

How Important are National Industrial Relations Systems in Shaping Restructuring in Multinational Companies?

Evidence from a Cross-Border Merger in the Pharmaceuticals Sector

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1. Introduction

A body of research demonstrates the ways that national industrial relations (IR) systems constrain the behaviour of multinational companies (MNCs). Differences between countries in the laws, regulations and customs in the IR arena create 'local isomorphic' pressures on MNCs (Ferner and Quintanilla, 1998), leading them to adapt their practices to national contexts to some extent. For example, Rosenzweig and Nohria's (1994) study of foreign MNCs in the USA found that 'adherence to local practices' was the 'dominant influence' on their approach to managing labour. In a similar vein, Ortiz argues that 'national systems of industrial relations remain important in shaping unions' reactions to similar managerial strategies in the organization of work' (1999: 49).

On the other hand, another body of research indicates that sites belonging to MNCs are under pressure to adopt practices that are 'innovatory' or 'alien' in the new national context. This pressure towards 'corporate isomorphism' stems in part from the need to safeguard the future of the plant in a context of internal competition between sites for investment and orders controlled by the corporate centre, evoking notions of the 'regime of hegemonic despotism' about which Burawoy (1983) wrote. This phenomenon has been described as 'coercive comparisons' (Coller, 1996) or as corporate management using 'reward and punish' tactics in investment decisions (Mueller and Purcell, 1992).

Therefore, in the case of MNCs undertaking major acts of restructuring, such as commonly occur following cross-border mergers or acquisitions (M&As), we might expect these local and isomorphic pressures to be in tension with one another. Indeed, restructuring following cross-border M&As is an interesting context in which to investigate the extent to which national IR systems really do condition the actions of MNCs. This is the case because cross-border M&As often involve a marked shift in management strategy and style as the acquired firm becomes influenced by a new owner or part-owner, with this shift bringing with it new IR policies and practices. Moreover, cross-border M&As often involve a programme of rationalisation as the firm looks to achieve cost-savings through removing duplicate operations. Thus there is not only a shift in the nature of corporate isomorphic pressures but also an intensification of these pressures. Thus cross-border M&As provide an

interesting context in which to examine the strength of local isomorphic pressures.

The nature of the constraints posed to MNCs by host countries can be conceptualised in a range of ways. Many writers adopt a culturalist approach, focussing on the values and attitudes that are prevalent in a particular country. A broader, and more convincing, approach is an institutionalist one in which norms, rules and laws in a range of spheres of the economic and social system are seen as shaping the behaviour of firms. In the context of restructuring in cross-border M&As, institutions in the IR field are of particular interest. In this paper we focus on these IR institutions, particularly the level of union organisation and the role of works councils.

Cross-border M&As are an increasingly important mode of growth for MNCs (United Nations, 2003). Many recent mergers have been followed by programmes of restructuring that led to profound changes in the operation of the firms. One illustration is that of Corus, the Anglo-Dutch steel-maker. Persistent losses following the merger in 1999 led to successive bouts of job cuts, culminating in a plan by management to sell the aluminium division to Pechiney of France. However, the plan was derailed by the opposition of the Dutch supervisory board which used its legal powers to veto the sale (EIRO, 2003). While such clear-cut examples of host IR systems constraining management action in cross-border M&As are rare, it is evidently an important aspect of the post-merger period. Yet, the academic literature on this topic is poorly developed and sheds little light on how host IR systems condition post-merger restructuring.

One strand of the literature on cross-border M&As addresses the role of the HR function. For example, Schuler *et al.* (2003) discuss the ways in which HR issues should be handled, but other than a short discussion of cultural influences they provide little systematic analysis of lasting differences in national systems of HRM and IR. Similarly, Bjorkman and Soderberg's (2003) study of the role of the HR function in the merger that created Nordea deals with national differences in HRM only in passing¹. A second strand of the literature stresses the 'embeddedness' of MNCs in their original home base and the way that this gives rise to a 'country of origin effect' in the way that acquiring firms manage the workforces in the acquired units. One illustration is a study by Faulkner *et al.* (2002) which examined acquisitions of British firms by foreign MNCs. While they found that there were some changes that appeared to occur whatever the nationality of the parent firm – most firms had sought to establish a clear link between pay and performance, for example – their findings also revealed significant differences by nationality in the handling of HR issues in the post-acquisition period, particularly in relation to recruitment, development and termination practice. A third strand deals with 'host country effects' in cross-border M&As. Based on a series of case studies of Franco-German mergers, Corteel and Le Blanc (2001) argued that 'social issues' – by which they mean pay, working time, holidays, pensions and so on – are governed by a 'national logic'. On the basis that differences between the French and German operations in terms of pay, benefits and working time

arrangements that existed prior to the merger continued to exist following the merger, the authors claimed that these are 'lastingly rooted at national level'.

Corteel and Le Blanc's (2001) argument is an important one. They go to some lengths to emphasise the role of the barriers at national level that MNCs face in restructuring their operations in the post-merger period. They argue that 'social issues are ruled by a national logic, which is a national one whatever the geographical area of the firm's operations may be' and that the 'national founding' of these issues is 'absolute'. Taken together with the Corus case, this would seem to be compelling evidence that management's room for manoeuvre in IR is severely constrained in the post-merger period by local isomorphic pressures.

However, in this paper we demonstrate the permissiveness and malleability of host IR systems. Through an investigation of the post-merger period in a pharmaceuticals multinational, we examine the restructuring process in four comparable plants in quite different national IR systems. In particular, we examine a number of human resource (HR) policies that were pushed by the centre, particularly the re-grading of jobs, linking pay to performance and managing workforce fluctuations, all of which reflect the centralising, integrationist approach of the corporate HR function in the post-merger period. The findings suggest that *national* level regulations and employment institutions present less of a constraint on the restructuring process than we might have expected. Our argument is based in part on the role of a range of factors outside the sphere of IR that shape the impact of restructuring and in part on the notions of variety within, and malleability of, national IR systems.

The paper is structured as follows. The method of data collection is described in the next section, followed by a justification of the choice of the case study firm. The fourth section sets out the key aspects of the four national IR systems in question and the fifth provides some detail on the four sites and their fortunes after the merger. In sections six and seven we develop our argument concerning the extent to which host country effects constrained management style in the case study firm. The final section pulls together the findings and sets them in a wider context.

2. Method

In order to investigate the role of national IR systems in the post merger period we undertook a detailed case study of a firm in four different countries. The case study firm, which we refer to as PharmaCo, was created through the merger of a British and a predominantly American firm² and has significant operations in around forty countries. The empirical work comprised in-depth interviewing in four countries: the UK, the USA, Spain and Germany.

We began our fieldwork by conducting a range of interviews at the HQ of the company – which is split between the US and the UK – in order to establish the nature of the restructuring process as planned by senior management. These interviews took place between nine and eighteen months after the

merger had been completed. Subsequently, we examined the impact of the restructuring process in four comparable sites that all belonged to the British party to the merger. These interviews were carried out between eighteen and thirty months after the merger and enabled us to track changes in the post-merger period and to compare the nature of these changes across countries. All interviews were recorded and transcribed and many of them were undertaken by multiple interviewers from across countries. In total, 37 interviews were conducted (see Table 1).

Table 1 about here

The comparative case study method allows an in-depth analysis of the reaction of actors who face similar pressures but operate in quite distinct national contexts. While such an approach does not allow empirical generalizations to be made, its utility lies in the status of the firm as a 'critical case' in that it provides particularly interesting conditions in which to explore a phenomenon (Belanger *et al*, 1994). Thus the choice of firm is crucial, and it is to a justification of this that we now turn.

3. The Rationale for the Choice of Firm

Cross-border M&As often lead to a marked change in management style for one party to the merger. Many mergers – domestic or international – are justified on the basis that a shake up of existing structures and practices can lead to an acquired unit operating more efficiently, but cross-border ones can also involve a new national influence being exerted on management style. In PharmaCo this factor was clearly in evidence.

The merger brought together two quite different MNCs. Prior to the merger, the American firm had a relatively centralised approach to many HR issues while the British one had a largely decentralised approach. The British firm was described as 'a UK company that happened to have bits of their business all over the place' with the corporate HR function acting like 'an absentee parent'³. A near universal view among respondents was that the corporate HR function in the merged firm has become very influential, developing a number of international policies, and that this mirrored the structure of the American party that had possessed 'globally integrated businesses and functions'. While many respondents argued that it was 'communicated as a merger of equals' initially, it was evident that it was those from the American firm who were 'driving the bus', particularly in HR.

This resulted in a number of corporate policies and initiatives in the HR function that were designed to apply across sites. Many of these were modelled on initiatives in the American part of the company. One instance was the 'Global Diversity Policy' that consists of standardised training for managers on diversity issues, 'outreach' programmes into local communities, and 'multi-cultural' teams in which customer-facing employees are brought together into diverse groups, something that the US operations had

developed. This set of policies were not mandatory but rather were a broad statement of principles.

In other areas, there was a higher degree of compulsion on those at site level to implement practices mandated from the HQ. One example of this was the policy on the use of 'contingent' workers. In response to a legal ruling in the US, a policy was initiated that prevented temporary employees from being continuously employed for more than 18 months. A second example relates to pay. Senior management were keen to establish that a substantial proportion of pay should be 'at risk' and so have pushed hard for sites to increase the importance of 'variable' pay. In particular, the HQ expressed a clear preference for every employee to have their pay tied to their individual performance in some way. The re-grading of jobs into common categories was another illustration. Following the merger, employees were graded into a global scheme that determined certain benefits such as the level of bonus and stock option allocation. A further example that, although it was not strictly an HR initiative, had implications for employees was the use of the problem solving methodology 'Lean Sigma'. This became an important influence on changes in working practices in the firm and clearly originated through a team of American consultants. In general, some respondents saw this process of centralisation as developing a 'momentum of its own' with a perception at site level of more and more corporate level policies⁴.

Pressure to operate at lower costs was something that was felt to some extent by all sites owing to the scale of the cost-savings promised at the time of the merger, but the impact of a strong, controlling HQ was new only to the sites belonging to the British party to the merger. Our research design, therefore, focuses on four plants that had belonged to the British firm and examined the impact of this pressure in the two and a half years following the merger. Thus we are ideally placed to examine the extent to which the dominant national institutions in the four host countries led to this pressure being refracted, and the case study is an excellent firm in which to investigate the extent to which national level industrial relations systems lead to the restructuring process differing across countries. Some background details on the four national contexts are provided in the next section.

4. The National Contexts

The four countries we selected exhibit considerable variation in terms of the role and nature of institutions and regulations. We consider each in turn, examining both the regulation of employment issues in M&As in particular (see Table 2) and the key features of the national IR system in general (see Table 3).

In Germany, the general rights of the Betriebsrat (rather than specific rights relating to M&As) concerning any restructuring of work organisation, job definitions and collective redundancies enforce the disclosure of information by management in the event of M&As and protect the terms and conditions of workers who are transferred to a new employer. These regulations exist

alongside a highly codified system of employee representation, which takes the form both of representation on workplace-based councils and also on the supervisory boards of companies. Trade unions derive much of their influence from the strength of these institutions and collective bargaining at sectoral level covers the majority of workers. These characteristics of the Germany IR system appear to present significant constraints on the freedom with which managers can make substantial changes to employment practices following a merger or acquisition.

The Spanish system affords employees strong consultation rights in the event of M&As and legal protection for basic terms and conditions for transferred workers. In addition to these merger-specific regulations is a set of provisions relating to employee representation more generally. Uppermost among these is the system of workers' committees, which are bodies that are usually dominated by unions in practice. Despite low levels of union membership, support for unions is higher than the 15% density level suggests, partly because of the support they receive from the state and partly because of the prevalence of an unknown number of '*sympathizantes*'. These are employees who are favourably disposed to unions, tend to vote for union representatives in elections for workers' committees and may even take industrial action, but are not formally members. The importance of union support from employees voting for them in works council elections has led to the term "voters' unionism" being used to describe the Spanish system. Union influence also comes from the existence of sectoral collective bargaining. However, the extent to which collective agreements constrain management is highly variable across sectors, regions and firms.

Tables 2 and 3 about here

In the UK, legislation derived from the EU Acquired Rights Directive is the basis of information disclosure and protection for terms and conditions of employment following M&As, and merger plans that include collective redundancies lead to the employer being bound by legislation giving employee representatives rights to consultation. While both management and unions are expected to seek agreement concerning the handling of any post-merger changes, this falls short of obliging management to negotiate. The ability of unions to exert influence through negotiations depends on their organisation at firm level. Despite the recent introduction of legislation providing for union recognition following a ballot of workers, union influence varies markedly across the economy. The absence of strong legal or institutional supports for collective bargaining means that in many workplaces managers appear to have a relatively free hand in implementing changes to employment practice.

The American labour market is the one of the four with the fewest obligations on employers that undertake a merger or acquisition. Under US law management must consult with employees only if the deal implicates the Worker Adjustment and Retraining Notification Act – this covers cases where 50 or more employees are made redundant and requires management to consult at least 60 days in advance of this occurring. In addition, where there

is a recognized collective agreement, a union contract may require an employer to honour certain commitments in the event of a merger. However, unions are extremely weak by international standards and are almost completely absent from many sectors and regions of the economy.

This consideration of the four countries leads us to a specific proposition: the barriers to implementing the global HR policies that PharmaCo developed in the immediate post-merger period are greatest in the German and, to an extent, Spanish sites, and are correspondingly weaker in the British and especially American sites. The case study is an excellent one in which to investigate the extent to which this is the case.

5. The Post-Merger Context in the Four Sites

In the immediate post-merger period, a key task facing corporate management was to identify where within the firm the cutbacks and plant closures should occur. The pharmaceuticals sector generally is characterised by over-capacity in manufacturing and both firms prior to merger had a rationalisation programme in place. However, one constraint on the closure programme in both firms was that it is often difficult to serve a national market without a manufacturing presence in that country. In Europe, there has been a gradual move towards regulation at the European level over the last ten years for production sites (the so-called 'Good Manufacturing Process'), reducing the requirement that firms are physically located in each national market. However, this process is not complete in Europe and national regulators remain important in other countries, particularly the USA. Moreover, it is still important to have a presence in many countries in order to generate acquisitions from national health systems. This meant that many sites in small or medium sized markets that operated well below full capacity were kept open. Once the merger had occurred, however, the overlap of manufacturing sites made it much easier to close plants and still retain a presence in a national market. Consequently, the firm set a target of closing a third of its sites within three years and demanded that plants become more specialised in production, through concentrating on particular categories of drugs, such as pills, potions or liquids.

To assist in this process, the HQ categorized all of the sites into one of three categories: those bringing new products to the market ('new product introduction' sites); those producing high volume products protected by a patent ('mature product' sites); and those producing drugs that had patents only lasting a short time and would soon become unprofitable ('tail-end product' sites). One of the key factors that shaped this categorization was the extent to which sites enjoyed regulatory approval to produce a lucrative drug for key markets. Firms must gain approval from the regulatory body – normally at national level – in order to sell in a particular national market and this approval resides with particular sites rather than the wider firm. Thus sites that have the necessary capacity and expertise to be able to comply with the demanding requirements of these regulators are in a favourable position in a context of a cost-saving programme. In particular, those sites which have

regulatory approval for either new products whose sales are increasing or for mature, high volume products are in a stronger position than those producing drugs whose sales are declining and the patent is close to expiry.

All four sites we looked at within PharmaCo were in a relatively favourable position in this respect (see Table 4). Formal recognition from the Federal Drugs Agency (FDA) in the US is a crucial source of influence within the company given the huge American market. The US site we studied possessed FDA approval for some of the company's best-selling drugs, earning it the status of a secure mature product site. The UK site, similarly, had a secure position owing to its status as having regulatory approval for several big-selling drugs in Britain and elsewhere. Moreover, this plant was accorded the role of a 'new product introduction' site which carried considerable kudos within the organisation. The Spanish and German sites held more varied roles as exporters of a wider range of drugs that needed them to have regulatory approval from government agencies in a number of markets. For instance, the German site had been afforded the status of 'global distributor' and exported small volumes to niche markets as small as Iceland and Lithuania. The capacity to do this secured the position of the plant as a mature product site. The Spanish site had a similar role, exporting a high proportion of its products. The plant had the status of a mature product site but also has engaged in some production of new products. In all four sites, therefore, the ownership of regulatory approval for drugs protected by patents meant that the sites were relatively safe and employment was stable or rose.

The costs associated with consultation and redundancy are minor compared with the income streams from having regulatory approval for a patent-protected drug. Accordingly, there was little evidence that the location of cuts was driven by where these costs were lowest. While there were significant cuts made in the other British sites and also in the US, this appeared to be largely because the overlap between sites following the merger was greatest in the UK. The evidence that these cuts in the UK were not motivated by the more permissive IR system was that the firm adopted the 'European' model of consultation for these sites. As one corporate manager described it:

'In the UK, for instance, we have used what we would call the European model for consultation, so we have spent a lot more time in real consultation than has maybe been the norm in the UK. ... We didn't feel it appropriate to use a different consulting model in continental Europe because the law requires us to and somehow have more of a UK model which doesn't require as much time, effort and information as the European model does. We decided we would treat our UK employees and trade unions the same way as our European ones'.

Table 4 about here

Overall, then, the similar fortunes of each of the four sites, all with secure mandates and relatively stable employment, provides an ideal context in which to investigate the pressures towards corporate isomorphism through the influence of a more influential corporate centre and how this is balanced against the pressures towards local isomorphism in the form of national

systems of IR. In the next section we examine the extent to which this influence is mediated by national IR systems.

6. The Influence of National IR Systems

On the basis of our fieldwork at the corporate HQ we identified four particular areas for subsequent examination in the plants: the nature of employee representation at the sites; the job re-grading process; the push to establish clearer links between pay and performance; and the management of fluctuations in the workforce. The first of these provides essential contextual information, while the other three were all directly affected by the merger and are also areas in which corporate influences are likely to be constrained by national IR systems. Our research design was also flexible enough to incorporate those corporate initiatives that emerged as important during our fieldwork at plant level.

Similarities and Differences across the Sites

There were many similarities in employment practice between the plants. These were especially evident in three of the four principal areas that we studied. For example, there were many common elements to the way that 'variable' pay was implemented across the sites. In all four cases, the site bonus plan closely resembled the corporate model of using 'key performance indicators' to construct a multiplier to calculate bonuses for all staff, with individualised performance-related pay (PRP) being used to supplement this for some groups of staff. Another instance is in relation to the re-grading exercise. The process of re-categorising jobs itself was remarkably similar and led to apparently identical job categories among professional and managerial workers. The sites appeared to have adopted this enthusiastically, with some stressing the benefits in terms of making it easier for staff to move across sites and producing greater comparability generally. In addition, all of the sites used a sizeable 'contingent' workforce of temporary and agency workers to cope with fluctuations in demand.

Other significant similarities between the sites were also notable. All of the sites had implemented many of the corporate policies. For example, they had all embraced Operational Excellence in general and Lean Sigma in particular. The basic structures and problem-solving methods were in place in all cases, while all sites had an 'Operational Excellence Champion' and had around 1% of staff in the key process. In relation to training, all of the sites had adopted the practice of individualised 'performance development plans' (PDPs) that establish targets for each individual to acquire new skills or upgrade existing ones.

However, the findings also produce some instances of marked differences in the impact of restructuring in the post-merger period. The influence of distinct national IR systems shows up in the way in which many 'social issues' differ to a considerable extent across sites. Most obviously, there was no attempt to harmonise pay rates across quite different labour markets. Many other

aspects of terms and conditions, such as sickness pay and holiday entitlement, were left to local management to set in line with local labour markets. These findings produce some support for Corteel and Le Blanc's (2001) argument that social issues are 'lastingly rooted at national level'.

There were some indications in the core areas we examined of national IR systems constraining management action. One instance of this is the job re-grading process. There was some ambiguity concerning how far-reaching this process was, with some respondents indicating that the re-grading covered everyone within the company. However, there was evidence that below managerial and professional grades management had sought to avoid fundamental reorganisations of jobs. In the German case, a re-grading of jobs had occurred shortly before the merger when the site introduced group working. More generally, the new categories were broad enough for local management to be able to adapt existing job categories without changing them substantially.

The influence of the national IR system was also evident in relation to the consequences of this re-grading. For example, in the American plant the exercise led to financial losses for some employees; approximately thirty professional and managerial workers lost entitlement to stock options as a consequence of the re-grading. Yet, the insecurity of jobs in the immediate post-merger period and the lack of representation in the US site meant that there was little concerted opposition. As the site HR Director put it:

'it's probably something of not wanting to speak up too loudly and voice up a negative, there are enough positions being eliminated in the future ... and of course it's a non union plant so there is no channel that way'.

Had groups of workers covered by collective agreements in the German and British sites been so adversely affected it is likely that some form of compromise would have been reached (though these agreements present only weak constraints for managerial workers, of course).

A further illustration was in the company's push to establish a clear link between pay and performance. Table 5 summarises the way in which this influence from the corporate HQ was played out in each of the sites. One way in which there was variation was in the extent to which individual performance determined pay. To some extent, the variations in individualised PRP can be explained with reference to the national IR system. In Germany, for instance, management initiated discussions concerning an individualised component of pay but the works council used its legal powers to limit the use of this practice to relatively senior grades.

Table 5 about here

There were other examples of differences in IR practice between the sites. Table 6 details the nature of employee representation across the four countries. The variations across sites partially reflect the influence of the national IR system; the non-union status of the American plant and the well-organised and apparently influential works council in Germany are broadly in

line with what might be expected given the nature of the national system. The highly organised nature of union organisation in the British plant perhaps also fits into a broader pattern of large, mature manufacturing plants in the UK. However, the Spanish plant, despite being in one of the sectors with the strongest unions in the economy, has no union involvement at all in its Workers' Committee and is not typical of the Spanish system in this respect.

Table 6 about here

While there are some indications of national IR systems explaining differences between sites and constraining management action in distinct ways, there is also a theme in the data of significant differences not being attributable to national IR systems. A prime example of this relates to the push by the parent firm to link pay to performance. As noted above, this produced signs of diversity across sites. However, there were other differences that appeared not to arise from the influence of national systems.

In the UK, Germany and the US the link between an individual's performance and their pay covered only a sub-set of employees in the site, generally those of managerial and professional grades. In Spain, however, this link pre-dated the merger and existed for all employees, albeit only a very small percentage (generally less than 1%) for most workers and is contingent upon the appraisal of the worker concerning issues such as willingness to work on Saturdays and the potential for promotion. It is not easy to understand in terms of national IR systems why the Spanish plant should have the practice for all workers but the British and American sites did not. Similarly, the variations in the proportion of total pay that the site bonus could constitute could not easily be explained in this way.

The process by which sites manage their workforce so as to handle fluctuations in demand also only partially reflects national legal and institutional constraints. In relation to a legal ruling in the US concerning the rights of temporary staff, the firm issued a guideline that temps should not be employed on a continuous basis for more than eighteen months. Despite this policy being driven by American national factors, it was also applied to the UK sites where the law is quite different. The application of this policy outside the US cannot easily be explained by the need to adapt to national IR systems; indeed, these differences were effectively being ignored.

National IR systems could also not explain why the tenor of the respondents' views concerning the growing influence from the corporate HQ differed across sites. We might have expected that there would be greater concern about a strong American influence over international HR policies in the regulated and distinctive German and, to a lesser extent, Spanish contexts than in the more deregulated British and American systems. However, the reverse was the case. The tone of many of the interviews in the UK and US sites was notably more critical of the corporate HQ. In the British site our interviews were replete with criticisms of the degree of central control. For example, one respondent argued in relation to the push for consistency in HR policies across sites that 'it's not going to meet business needs, it's going to pee

people off', while another argued that the introduction of global policies has often been 'crass' and were 'laid upon us centrally and corporately without anyone consulting us to say how will this be received'. In the American site there was also a strong feeling that central control had become too strong. As one manager put it, 'the HR policies ... were the biggest changes that occurred at this site and to be perfectly honest there were too many'. In contrast, there was less overt criticism from the Spanish and German sites. Care must be exercised in interpreting this evidence, of course, but at the very least it is suggestive of the limitations of formal IR institutions in creating local isomorphic pressures.

Overall, then, there was a mix of similarities and differences across the sites. Given the quite different national IR frameworks, the degree of similarity between the sites was notable. National IR systems provide only a partial account of the differences that we uncovered and it is to a consideration of other aspects of the post-merger period that shape the restructuring process to which we now turn.

'Space' at Site Level to Circumvent Corporate Policies

While the firm's approach to managing its international workforce was quite centralised – at least from the perspective of the plants belonging to the relatively decentralised British party to the merger – the corporate HR function did not try to exert complete control over the sites. To exert very tight control involves significant costs: the danger of generating resentment amongst managers at site level; the risk of stifling innovation across the firm; and the high degree of inflexibility in responding to local factors (Hamill, 1984; Coller, 1996). Thus the findings were consistent with some previous studies of MNCs in that sites retained some degree of room for manoeuvre within the constraints imposed by higher levels of management, allowing them to circumvent corporate policies

One way in which site managers could do so was simply to ignore a policy that the centre tries to impose and justify this once it is discovered. As one respondent in the UK site argued, 'it's easier to beg forgiveness after the event than it is to ask for permission to do it in the first place'. There was an acknowledgement at the centre that this goes on to some extent. As one manager put it, 'I think what in reality happens is a little different from what we think might happen'. Thus the space from corporate level monitoring meant there was scope for some mediation or avoidance of corporate policies. This is an example of what Goffman (1983) refers to as 'organisational friction'; that is, a range of actors know that rules are being broken but this is not formally acknowledged.

Circumvention occurs not only because the centre do not have perfect information on the details of practices at site level but also because those at site level are not aware of the existence of some corporate guidelines. One case of this was at one plant where during the course of our interview the site HR Director began to leaf through a booklet of corporate policies in order to check the details of one particular policy. In the course of doing so, he found a

range of other written guidelines about which he had no previous knowledge, and therefore was evidently not following.

The scope that each site had to deviate from corporate policies differed in line with the level of control the parent exercised across sites. For example, some HR policies applied globally (though were not always implemented in full), such as the push to link pay to performance, while others applied only to the American and British sites. The operations in these two countries are closely monitored by the centre because they are seen as constituting such a critical mass of production. One respondent claimed that 'generally speaking PharmaCo tends to treat the US and UK as a single population where it can' and another put it like this:

'The interesting dynamic in PharmaCo is there is a lot of focus on the US and the UK, the policy in the US-UK. ... We have 40,000 people in the division, most of them outside of the US and the UK, but the focus seems to be in that area and the reason is that is where the revenue is generated. It may not be where our people are but it is where the revenue is generated, so we spend a lot of time and energy on the US-UK issues and a big piece of (the division) is left untouched'.

A result of this is that some policies, such as that relating to the employment of 'contingent' workers, affected these sites but not others. The Spanish and German sites, therefore, were not affected by the restrictions concerning the continuous use of temporary workers. Consequently, variations between sites in the impact of this policy are partly a reflection of the complexities of the corporate structure and the importance that the HQ attaches to each site. The strategic importance of each country to the company and the proximity, both geographically and culturally, of the operating units to the HQ appear to explain why the UK and US sites were subject to tighter control than their Spanish and German counterparts.

Subsidiary Resistance

Even at those sites subject to tight HQ control, however, another source of variation is the active resistance of some subsidiaries to corporate policies. Some site level managers openly challenged the logic of corporate policies. An example of this was evident in the UK site and concerned the firm's policy on the use of temporary staff. One of the main preoccupations of the site HR Director was to adjust staffing levels to match fluctuations in demand. In the two years following the merger employment levels at the site rose by around a third as it was the recipient of product transfers from other sites. However, management knew that this was only temporary and that employment would fall back as other products were transferred elsewhere. In this respect, the corporate policy on not using temporary staff for more than an eighteen month period became a major constraint since there were a number of reliable temps who would have to be released, despite the eighteen month figure having no significance in British law. The site HR Director used these legal arguments to make the case to his superiors in HR that the policy should be relaxed, but was unsuccessful. Ultimately, he managed to gain a temporary exemption by making a plea to the Director of the manufacturing division who over-ruled the corporate HR function.

This resistance, therefore, is an important source of variation in the operation of corporate policies. This argument fits in with a wider literature that stresses how actors within workplaces can evade corporate influence through the possession of greater familiarity and expertise in the local context (e.g. Broad, 1994; Webb and Palmer, 1998). It also fits in with a literature that stresses the way in which those sites that are highly profitable or that control resources of value to the rest of the group are able to credibly challenge and defy the corporate HQ (e.g. Ferner and Edwards, 1995).

In PharmaCo, as we have seen, one very important source of power that resides at site level is the regulatory approval to sell drugs in each national market. Given the status of the British site as producer of six of the top ten best-selling drugs in the company, and its position as one of a very small number of 'new product introduction' sites, it was in a powerful position to challenge corporate policies. This was an important contextual factor in the site's successful attempt to gain exemption from the corporate policy concerning contingent workers. The logical corollary of this argument is that as the power of sites to resist corporate policies varies, this will be a source of variation between sites.

Regional Structures and Alliances

Another aspect of the corporate structure that is relevant in this context is the regional dimension. The company identified five regions – Europe, North America, Asia-Pacific, Middle East and Africa, and Latin America – and had established management structures around these. Co-ordinating mechanisms at regional level had the potential to mediate the pressures from corporate HQ. Two illustrations of this were evident in our research. One was in Europe, where the HR Director for European manufacturing described his role in part as helping the sites fend off the growing weight of corporate policies. As he put it:

'There is so much that happens, the sites just get flooded with (corporate policies). I am the sort of barrier to stop that happening, so I see myself as in the position of pushing back on these things as well'.

One example of how he did so related to arguments over a pay deal for a site that was being phased out. In order to gain an exemption from an across-the-board ceiling on the scale of pay rises, the European HR Director formed an alliance with the site HR team to argue that a three-year pay deal in excess of the corporate ceiling would be justified in order to ease the winding down of the site. This was initially over-ruled by corporate HR, but the team appealed directly to the President of the manufacturing division with a 'business case' for exemption in which they stressed the danger of 'a threat to continuity of supply' through possible industrial action. This was successful and an exemption was granted.

The second illustration of how regional co-ordinating mechanisms can lead to alliances between sites in order to protect their combined interests was found in North America. The site we examined was seen as secure but had pre-

existing close relations with another that had a 'marginal mandate' and was therefore seen as vulnerable. The safe site helped out the more vulnerable one through 'ensuring that we have them at the front end of any leading edge initiatives' within the region so that it is 'viewed as a mover and a shaker on a key corporate initiative'. Perhaps more importantly, bi-lateral agreements to transfer production across sites within the region were taken partly on the basis that they should help 'ensure the survival' of the vulnerable plant. This ran counter to the corporate HQ's programme of trying to close sites and concentrate production in a small number of them. While not technically an example of defying corporate HR policies, alliances of this nature have the potential to be used for this purpose, as we saw in the European example above.

Regional structures such as that in place at PharmaCo provide fertile ground for micro-political processes to operate in such a way as to reduce the influence of corporate policies. The reduced importance of national HR functions (in the British party to the merger anyway) created a context in which many actors would look to realign themselves in the face of stronger central influence, and regional structures partially fulfilled this role. Such an argument chimes with the assessment by Ferner et al. (2004: 380) concerning the role of European HR structures in American MNCs which they argued 'provided national subsidiaries with a common voice and a means of interest aggregation vis-à-vis central HR, and there were indications that it could align itself with the subsidiaries, fighting central proposals on their behalf'.

Summary: Political Activity as a Source of Variation

The costs of extremely tight central control and the fact that organisational actors have less than perfect information concerning the detail of corporate policies and how they operate in practice in each of the sites creates scope for variation across operating units. This scope can be extended where actors at site level control resources of value to the rest of the group, enabling them to depart from corporate policies with a reduced likelihood of sanctions. In the pharmaceuticals sector, we have seen that a crucial resource controlled at site level is the possession of regulatory approval to sell drugs in particular national markets and those that have this for a range of high selling drugs are in a strong position to defy corporate HQ policies that they see as problematic in their particular context. The scope to deviate from corporate policies can also be extended where sites engage in alliances with others to form a collective barrier against central management, and regional aspects to structures in MNCs appear to form a conduit through which this can occur. In short, the political machinations of MNCs are an important source of variation between sites in the way that ostensibly homogenising policies actually operate.

7. The Scope for Employer Choice within National IR Systems

Political activity within MNCs does not of course mean that IR systems are irrelevant in explaining variation across sites in different countries. A further strand of our argument, though, is to point to the limitations of the constraints arising from national IR laws, regulations and institutions; the variations within, and malleability of, these systems appear to be significant. Our research design was not devised with a view to a systematic investigation of regional differences in IR systems and to do so would require some comparison with other pharmaceuticals firms in other regions. Nor was it designed so as to enable an assessment to be made of how MNCs influence the key features of national systems of which they are a part. Nonetheless, we are able to provide evidence that is indicative of regional variations in understanding the restructuring process and locate our findings within a wider body of evidence concerning the malleability of IR systems.

Regional Variations within IR Systems

While IR factors clearly conditioned the restructuring process, as we have seen above, these are not necessarily a reflection of *national* IR institutions. Most large economies are characterised by some variation between regions owing to such factors as regional forms of regulation, differences in the industrial structure, employer traditions and union organisation and militancy.

This came through most strongly in the Spanish site. Martinez Lucio reviews a range of sources of evidence about the Spanish system and notes that one of the key aspects of collective bargaining in Spain is that the 'bargaining effectiveness of union organization varies widely between provinces and regions' (1998: 445). Indeed, while the sector is the main formal level of bargaining, more than twice as many employees are covered by 'provincial-sectoral' agreements than are covered by 'national-sectoral' agreements. Even among those collective agreements that are national in coverage, such as that covering pharmaceuticals, the constraints imposed by national bargaining on individual workplaces are often limited. The pharmaceuticals industry in Spain is covered by the chemicals sector agreement which includes a diverse range of firms – oils, paints, lubricants and so on. The extent to which plants within this sector are affected by forms of employee representation, therefore, depends primarily on the ability of unions to exert influence at the level of the workplace.

The Spanish plant of PharmaCo, while formally covered by the agreement in law, was in practice not significantly affected by it. Located in the region of Castilla-Leon, which is largely agricultural and where unions have traditionally been weak (Fuhrer, 1996: 121-124), the representative arrangements that are necessary to provide meaningful bargaining at local level are, in Martinez Lucio's terms (1998: 445), 'inoperative'. Thus the nature of employee representation in the site presented little in the way of constraints to implementing new practices; while there is a workers' council unions have repeatedly failed to have their nominees elected to it and the principal employee representative is a relatively senior manager in the site. Consequently, the council appears to have little influence in challenging management's plans. A key consequence is that the role of workers'

committees that have strong links with unions in constraining the freedom of action of some MNCs in Spain (see Ortiz, 2002) was not much in evidence in the PharmaCo case. While other pharmaceuticals firms were not studied systematically, we were able to gather data demonstrating that the PharmaCo site was atypical; firms in the rest of the industry are generally located in urban areas, particularly around Madrid, and have union involvement at workplace level.

The evidence from the US is also strongly suggestive of regional differences within IR systems playing a crucial part in shaping the restructuring process. Katz and Wheeler (2003: 67) argue that 'the United States has long been noted for a high degree of diversity in the conditions under which employees work'. One source of this diversity is the marked regional variations in industrial relations. The American site we examined is in North Carolina, one of nineteen states mainly in the south that are known as 'right-to-work' states. This status makes it extremely difficult for unions to gain recognition and union density tends to be very low; in North Carolina it is as low as 5% overall and around 3% in the private sector. In contrast, some of the pharmaceuticals firms in other parts of the country, and indeed one of the other American sites of PharmaCo, are unionised. Given the emphasis on a formal 'web of rules' in collective agreements in the US, we might expect the constraints on management to introduce new practices to be much more significant in other regions when compared to the site we studied. For example, there is certain to be more concerted formal opposition to practices that challenge employees' interests – such as the job re-grading process – in unionised pharmaceuticals sites in the US that are mainly in the north-east than we observed at our site in the south.

A distinctive regional dimension to the sites in the UK and Germany was less obvious but regional variations in the nature of IR are evident in the two countries, caused by differences in industrial structure, union organisation, economic fortunes and, in the case of Germany, re-unification. In the German site, the fact that it was a relatively small site that is geographically distant from the rest of the industry might have supported the flexible and co-operative reaction of the works council to changes before and after the merger.

Overall, regional variations within national systems are an important factor in the restructuring process in PharmaCo. The data from the Spanish plant are not only indicative of regional variations, however, but also of managers adopting a particular style that enables them to keep unions at bay. Before the merger management at the site ensured that pay rates and entitlement to a range of fringe benefits compare favourably to those set out in the collective agreement. Such an approach was apparently motivated by an attempt to establish managerial control over the site without this being challenged by unions. This raises the wider issue of how MNCs can shape the nature of the environments in which they are embedded.

The Malleability of National IR Systems

The four national systems of IR exhibit considerable malleability in that they allow a high degree of flexibility to firms seeking to introduce particular practices. Moreover, their distinctive features evolve over time, partly owing to the influence of MNCs themselves.

That this is the case in the US is not particularly surprising. The American IR system, with its very low level of union membership and minimal legal support for forms of employee representation, allows MNCs considerable freedom to restructure in the way they see fit. As Wever (1995: 608-9) puts it, the legal regulation of unionism 'assumes that the natural state of affairs is for workers *not* to be represented collectively' (italics in original). Accordingly, some studies of foreign MNCs in the US have demonstrated the ease with which MNCs have established non-union sites and have been able to introduce a range of employment practices that depart from norms in an industry. For example, Katz and Darbishire (2000) show how a number of foreign MNCs such as Mercedes have done precisely this, causing substantial change in the automotive industry.

It is also reasonable to expect the British system of IR to be malleable in the hands of MNCs, particularly because of the sharp reduction in union presence and influence in the last quarter of a century. The literature on Japanese firms in the UK demonstrates the scope for innovation that this group of firms enjoyed in organising production and managing workers. A large body of work in the late 1980s and early 1990s produced evidence of 'significant changes in the organisation of work processes' by Japanese firms and also by British emulators, although the nature and extent of these varied considerably (Elger and Smith, 1994). More recent evidence concerning American firms in Britain testifies to the way in which US-owned multinationals are able to instil a distinctly American flavour to their employment practices in the UK in areas such as diversity, performance management and collective relations (Almond et al., 2003a).

This malleability also shows up in the more regulated Spanish context. While employee representation structures are quite patchy, as we have seen, the Spanish labour market is characterised by a complex web of legal regulations that ostensibly constrain the ability of MNCs to introduce new practices. However, two examples suggest that these constraints are not as great as may appear at first sight. Coller (1996) details the way in which job rotation took place in the UK plant of a food MNC but the introduction of a similar practice was constrained in Spain by the *ordenanza laboral*, a legal regulation that impeded the firm's attempts to move workers from one job to another unless they were paid the same as others at the new part of the factory. However, the 'effect of this constraint was minor so long as local managers had ways of adapting the law to their needs' (1996: 163). In this case, the way of minimising the impact of the law was to move production workers to new posts for a sufficiently short period so that they did not have to be upgraded. Second, Almond *et al* (2003b) describe the way an American IT multinational in Spain succeeded in minimising the influence of the collective agreement by paying in the top quartile of the pay distribution. More generally, where managers and works councillors could not agree on a proposed change to

working practices, management often simply implemented the change anyway and waited to see if a legal challenge materialised, which it rarely did.

Even in Germany the evidence suggests the IR system is malleable to MNCs. Many foreign, particularly American, MNCs opt out of sector-level collective bargaining and the vocational training system (Muller, 1998). Wever considers the issue of implementing American style employment practices in Germany and argues that 'there is considerable room for the development of organizational styles that may be inconsistent with local norms and traditions' (1995: 622). One high profile example of this is that of McDonalds, a company which has gone to some lengths to avoid works councils or dealing with unions in its German restaurants through a range of 'avoidance strategies' (Royle, 1998). More generally, forms of 'variable' pay, such as performance-related pay, profit-related pay and employee share ownership, have grown in MNCs in Germany. Kurdelbusch (2002) presents data showing that these have been implemented even within firms that engage in codetermination and collective bargaining, indicating that the German business system increasingly allows 'more room for manoeuvre' to managers. On the basis of these findings, it is reasonable to presume that the growth of foreign direct investment into Germany in recent years and the internationalisation of German companies have been contributory factors in the 'erosion' of the German system of industrial relations (Hassel, 1999).

8. Discussion and Conclusion

The paper has considered the issue of the strength of local isomorphic pressures in the face of strong corporate isomorphism in a multinational. National laws, institutions and norms in the field of IR clearly present some significant constraints on MNCs and how they restructure following a cross-border merger. In extreme cases, such as occurred at Corus, management's plans following a merger can be vetoed by employee representatives. More generally, the embeddedness of the workplaces of MNCs in distinct host business systems leads to many employment practices being adapted to fit the local context, as Corteel and LeBlanc (2001) argue.

However, our data present the need to qualify this picture. The story of the post-merger period in PharmaCo was of national IR systems presenting constraints to management action that are rarely binding, even in areas such as payment systems and job grading that we might have expected to be strongly shaped by legal and institutional constraints. Consequently, there were a number of important similarities between the plants in terms of employment practice and, while a number of significant differences were also in evidence, many of these could not easily be explained with reference to the national IR systems.

In developing an explanation for this we have adopted an approach that is sensitive to the micro-politics of organisational life in multinationals and how these lead to variations between sites. We have also highlighted the way in which regional variations lessen the constraining role of national IR systems

and to the way in which institutional constraints are malleable to the influence of MNCs. Consequently, the restructuring that follows cross-border M&As is only partly governed by a 'national logic'.

There are, of course, a number of important limitations to the paper. First, it could be argued that the findings are not too surprising, and the 'straw person' objection might even be raised. That is, most serious analysts of the subject would have predicted that local isomorphic pressures would not impose a straightjacket on MNCs. The value of developing this argument, however, is partly that the literature on local pressures in cross-border M&As is extremely under-developed and the work that has been done on this issue explicitly argues that national constraints are very strong. Moreover, the value of the argument is enhanced due to the fact that we have explored the strength and nature of local pressures in a context in which one might expect them to be at their strongest and still found a high degree of room for manoeuvre and malleability.

Second, we examined sites that fared well from the restructuring process. It is possible, indeed likely, that we would have uncovered a different story at others that were suffering cutbacks or fighting closure. These more vulnerable sites would have been in a less powerful position to resist central influence, but also might have been less likely to come under central pressure to adopt particular practices. We do not claim that the position of the sites we described would be the same across the entire company.

Third, the findings may be sector specific. As we have described, one of the peculiarities of the pharmaceuticals sector is the system of product regulation and the way this gives sites considerable power within the firm. Of course, in all sectors there are important sources of power that reside at site level – contacts with customers, knowledge of local context, expertise in particular technologies and processes and so on – but it is quite possible that these are more significant in the pharmaceuticals sector than in many others.

Fourth, and perhaps most importantly, our research design was not constructed with a view to a systematic analysis of regional differences within IR systems nor of the malleability of them. These were issues which emerged as important during the research. Consequently, our data were only indicative of regional variations and our argument concerning the malleability of IR systems was based on secondary sources only. An alternative research design would be needed to really get to grips with these questions.

Finally, the issues raised in this paper suggest that the way in which MNCs are constrained by national systems of IR could usefully be examined in more detail in subsequent work. The theme of this paper – that national IR systems present constraints to MNCs that are only partial – demands further and more detailed explanation. One line of argument is that large MNCs have the power to minimise the legal or institutional requirements that they face. Another, perhaps complementary, line is that highly institutionalised systems are not only constraining but are also facilitators of innovations by MNCs. One example of this is that the training system in Germany, which relies on a

range of extra-firm institutional supports, equips employees with broad, adaptable skills that enables them to operate some practices, such as job rotation within teams, that their more narrowly skilled counterparts in other countries may not be able to perform. Another example is that the German system of having only one union at each workplace makes the introduction of some managerial initiatives, such as job re-grading processes, easier when compared with the multi-union job-related system of representation in Britain. Thus the question at the heart of this paper may be turned on its head.

Footnotes

1. For example, Bjorkman and Soderberg (2003) note that the established practice in Sweden of agreeing with the union the appointment of people to management positions clashed with the expectation in Denmark that recruitment decisions at this level would be taken unilaterally by management.

2. The firm was itself formed through a cross-border merger some years before the creation of PharmaCo. The largest part of the firm was in the US, hence the reference to it as a 'predominantly American firm'.

3. It is evident that a strong, central influence on HR/IR policies is a common trait of American MNCs, more so than British ones. Relate this to a wider tradition in American MNCs of centralisation (Ferner et al., 2004) and contrast that with a broader pattern in British MNCs (Jones, 2000). In historical terms, Jones presents evidence from companies such as Unilever, Lloyds and Barclays that did not merge their overseas interests into a coherent group but rather managed them in a largely autonomous way to argue that this 'fitted into a more general pattern in British business' (2000: 106).

4. One respondent made the point that there have subsequently been a lot of other things coming out of the HQ 'that are sometimes perceived as global company policy because the people behind them would love them to be global company policy but they're not, you know, they're not, they're optional ... this is where a lot of the fear, a lot of the confusion existed and to some extent still does'. Another agreed: 'but once you start off with the philosophy of this is the way we're going to do things guys and girls, this is the way we're going to integrate this business quickly and therefore this is the way we're going to do things, unless somebody actually puts their foot on the brake, stops the car and says are we continuing in this direction or are we going to turn left or right or reverse it, it will continue'. He argues that people did not challenge this momentum for fear of damaging their own career prospects.

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Table 1 - Number of Interviews

	HR	Senior Mgt	Specialist Role	Worker rep	Total
HQ	12	-	-	-	12
UK site	3	1	1	1	6
German site	1	1	2	1	5
Spanish site	1	1	2	1	5
US site	2	1	1	-	4
Others	5	-	-	-	5
Total	24	4	6	3	37

Table 2 – National Forms of Regulation in Mergers and Acquisitions

Country	Legal Obligations on Management
Germany	<p>In workplaces of 100+ employees the ‘economic committee’ (Wirtschaftsausschuss) must be informed (but not necessarily consulted) since it is a ‘process or action that can affect the interests of employees fundamentally’. Employees transferred to new owners have their basic pay and conditions protected by the German Civil Code (<i>Bürgerliches Gesetzbuch</i>, BGB, ARTICLE 613A) which fully binds the new employer to the pre-existing employment relationship. Post-merger changes must generally be negotiated through workplace-based forms of representation where they exist.</p>
Spain	<p>The Workers’ Statute stipulates that information is disclosed to employees concerning M&As on the same terms as shareholders and where M&As are likely to affect the ‘volume of employment’ then the worker representatives have the right to issue a report setting out their views before final decisions are taken. However, the views of worker representatives are not binding on management. Basic terms and conditions for transferred employees are protected by law, while the ease with which any changes to working practices can be implemented depends on the nature of employee representation in the workplace.</p>
UK	<p>In the UK employee rights in M&As stem mainly from the European Acquired Rights Directive, enacted in the UK through the Transfer of Undertaking (Protection of Employment) legislation, known as TUPE. This obliges management to disclose the likely consequences of M&As in advance and protects basic pay and conditions (though notably not pensions) following a change in ownership. The extent to which employee representatives are able to shape changes in working practices following the merger depends very much on the strength of union organisation at the workplace.</p>
US	<p>The American context presents the weakest constraints on management. There is no legislation that relates specifically to employee rights during M&As. Employers are only obliged to consult with workers if the merger involves collective redundancies. In this case, the Worker Adjustment and Retraining Notification Act (WARN) legislation stipulates the nature of consultation. The protection of terms and conditions rests either on the provisions of individual contracts of employment or, in the minority of workplaces with a recognised union, on the nature of the collective agreement.</p>

Table 3 – Key Aspects of the National Industrial Relations System in each Country

	Union Density and organisation	Statutory support for Employee Representation	Coverage and Level of Collective Bargaining
Germany	Density at 30% Unions organised mainly by sectors with unions covering multiple occupations within firms	Two forms of ‘co-determination’: workplace-based Works Councils and employee representation on Supervisory Boards. The coverage of each has fallen recently	Coverage at 80% Industry-based bargaining being still the dominant form, though some rise in firm-based collective agreements in the last few years
Spain	Density at 15% Two main union groups – one communist, the other more moderate socialist. A third smaller (anarchist) confederation exists	Workers committees (comite de empresas) are empowered to reach collective agreements with management. Unions are highly influential on the committees	Coverage at 75% Industry-based bargaining formally the key level, but considerable variation in practice between regions and firms
UK	Density at 30% Unions organised traditionally by craft / occupation – more recently, mergers have created larger general unions	Mainly through the Employment Relations Act (2000) which stipulates provisions for ballots on recognition. Some additional rights through European Directives	Coverage at 40% Collapse of multi-employer bargaining in last 20 years means that firm and plant bargaining are now the principal levels
US	Density at 14% History of ‘business unionism’ in which firms represent workers’ narrow economic interests	Tortuous procedure for gaining legal support for union recognition; employers traditionally hostile to organising campaigns and courts offer little sympathy for unions	Coverage at 20??% Collapse of ‘pattern bargaining’ means that where bargaining exists it is almost always at the level of the individual workplace

Table 4 – The Post-Merger Context in the Four Sites

Country	Details of site contract and ensuing fortunes post-merger
Germany	A 'mature product' site that developed a role as 'global distributor' serving niche markets such as Iceland and Lithuania. Employment rose slightly from ?? to ??.
Spain	A 'mature product' site that came to specialise more in this range of products for a range of national markets, losing some 'tail end products' to other sites (especially Singapore) but receiving a number of mature products from other sites. Employment broadly stable at around 1,400.
UK	A 'new product introduction' site that is one of the biggest sites in the entire company. Since the merger it has received a significant amount of new production. Employment has risen from around 1,500 to around 1,900 but looks et to fall back in the next year or so.
US	A 'mature product' site – check – that is a key factory in serving the US market given that it has favourable status with the FDA. It has been mandated to manufacture a new product recently, significantly expanding the site. Employment has risen slightly - check

Table 5 – Pay and Performance Across the Four Sites

Country	Details of pay and performance
Germany	<p>Following the merger a site bonus plan was introduced. This is calculated according to three 'key performance indicators' (trading profits, supply performance and a 'right first time'). For production workers it can constitute up to 30% of salary and was introduced on top of pre-existing pay – there was no change in base pay.</p> <p>Need to email Blaue for details on whether there is any individual appraisal and Wollfe for her account of Works Council opposition</p>
Spain	<p>The site bonus plan (<i>introduced after the merger?</i>) revolves around a series of 'key performance indicators'. How high a proportion of salary can this be? In addition, there is individual PRP for manual workers, formed through a subjective assessment of an employee's 'savoir faire' by the supervisor. Managerial and professional workers have pay set on an individual basis (<i>presumably with a strong performance-related element?</i>).</p>
UK	<p>Following the merger a site bonus plan was introduced. The site bonus multiplier is determined by a range of 'key performance indicators'. For production line workers this is capped at 9% of their salary and there is no assessment made of their individual performance. For about half of the site (800-900 employees in professional and managerial positions), however, there is also an 'individual personal multiplier' arrived at through an appraisal process.</p>
US	<p>There were few significant changes according to Nelson: 'the variable pay, the way you calculate the range, percentage or whatever bonus you can receive is a little bit different, it is a potential of being a little bit higher than it was at GW' (Nelson p3) – need to go back to her on this</p> <p>Tull confirms the pre-existence of a bonus plan in the US site before the merger</p>

Table 6 – Employee Representation in the Four Sites

Country	Details of employee representation and bargaining
Germany	The site is party to the collective agreement in the chemicals sector. This sets basic pay rates – need some detail on how the actual pay in the site varies from these. In addition, the works council for the site is well organised and has exerted significant influence over the nature of many employment policies.
Spain	The site follows the collective agreement for the chemical sector agreement though this covers a diverse range of sub-sectors (e.g. oil derivatives, fertilisers as well as pharmaceuticals). Hence it sets only base levels of pay that the site exceeds considerably. In addition, the site has a workers council, but this has no union involvement despite numerous attempts by the unions to organise the site. This appears to be due in part to a ‘welfare capitalist’ management style in the site.
UK	The site recognises two main unions, separate ones for different occupational groups. Union density is high (around 60%?) and a shop steward system is the main way in which management has day-to-day contact with the union. Collective bargaining over pay and conditions takes place at site level – there is no higher level of bargaining within the firm or sector.
US	No organised employee representation in the site.