trust, cooperation and collaboration helps build better more prosperous, productive and profitable manufacturing businesses. (PM 2012:4).</i></p> <p><i>Significant change will be required in many businesses if managers and workers are to build a culture of not only managing change but continuously improving innovation". (PM 2012:50)</i></p>
Managerial mind-sets	<p><i>"realising the benefits of innovation requires cultural change that embraces collaboration and innovation. This requires not only a new set of skills, but new mind sets. Part of this mindset is the willingness to openly engage internally and externally. This is a challenge, particularly in workplaces, where the tradition of many has been to look to rules rather than relationships to find common cause. (PM 2012:50)</i></p> <p><i>"managers in Australian manufacturing businesses are not aware of their firms actual management performance...some participants were of the view that leadership and management skills are in decline and in many cases below international standards" (VIC 2011:135)</i></p>
Purpose	<p><i>"..decline in local manufacturing industries can affect a community strength and resilience – especially in regions where there is a single major employer. As well as leading to pockets of unemployment, major business closures or contractions can break up communities, as workers leave to find employment elsewhere" (VIC 2011: 67).</i></p> <p><i>"..continuous innovation in managerial and workforce skills and practices, a new national conversation between industry, unions, and government around Smarter Workplaces is proposed. This involves a sustained commitment from industry, unions and government to build the managerial and workforce skills and practices – and the innovation culture – that high performance workplaces demand. (PM 2012:4).</i></p>
Value capture (external)	<p><i>"Successful firms tend to collaborate with others, including customers at home and abroad and so, increase their level of knowledge and technical proficiency" (ABF 2011: 18)</i></p> <p><i>"..in Australia, collaboration is more serendipitous than systemic...Australia needs better connections between manufacturing firms and the research-education sector" (PM 2012: 66)</i></p>
Environmental position	<p><i>"Australia's scale and remoteness challenge work against competition, innovation and export growth, and produce a unique industrial structure: large multinationals in resources and food, large domestic services oligopolies and a long tail of SMEs. They also help to explain why Australia is not generating the pool of innovative, globally oriented medium-sized firms that underpin dynamic, thriving economies. (PM 2012:15).</i></p> <p><i>"a key policy challenge for Australia is to create more globally oriented, medium-sized firms in the \$25 to 250 million turnover range, some of whom will then go on to become larger anchors in supply chains" (PM 2012:43).</i></p> <p><i>"redesign of management and job tasks can see workplaces doing smarter things in smarter ways. However, this will require a shift in not just the practices and skills sets of managers and workers, but also in their culture and mind set. It is proposed that such an agenda involve government as an active partner and supporter, but that the initiative is not owned solely by government. The nation may be better served by broader approach to outlast political cycles that involves the meaningful participations of industry employees and unions" (PM 2012:82).</i></p>

Table 3. Matrix comparing models of organising

Dimension	Australian manufacturing model - current	Australian manufacturing model - desired	Mittelstand model
Value creation (internal)	Lowest cost production	Collaboration	Collaboration
Managerial mind-set	Short term; maximising output from employees; productivity poor education	Longer term; collaboration;	Mutual interests
Purpose	Maximising shareholder value; maximising short term profits	Maximising shareholder value; integrated into larger R&D system	Community responsibility; longer term employment; stable growth; survival
Value capture (external)	Competing with global players	Being an anchor/part of global supply chains and value networks; export oriented	Niche products; global leader in niche markets; business to business products
Environmental positioning	Declining industry; questions over legitimacy	Important part of national economy	Engine for economic growth and prosperity; social contribution

Figure 1. Factiva results for search on all articles referencing ‘Mittelstand’ globally, published in English, 2002 - 2012 (n=5709).

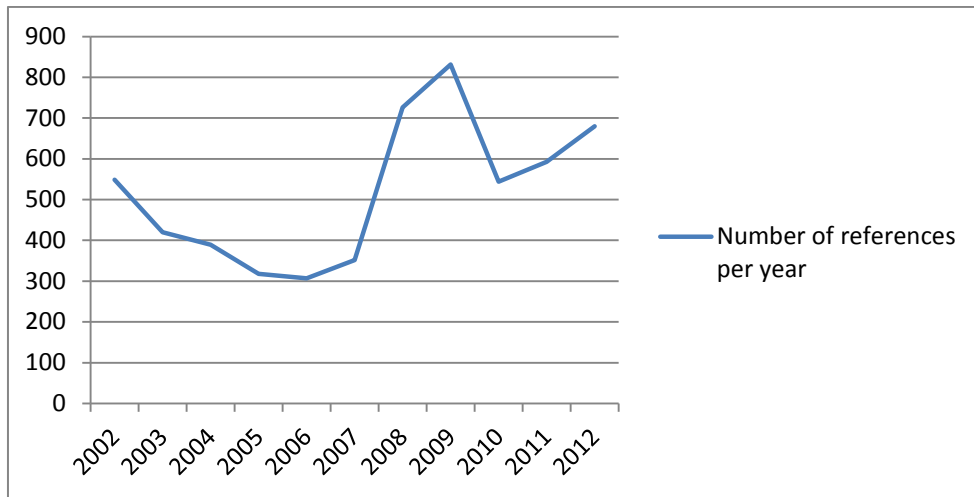


Figure 2. Structure of Data Analysis for Industry Reports

