

Comparative Institutional Analysis and the Diffusion of Employment Practices in Multinational Companies

Tony Edwards, Trevor Colling and Anthony Ferner *

1. Introduction

One of the key aspects of the role of multinational companies (MNCs) as employers is their ability to diffuse practices across borders. This process not only has the potential to drive change in national employment relations systems but can also influence, both positively and negatively, the competitive position of the firms themselves. Moreover, the diffusion of practices can be seen as a crucial test of how MNCs integrate their operations across quite distinct national systems. A crucial question, therefore, concerns how we can best understand why and how MNCs transfer practices across borders?

One perspective is that it occurs where MNCs judge there to be a clear competitive advantage from engaging in transfer, meaning that it is driven by commercial imperatives. A second approach is to see transfer as being conditioned by variations in national sets of values and attitudes with these both giving rise to transfer by creating a cultural legacy from the home country of MNCs and constraining it by forcing MNCs to adapt these practices to fit the local culture. A third perspective, similar to the second, is one that also stresses the central role of national differences in business context but sees these differences as having less to do with values and attitudes and more to do with key institutional features of business systems. A fourth explanation is that transfer is primarily influenced by the preoccupations and influence of various groups of actors within MNCs, meaning that power relations between these groups are central to the process.

In this paper we argue for an integrated explanation for how and why transfer occurs, drawing primarily on the institutional and power-based explanations. We show the

* Tony Edwards is at the Department of Management in King's College London. Trevor Colling and Anthony Ferner are both at Leicester Business School, De Montfort University.

inter-dependence of extra-firm institutional configurations with intra-firm political processes, illustrating this with findings from a detailed case study of an American multinational. In particular, we argue for a ‘political economy’ approach that incorporates a focus on power into comparative institutional analysis. The following section of the paper summarises existing theoretical approaches to transfer and the third describes the process of data collection. The principal section is the fourth one, where the case study data are used to develop the argument for an integration of institutional and political approaches, showing the way in which the role of extra-firm institutions and power relations within the firm are strongly inter-linked. The argument is set within wider debates in the fifth section and conclusions are drawn in the sixth.

2. Theoretical Approaches to Diffusion in MNCs

Four main theoretical approaches to diffusion can be discerned in the literature. The first of these is the *rational* approach which stresses the competitive pressures on firms to tap into and share ‘best practice’ across their international operations. This shows up in some economic theories of MNCs, such as that known as ‘internalisation’ (Rugman, 1981), the central idea of which is that multinationals have an option of licensing or franchising a source of competitive advantage to firms in other countries but that such contractual arrangements involve significant costs, particularly those relating to uncertainty. Proponents of internalisation argue that a rational response to this problem is to avoid such transactions by instead transferring the source of competitive advantage to their own foreign subsidiaries, thereby ‘internalising’ the practice within the boundaries of the firm. In the empirical literature on employment practices in MNCs, an example of an approach focusing on ‘transaction costs’ is Schmitt and Sadowski’s (2003) analysis of the extent to which foreign MNCs in Germany deploy centralised employment policies.

The rational approach also features in some models of international HRM, such as the ‘resource-based’ theory of the firm developed by Taylor et al. (1996). A key part of this model is the notion of ‘organisational competencies’ and how a multinational can enhance its competitive position by transferring these competencies across its organisation. As they put it: ‘in order to provide value to the business, the (strategic

international) HRM system of global firms should be constructed around specific organizational competences that are critical for securing competitive advantage in a global environment' (1996: 960).

The basic premise of the rational approach is reasonable insofar as it goes; MNCs clearly face competitive pressures and overlooking opportunities to use organisational competencies across their operations risks harming their position *vis-à-vis* competitors. However, the diffusion of employment practices is not governed solely by rational choices made by detached, calculating economic actors as is implicitly assumed in rational approaches. Rather, these decisions are deeply influenced by the distinctiveness of the national contexts in which organisational actors are embedded.

A focus on the nature of national contexts is the basis of the *cultural* approach. This argues that MNCs bear the legacy of the culture of the country of origin and the nature and extent of diffusion is shaped by this as well as cultures of the host countries in which they operate. Cultural approaches emphasise how the actions of organisational actors are shaped by taken-for-granted processes, with this compliance often being unconscious. In this way, the courses of action that organisations take are not simply the result of calculative behaviour by rational economic actors but rather reflect what has become 'natural' or 'proper' in a particular cultural setting.

This is the framework used in much of the empirical work concerning the transfer of employment practices in MNCs. Writing concerning 'cultural barriers' shows the way in which attitudes and values prevalent within a country constrain the ability of a multinational to engage in diffusion. For example, Tayeb's (1998) account of an American firm in Scotland argues that a multinational may adopt similar policies across its operations but that these are often adapted to local cultural characteristics. Consequently, the transfer of practices is either blocked entirely or practices are significantly altered during the transfer process. Other studies from a cultural perspective have attempted to show how culture shapes the diffusion of employment practices in a different sense, namely the way in which the culture of the home country gives the multinational an identity that it does not easily shake off (e.g. Bae et al., 1998; Ngo et al., 1998). This cultural identity creates a 'country of origin' effect that informs the substance of transferred practices.

There are a number of problems with the cultural approach, two of which stand out. One of these relates to the way that culture is commonly captured, with the uncritical use of Hofstede's (1980) framework being widespread. This tendency brings with it the problems that have been identified in Hofstede's own work, such as the assumption of cultural homogeneity within a country (see McSweeney, 2002). A more fundamental problem, though, is that cultural approaches do not offer a convincing account of the sources of national effects; in identifying only cultural aspects of countries, this approach does not provide a convincing account of where these values and attitudes come from, nor does it explain how these change over time.

The *institutional* approach also emphasises the importance of distinct national systems in shaping the transfer process but adopts a broader, more convincing explanation for how these distinct systems emerge and are sustained over time. Institutions, defined as the rules, norms and assumptions that shape economic activity, structure the choices of organisational actors and create incentives for organisations to comply with institutional norms. For instance, the primarily North American 'new institutionalist' approach, exemplified in the work of DiMaggio and Powell (1983), has emphasised these benefits in terms of reduced uncertainty, greater legitimacy, the ease with which firms can access resources and attract personnel, and the smoother acceptance of individuals into professions (Oliver, 1991: 150). The new institutionalists have mainly been concerned with isomorphic pressures *within* national organisational fields, however, rather than *across* them (Tempel and Walgenbach, 2003). In contrast, the predominantly European 'business system' strand of institutionalism is primarily geared towards explaining how national patterns of economic activity emerge and are sustained over time. For example, Hall and Soskice (2001) stress the inter-dependent nature of institutions in a range of 'spheres' of a business system, with the nature of institutions in one sphere giving rise to, and supporting, compatible institutions in other spheres. Hall and Soskice (2001) refer to these interlocking sets of institutions as 'institutional complementarities'.

Institutional approaches are widely used in the field of comparative industrial relations. For example, Katz and Darbishire's (2000) account of cross-national differences in employment practices in the automotive and telecommunications

sectors revolved primarily around the role of labour market institutions in mediating and refracting similar pressures. In the field of MNCs, an institutionalist approach has been used to provide a convincing explanation for the ‘country of origin’ effect; despite globalisation tendencies, most MNCs are deeply embedded in the country in which they originated and so the dominant institutions in such spheres of the country of origin as the state, the corporate governance system, the system of skill development and so on shape their strategies and practices (e.g. Ferner, 1997).

One charge that is levied at institutional approaches is that they play down the role of power within firms and fail to address the ways in which organisational actors mobilise resources to further their interests. Another charge is that they tend to see organisations as passive in their interaction with the environment in which they are located (Oliver, 1991: 173). Thus institutional approaches risk ‘reifying the role of institutions in producing political and economic outcomes’ leading to ‘a form of structural determinism’ that is ‘unable to explain the sources of change in policy or institutions’ (Wailes et al., 2003: 61). In other words, there is a need to see institutionalisation as a contested process in which individuals and groups within organisations are active players.

An emphasis on strategic behaviour and the exercising of influence within organisations is central to the *micro-political* approach. Here, the focus is on how individuals and groups look to protect or advance their own interests, the resources they use to do so, and how resulting conflicts are resolved. This approach stresses the way that transfer can be perceived by some organisational groups as challenging their interests. In particular, managers at workplace level may see the transfer of practices from the HQ as constraining their autonomy and undermining their role within the organisation. On the other hand, managers at corporate HQ may seek to use systematic transfer as a way of maximising their influence and reinforcing their claim on resources.

A focus on power is at the heart of Ferner and Edwards (1995) consideration of how practices are diffused across borders within MNCs. The authors distinguish between a number of different ‘channels of influence’ in multinationals – authority relations, resource dependent power relations, cultural relations and exchange relations – and

show how the relative importance of each is likely to vary according to the basic strategic and structural features of firms. In the empirical literature on MNCs, a political approach is also evident. For example, analysis of the power relations between various groups of actors formed a central plank of Belanger et al's (1999) study of the operation of ABB. In a similar vein, Broad's (1994) study of a Japanese transplant in the UK revealed deep tensions between groups of Japanese expatriates and indigenous managers. While the former enjoyed the authority of representing the HQ, the latter retained considerable influence within the plant through maintaining a network that shared information gathered from rumours and gossip that the Japanese could not access. This source of power was used to significantly water down the practice of 'High Involvement Management' favoured by the Japanese.

While the political approach certainly avoids the problem of determinism and provides a basis for understanding why companies do not always comply with institutional norms, a focus solely on the micro-politics of multinationals fails to provide a convincing framework of how actors gain power through their familiarity with national systems. Hence, it risks exaggerating the degree of freedom that organisations have to pursue courses of action that depart from established norms. Thus in their simplest form micro-political approaches play down the role of institutions in shaping the preferences of organisational actors and constraining the range of courses of action open to them.

The institutional and micro-political approaches each have considerable analytical purchase in understanding the nature of the transfer of practices across borders within MNCs, but their respective deficiencies raise a number of questions. For instance, if institutional forces do not have determining effects, how can we conceptualise the space that actors possess for strategic action? While actors have some scope for agency, how are the negotiations and compromises over the transfer process conditioned by the nature of national institutional frameworks? To what extent are actors in subsidiary units able to use the resources they control to leverage influence over the nature of corporate strategy and policies? And what scope is there for institutions themselves to be shaped by the activities of powerful, elite groups within firms? We use the case study data to shed light on these questions and in the following section we describe the process of data collection.

3. The Case Study

The case study is part of a wider international study of HRM in US multinationals and their operations in the UK. It set out to explore how relations between subsidiary and HQ are managed in US MNCs, and the mechanisms they use to transfer HR policies and practices to subsidiaries. In Engineering Inc, as in many of the case studies in the project, the research aimed to combine the headquarters 'view from above' with a 'view from below' at subsidiary level.

The firm originated in a small mid-west town. It was founded in the 1920s by a wealthy family backing the experimental activities of one of their associates and the firm has retained their strong link with the founding family for the 80 or so years of its existence. The representatives of the family have been very high profile within the firm (and to some extent in local and national politics in the US), and the family still has representation on the board, though its ownership has greatly reduced. The firm has three main product-based divisions within engineering and employs 25,000 people worldwide with a turnover of approximately \$6bn. Around 40% of its business is outside the US, with Britain and China the home of significant operations. The international operations are located within a matrix of regions of the world and the three product-based divisions and, while the design of new products remains concentrated in the US, there has been some devolution of responsibility to other sites for pioneering the manufacturing of new products.

The case study was carried out in some detail. Eleven people were interviewed at the company's HQ in the US, covering a range of responsibilities. In the UK ten meetings were carried out with those in varying positions, including one of the divisional HR directors who is UK-based (who was interviewed on three separate occasions), HR managers from two plants, three union representatives, two team leaders (who were interviewed jointly in one meeting) and members of a team responsible for diversity. In addition, a further ten interviews were conducted with shop-floor employees in one of the British sites in order to gather their views on the implementation of HR practice 'on the ground'. A further aspect of the research involved a further thirteen interviews in China, both in the regional HQ for East Asia and in one of the production sites. In

total, then, some forty-four interviews were conducted in this case study. These data were supplemented with plant tours and analysis of publicly available reports, articles and documents. Of particular use was a book documenting the history of the company that we use in order to set our interview data in historical context. Clearly, we are unable to reference this without revealing the identity of the firm. The focus of this paper is on three substantive areas of HR policy and practice: pay and performance management; employee representation and collective bargaining; and diversity.

Table 1 – Fieldwork in Engineering Inc

	Corporate HQ	Regional HQ	UK Sites	China	Total
HR Management	9	3	2	6	20
Other Management	2			6	8
Specialist roles			2	1	3
Employee representatives			3		3
Non-managerial emps			10		10
Total	11	3	17	13	44

The data on which this paper is based do of course have their limitations. Most obviously, the use of a single case study means we cannot look to establish universally applicable patterns on the basis of our data. However, the data also possess a number of significant strengths. Uppermost among these are the depth of the data in that they are drawn both from very high levels of senior management and from low levels within the organisational hierarchy, and the breadth of the data in that they

are drawn from three parts of the firm in different parts of the globe. Furthermore, the distinct but changing role of the founding family means that the case study is a particularly interesting one in which to investigate the interaction between institutional influences and the agency of organisational actors. Thus it provides very rich data with which to develop the argument concerning the inter-dependence between institutional and micro-political factors. We explore this inter-dependence at a variety of levels in the following section.

4. The Case Study Findings

In this section we show how the American business system has shaped the behaviour of our case study firm in general and has conditioned the nature of transfer in particular, but also show that these institutional forces are not so strong as to make particular outcomes inevitable. We proceed to show that this ‘space’ that actors in multinationals have within institutional domains creates scope for a range of courses of action and how these are formed reflects the interests of groups of actors and their power in relation to other groups. The key findings from the case study are summarised in Table 2 and are drawn on in this section to develop the core argument.

Table 2 about here

4.1 American Institutions and the Orientation of Engineering Inc

As we have seen, the transfer of practices within multinationals is shaped by the particular societal context in which they originated, giving rise to a country of origin effect. Accordingly, management style across the international operations in Engineering Inc is clearly shaped by the distinctiveness of institutions in the American business system. One illustration of this is the highly centralised model of decision-making in the firm; a well-staffed and well-resourced corporate HQ exerts a strong influence over the nature of HR policies across the international firm in areas such as performance management and diversity (see Table 2). In order to deviate from corporate policies, subsidiaries are expected to present compelling ‘business reasons’ for doing so. This tendency towards centralisation is a common feature of US MNCs relative to those of other nationalities and can be explained with reference to the way

that large firms grew and managed their operations within the US. In particular, the adoption of systematic control mechanisms across geographically dispersed sites in order to deliver standardized products to mass markets provides both the means and the experience to manage overseas operations in a centralized, formalized and standardized way. (For an elaboration of this argument, see Ferner *et al.*, 2004).

Another illustration is the emphasis upon managing ‘diversity’ which might intuitively be traced to a robust structure of anti-discrimination legislation (see Ferner, Almond, and Colling, forthcoming). Mass immigration, upon which the USA was founded, left a legacy of severe racial tension manifest frequently in highly segmented labour markets. Social unrest during the 1960s, and the subsequent mobilisation of the Civil Rights movement, led gradually to the construction of a formidable array of fundamental legal rights. The Civil Rights Act 1964, and attendant legislation, outlawed discrimination on the basis of race, colour, religion, sex, and national origin. The Equal Employment Opportunities Commission (EEOC) was established to investigate and act on job discrimination. Companies doing business with the US government were required to have written affirmative action policies, which were subject to regular audit and review. Moreover, US courts have taken a comparatively purposive approach to enforcing these rights, going beyond formal definitions of equality to consider substantive aspects of disadvantage. The penalties faced by employers found to be breaching these rights have been potentially very significant. The Civil Rights Act 1991 permitted courts to go beyond injunctive relief and loss of earnings to award compensation for pain and suffering and punitive damages up to a ceiling of \$300,000 (Baker 2002: 114). In addition, it offered plaintiffs the right to demand a jury trial. Many US states have their own anti-discrimination measures with no cap at all on potential damages. Arguably then, the scope of legislation and the scale of potential costs provide clear institutional incentives for US companies to consider proactive diversity programmes. In Engineering Inc, these programmes covered not only the American sites as one might expect but more surprisingly they have also been transferred to other countries through a number of global policies, including the monitoring of steps taken by local management to increase the proportion of senior position occupied by women; the creation of ‘Diversity Councils’ at site level; compulsory training for all employees; and a global ‘Fair Treatment’, or anti-harassment, policy.

The concerted focus on diversity within Engineering Inc was in part attributable also to a second country of origin influence, the paternalistic management style associated with ‘welfare capitalism’ (Jacoby 1997). This approach sat firmly within an overall emphasis upon nurturing ‘internal labour markets’. Pay and benefits compared favourably with alternative forms of employment – ‘we used to pay top dollar’ as one respondent put it – and jobs were seen as highly secure. The firm’s heartland operations are in a classic ‘Company Town’ where it has been the largest employer by far. The firm has sought to recreate similar conditions in its British sites, which have been located purposively in towns of a similar size where Engineering Inc has established itself as the largest, or one of the largest, firms in the region. The firm has also sought to establish internal labour markets and a paternalistic management style in its British sites, with a highly visible role for the original founder of the company evident even in the UK.

A further illustration, and one which has challenged the role of internal labour markets and a paternalistic management style, is the changing influence of the American financial system. After several decades in which the founding family held a controlling stake, the firm has become much more exposed to the influence of more distant financial institutions. The reduction in the shareholding of the family over the last twenty years opened the way for two bitterly contested hostile takeover bids in the late 1980s and early 1990s. The firm managed to retain its independence, but since that period the scrutiny the firm has been exposed to from investors has grown, something stressed repeatedly by managers. For example, the International HR Director put it like this:

‘Has the scrutiny and the pressure we’re getting from Wall Street, has it increased? Oh, yeah, it has. But that’s the way business is going in the US. The ability of the investors and analysts to have an impact on how companies are run, it’s amazing how much Wall Street determines how companies feel and look’.

Senior managers, particularly the CEO, have responded by regularly sending signals to financial analysts that the company is taking its responsibilities to external investors seriously. A part of this has been attempts to establish a strong ‘performance ethic’ across the entire firm, which has included sacking staff who perform poorly on a consistent basis, while another part of it has been regular bouts of redundancies

leading to changed expectations concerning the security of employment. During our research, for example, cost-cutting in response to a downturn in the product market took the form of a redundancy programme in the principal British site that we examined. The internal labour market of old has been heavily eroded in this site, as it has elsewhere within the company. While to some degree these changes can be explained by the influence of more internationally competitive and less stable product markets, a widely held view amongst managers was that the stock market's influence had led to senior managers becoming anxious to make sure that its quarterly financial results met or exceeded investors' expectations. This reflects in part the rise of institutional investors in the US and the rise of the active 'market for corporate control' and push for 'shareholder value' (O'Sullivan, 2000).

4.2 Institutional Forces and the 'Range of Indeterminacy'

While the dominant institutions in the American business system influence the transfer of practices within the firm, within these influences there is scope for actors to take a number of courses of action. That is, there is a 'range of indeterminacy' within institutional constraints. This is true *within* business systems but is even more pertinent *across* business systems. In relation to the former, firms are not prisoners of the systems in which they are embedded since there are often a number of strategies that are compatible with institutional forces. In relation to the latter, national differences in institutions can create contradictory pressures on the transfer process.

One source of evidence of the freedom the firm has from institutional pressures is the influence of the 'founding father'. As indicated above, the firm's paternalistic style was not forced on them by external pressures but rather was in large part the product of the founder's influence. There was a very strong religious aspect to the founder's influence – indeed, at one point he established a written policy that regular churchgoing was to be seen as a desirable quality in employees – and a strong moral commitment to the firm being a good corporate citizen. This gave rise to an emphasis on corporate involvement in the community, leading to the creation of a company foundation for charitable causes into which a proportion of corporate profits are channelled. This direction clearly reflected the preferences of key individuals within

the firm. By no means all American firms went in this direction, as Sam Walton's influence on Wal-Mart exemplifies.

A more specific instance of how corporate policies were not simply the product of institutional forces is the company's diversity policies. The impetus for policies in this area appeared to predate the most powerful anti-discrimination legislation and to come instead from a deeply held personal commitment on the part of the founding father. One source of evidence for this was a quotation from the founding father of the company from the early 1960s and made into a plaque that was on the wall in two of the sites. It was brought to our attention and read:

"In the search for character and commitment, we must rid ourselves of our inherited, even cherished, biases and prejudices. Character, ability and intelligence are not concentrated in one sex over the other, nor in persons with certain accents or in certain races or in persons holding degrees from some universities over others. When we indulge ourselves in such irrational prejudices we damage ourselves most of all, and ultimately assure ourselves of failure in competition with those more open and less biased."

Institutional pressures are clearly a part of the story, therefore, but the firm's diversity policies in the US were not simply enforced by law or regulations, and there is absolutely no obligation to extend policies developed in the US to the international operations. Overall, diversity policies in the US partially reflect institutional pressures, but these policies, and especially the extension of them to the global operations, also reflects the agency of key actors within the firm at key junctures.

The data also reveal the ways in which the firm does not always conform to practices that are widespread in the American business system. Perhaps the best illustration of this is its relations with unions. One of the features of American firms that has attracted a lot of attention amongst analysts of industrial relations has been their anti-union stance, whether this be through the 'low road' approach of McDonalds and Wal-Mart or the 'welfare capitalist' style of IBM and Kodak. However, this anti-union position was not much in evidence in Engineering Inc. In the company's early days management looked to build collaborative relations with unions in the USA. During the late 1930s, when unions were making strong membership gains in many cities in the north and mid-west, there were numerous bitter battles over union recognition in other firms. However, as described in an independent research report in

1965, the founding father of Engineering Inc was anxious to avoid a prolonged, adversarial dispute of this sort. The following extract relates to the company's history of dealing with unions in its heartland operations:

'In "HomeTown", most of the industrial leaders in the town had taken strong positions against the union but were waiting for the reaction of the leadership at Engineering Inc before overtly making a stand. (The founding father) rejected the anti-union position and announced that he for one would not fight his own employees. Observers of that day credit (his) stand with the prevention of violence in "HomeTown" as his position served to break up any plan for concerted action'.

This set the tone for industrial relations and created a lasting legacy in terms of management style. Respondents stressed the legitimacy of union representation in the firm, both in the heartland operations and in the British subsidiaries. Union recognition at the union's principal UK site was conceded before a single employee was recruited and a closed shop was maintained with management support for several years. At the peak of the site's fortunes, thirty-two stewards and a full-time convenor met informally with managers every Monday afternoon. Even after successive rounds of redundancies have reduced employment to a fifth of its peak, employee representatives in the UK described the frequent and collaborative contact they enjoyed with senior American managers. It is important not to exaggerate the collaboration between managers and unions, however. The unionised heartland sites recognise 'independent' unions that are not affiliated to the national confederations in the US, and the firm's sites in other parts of America and in many countries across the world are union free. Moreover, the changed product and financial market environment of recent years has led to greater tension in management-union relations, with employee representatives describing the firm as much more 'hard-nosed' than hitherto. For example, one employee recalled the determination of managers to introduce a new job role of transferable operatives, regardless of stated union opposition; 'the company said, "shall we introduce TPOs?" And the union said "no" so the company said, "wanna bet?! (laughter)."' While these are important qualifications, it remains the case that the firm does not exhibit the anti-unionism that is widespread among US MNCs. This can be traced back only in part to extra-firm institutional pressures; rather, it should be seen as having more to do with the norms arising from the governance of the firm.

The case study also throws up instances of how owners and managers have sought to counter institutional pressures. Perhaps the best example of this has been the struggle to retain the firm's independence. The founding family and senior management were determined to see off the takeover raids of the late 1980s and early 1990s, fearing that the firm would be broken up and that the traditions of the company would be lost. A series of legal battles followed, and the company eventually settled the second of these by buying the potential raider's shares at above market levels. As one senior executive put it: 'We ate the premium. It wasn't a very 1980s thing to do'. Since then, however, the founding family has reduced its stake in order to diversify its wealth. While a significant proportion of the shares are held by 'insiders' (around 18% are held in 'employee trusts'), it is evident that it could not rely on the founding family to intervene again to protect its independence. In recent years there has been a constant struggle to convince shareholders and analysts that the firm can compete effectively whilst remaining independent. One response to the difficulty of undertaking the long-term expenditure that is necessary for the development of new products has been to enter into a series of joint ventures and strategic alliances. The firm is now involved in a number of joint ventures: three with the same Japanese multinational in different parts of the world; two joint ventures in Europe with truck and tractor makers; four in India and six in China (with state-owned enterprises). Besides the beneficial effect of reducing the cost of engine design, this complex web of joint ventures also makes it more difficult for another firm in the same industry to launch a takeover. One respondent, the HR manager of a British site, argued that that if a takeover were to occur from another big player in the industry 'half of the volume of sales would disappear' because the joint venture partners 'would walk away from us and go somewhere else'. As he put it:

'So if you actually took Engineering Inc and tried to unravel it with the various links and connections which there are, it is an awfully difficult puzzle. ...A lot of this joint venture activity is about keeping our independence.'

In this way, senior managers are engaged in an ongoing struggle to keep the pressures from the financial system at bay and to create 'shelters' from their effects. Yet, these shelters are clearly only partial, and to a growing extent the actions of senior managers have become geared towards convincing shareholders that the company prioritises their interests. The scale of the cost-cutting in response to the marked downturn in product markets in 2001-2 was seen by many respondents as evidence of

this. In this respect, the ‘range of indeterminacy’ experienced by senior managers has narrowed as the ownership structure of the firm and the financial system have both evolved.

The ‘range of indeterminacy’ is clearly a key feature in the formation of employment policies in Engineering Inc and this gives firms some scope to develop ‘deviant’ strategies and practices that do not conform to prevailing patterns (Tempel and Walgenbach, 2003). A logical question that follows, therefore, concerns the way in which this space is used by MNCs and how various groups within them seek to exploit it. Thus we now turn to a fuller consideration of the way in which the range of indeterminacy between systems operates in Engineering Inc.

4.3 Intra-firm Disputes and the Crucial Role of Organisational Politics

4.3a Corporate policies and workplace relations

Despite the influences of corporate policies, and the influence on these from extra-firm institutions, actors at plant level retain some scope to pursue aims and goals of their own; corporate management do not seek to exert complete control over all areas of employment relations of course, and even where actors at corporate level issue guidelines or demands these can sometimes be circumvented. This is partly because actors at the site level possess resources that afford them some power in their relationships with higher levels of management. In a classic study of the nature of bureaucracy in two French public sector organisations, Crozier (1964: 189) argues that even those actors in low positions within a hierarchy operate with a degree of autonomy, meaning that ‘there is always some possibility of play within the framework delimited by the rules, and therefore dependence relations and bargaining are never completely suppressed’. Accordingly, studies of Japanese transplants in the UK have demonstrated the room for manoeuvre that actors at this level enjoy. Webb and Palmer’s (1998) ethnographic study of Telco shed light on the way in which shop-floor workers found ways of ‘evading surveillance’ and of ‘making time’ for rest periods through both collective and individual means, thereby reducing the actual impact of practices introduced at the behest of corporate management.

Perhaps the best illustration of shop-floor employees circumventing corporate policies was in relation to team-working in general and the role of team leaders in particular. Unions were eager to agree the introduction of teamworking in the hope that improved productivity might further secure the UK plant. Shopfloor workers, however, were sceptical of the new processes. Older, experienced workers in particular attributed them to a perceived 'flavour of the month' syndrome within the organisation. Certainly the unitaristic overtones of the team theme were ridiculed, especially when presented with American razzamatazz. One worker recalled an event called to launch the teamworking programme.

'Everybody had to go on this get together at [a hotel]. They did a buffet lunch and stuff like that, quite nice! Until we went into this place, we went in and there was this driving music and there was people clapping in baseball caps In theory it was possibly a good idea and a lot of people enjoyed it but you have got to understand that a lot of English people can't handle that kind of culture. You see it now on the Price is Right, people whooping and screaming and stuff. They expect you to do that sort of thing at work and people can't handle it. Some handled it OK, others just didn't.'

Others associated teamworking with incremental upwards pressure on productivity targets without any real underlying change in work organisation, 'we're not doing it with innovation, we're doing it with the old perspiration' as one union representative put it. Critical to this increased work effort was the supervisory structure around the teams and tension surrounding this was evident throughout our fieldwork. The company acted quickly to remove the layer of first line supervisors immediately above the team level, redistributing their roles upwards and, increasingly, downward to newly created team leaders. To the extent that this positioned team leaders as supervisors within the work stations, such initiatives were resented, particularly where, as proved to be the case, they were selected by management rather than the teams themselves. Team leaders reported great difficulty in instilling the spirit of teamworking, 'I think it is a bit of a struggle, especially if you have got an older workforce which we have.' One described his work area as 'a bear pit.' Several workers described an engrained attitude of instrumentalism that undermined the teamwork ethos of commitment and flexibility; 'I only come in to do this – that is my job, that is it.' The precise role of team leaders within the disciplinary framework became contentious in this context. Whilst some employees doubted expressly the

mandate and ability of the team leaders they felt had been imposed upon them, team leaders bemoaned their position of responsibility without power; ‘you have no authority at all. However, they want to see it, they are still running the shop.’

These tensions spilled over during the annual pay round towards the end of our fieldwork period. Two proposals were tied to the management’s pay offer. The first would create a new disciplinary offence of using mobile phones on the shopfloor. The second, would allow team leaders to initiate disciplinary action on this and other issues. The offer was rejected by a ratio of 8:1 and subsequent threats of official strike action resulted in the proposals being withdrawn and management agreeing to a fundamental review of the role of team leaders. Thus the transfer of the practice of team-working, part of a global corporate policy, was heavily constrained by the role of shop-floor workers and their representatives.

4.3b The mediation of corporate policies between levels of managers in MNCs

Intra-firm disputes also show up in relations between different levels of management. Managers within plants and divisions possess some room for manoeuvre from corporate management; a range of courses of action may be consistent with HQ demands, while they may also have the power to ignore or block a corporate initiative. A classic example of the way in which actors at a variety of levels seek to use this space to advance their own agendas is Pettigrew’s (1985) study of ICI. Pettigrew found that rather than change occurring as a rational process in which top executives engage in a detached economic calculation, it was in fact a highly politicised process. He argued that the organisation was characterised by inertia; long periods of stability were interspersed with brief spurts of change. When change became possible, there were many groups from the various divisions and units within the organisation which sought to advance their own agendas and had to engage in a process of informal bargaining in order to do so. Research concerned with the control of employment relations in MNCs demonstrates some of the ways in which managers at plant level can resist demands for financial targets to be met. For instance, Ferner and Edwards (1995) describe the failure of an Anglo-Saxon MNC to achieve cutbacks in its Italian subsidiary. The demand from a representative of HQ was simply ignored by Italian managers; as one of their respondents put it, ‘we just put the letters away in a drawer. (The HQ representative) was surprised at this outcome, and no savings were made’.

This example illustrates one of the key features of the micro-politics of cross-national transfer, namely that actors at site level can use the peculiarities of the system in which they are embedded to argue that a policy they do not wish to operate should not be imposed on them. In a range of ways, actors at site level control resources that they possess because of their expertise in a distinctive national context, making them of great value to the centre (Geppert *et al.*, 2003).

Our data demonstrate that a range of corporate policies applied across the firm but that local managers had some scope to adapt them. One instance is in the nature of diversity policies which UK managers were able to limit or refocus according to local circumstances. First, the UK site had developed a Diversity Council, in compliance with global policy, but its scope and participation within it remained modest. The agenda was dominated by ‘hygiene’ factors rather than thoroughgoing equality issues, relating to workforce monitoring or pay audits for example. Most important, production workers from the shopfloor, the largest single employment group at the plant, were not represented on the Council. Several employees and even union representatives had not heard of it or of its work. Second, managers moulded global diversity principles to local, UK policy imperatives. The Diversity Council won an internal award for changes to the site’s foyer to ensure better access for disabled people, a requirement of the Disability Discrimination Act. Finally, managers were aware that the labour market context for diversity policy is markedly different in Britain. Diversity issues transferred from the USA tended to be driven by responses to race-based discrimination. Where a local labour market is not mixed ethnically, as was the case at our principal British site, managers were able to point to the lack of diversity locally to claim representativeness amongst the workforce. Another instance was in China, where the ‘Domestic Partner’s Benefits Policy’ – which ensures that the partners who are living with the firm’s employees but are unmarried or in same-sex relationships receive the same benefits as husbands and wives of employees – caused considerable concern amongst local managers. After lengthy negotiations, they managed to convince corporate managers that the policy should not apply in China, arguing that it would be viewed with great suspicion and possibly break the law. Of course, to a certain extent many managers in the foreign subsidiaries of MNCs embrace corporate initiatives, and diversity was no exception to this. Overall, though,

the transfer of the diversity policies demonstrate the way in which corporate policies are vulnerable to resistance where they do not suit local circumstances.

Another example relates to the transfer to the international level of a 'performance ethic', one of the key things that was being pushed by the new CEO. This constituted a forced distribution along the lines of the '10-80-10' made famous by Jack Welch at GE. While the system had existed in Engineering Inc since the late 1990s it was re-interpreted in 2001 as part of the company's cost-cutting drive. Managerial, professional and some administrative employees had their performance assessed in relation to their immediate colleagues, with 10% being identified as high flyers, 80% as solid performers and 10% as poor. The reinterpretation of the system involved a much harsher approach to dealing with poor performers; instead of being identified for training and development, the bottom 10% each year were to be vulnerable to redundancy. This provoked major concern amongst site managers who saw the inevitable conclusion that over time it would mean eating into the solid performers. Concerted attempts on the part of British managers to get the policy amended, including commissioning an HR academic to give a talk to senior managers including Americans about how this breached the 'psychological contract', had little impact. However, while these overt attempts to change the policy with the permission of the HQ failed, in practice there was a degree of freedom to amend it. One factor that gave local managers some latitude was the application of the '10-80-10' to very small groups. For example, where it was applied to groups of less than ten, local managers could argue that there was no-one who deserved to be in the bottom category. Another factor was a buoyant labour market; where there is a degree of labour turnover, as there was in Beijing for example, the pressure to cull 10% each year was not so strong. Conceivably, managers in these circumstances could manipulate the system by classifying those who have left as poor performers (even if they were not) in order for it to appear to the HQ that they are operating the system in the way that was intended.

The pay freeze in response to the product market downturn was a further example of local managers circumventing global policies. The HQ demanded that most workers should not receive a pay rise while trading conditions remained so poor. While the overall pay budget was set by HQ and appeared to leave little room for manoeuvre at local level, there was in fact some scope for both the Chinese and British operations to

get round this. In the UK, local managers were able to argue that the site was in the first year of a two-year collective agreement and that a pay rise for the following year had already been agreed. Breaching this, they successfully argued, would almost certainly lead to a dispute and a breakdown in trust within the site, and corporate managers agreed to an exemption in this case. In China the challenge was not a collective agreement but recruiting and retaining staff in a labour market where pay rises for professional workers in foreign multinationals averaged 7%. Local managers were unable to get agreement from HQ for the pay freeze to be relaxed, but were still able to circumvent the policy. The subsidiary is required in Chinese law to operate an 'Employee Supplementary Fund' into which both employees and the employer makes a monthly contribution and which is intended to provide a range of fringe benefits for employees. The healthy state of this fund was used by Chinese managers to their advantage since it was raided to pay greatly above average benefits such as housing subsidies in the year in which the cuts were most deeply felt. The Americans knew of the existence of this fund, but were either unaware of, or turned a blind eye to, how it was used on this occasion. Thus this is a classic case of how the expertise held by local managers in the national institutional framework in which they are embedded provides a resource with which they can block transfer when they see it challenging their interests.

A fourth instance was the handling of redundancies in the UK site. During our research, the HQ issued a demand that 10% of headcount should be cut and set a timescale for how this should happen. Both the site manager and the divisional manager at the time were American, leaving the British HR manager to explain the problems of moving at the speed the Americans wanted. In his words, the HQ was 'applying US prescriptions to UK situations' in making the cuts to a timetable that went against established consultation and negotiation procedures in the plant. Part of his argument had been about the need to 'protect the survivors' by not moving too fast and being seen to be fair. Considerable haggling followed between these managers, with the HR manager asking them to 'tell me what you want as an end result, okay, and let us tell you how we'll get there – don't tell us where to get to and how to get there'. Eventually, the British manager managed to negotiate a trade-off in which the timescale was relaxed slightly to allow for union consultation but the cutback in the workforce was eventually slightly greater than demanded by the HQ. According to

our British respondent, this incident had been significant in allowing him to establish the trust of his American colleagues, claiming that they take the attitude of ‘leave it to Pete, he knows what he’s doing, he’s not let us down’. He had portrayed himself as a key figure in interpreting local situations on whom American managers were dependent in order to advance his own position. There was also evidence that he had suggested that there was an ‘unholy alliance’ with the unions on the issue – ‘they were my allies’ as he put it – though this was evidently very fragile, as the ‘failure to agree’ described above confirms.

4.3c Site Level Managers and their Influence on Global Policies

The agency of subsidiary level managers in the face of corporate level policies shows up not only in their ability to mediate the impact of these policies but also to shape the substance of these policies themselves through involvement in the policy creation process. This can be because their views are actively sought or because they are able to bargain for their position to be adopted. Accordingly, the research in this area charts how subsidiary managers can exert influence beyond their own country. The way in which particular subsidiaries are accorded the formal responsibility of developing policies for the wider organisation has been termed the process of issuing subsidiary ‘mandates’ or ‘charters’ (Belanger et al., 1999; Birkinshaw, 2000). Actors at plant level may also be able to shape wider corporate policies without formally being granted this status but rather may do so through inputting information into a network and seeking to advance the case for their ideas to be adopted. An increasing body of evidence testifies to the way in which such ‘reverse diffusion’ can be an important phenomenon in MNCs (Edwards and Ferner, 2004).

A widespread view in Engineering Inc is that there had been, as one put it, a ‘myopic view of the world that was *HomeTown*-centric’. Many HR leaders outside the US have argued that the logic of the firm’s aspirations to be a genuinely global player are that the dominance of American influences on policy making is inappropriate and that they should be allowed more input into policy development. This view was forcefully expressed at a corporate HR conference some years ago in which many from outside the US argued that new policies were too focused on America in general and *HomeTown* in particular. One UK HR manager effectively lead a ‘revolt’ at the

conference on this issue. This revolt resulted in the UK and Indian HR leaders being given the job of designing a new 'template' guiding the future development of international HR policies. Opportunities for actors at site level to be involved was a key component of this template. This approach was adopted in the design of a new performance management system, led by the British conference 'rebel' on a three-year assignment in the HQ and co-ordinating a multi-national team of eight people from six countries. As might be expected given the cosmopolitan nature of the team, this review incorporated practices from outside the US into the new system, the prime example of which was the inclusion of a competency-based appraisal system that was pioneered in the UK. This is clear evidence of 'reverse diffusion'.

However, in practice review of the performance management system did not operate in quite the participative way envisaged. As the leader of the review put it, 'participation was problematic' and a member of the team stated that 'quite honestly ... we did not in hindsight do what we should have to keep particularly the international people linked into this'. The face-to-face meetings of the team were disbanded following a marked downturn in the company's fortunes that led to a ban on all non-essential travel. This effectively derailed the vision of participative policy making, and the 'templates' for policy formation have not been in evidence since. As the American on the performance management review put it: 'we did not follow the policy that we talked about. Once we'd pushed it out ... from then on it was primarily (two of us), and we at best informed people, here's what we're doing, if you've got a problem speak up, which is not exactly a high involvement strategy'.

Part of the explanation for the limited impact of the participative model of policy creation was the response of the firm to financial market pressures and the associated tendency to make rapid and marked cuts in budgets and jobs in response to product market downturns. This appeared to be crucial in the review of the performance management system in the case study. During the period in which the founding family held a controlling stake, many respondents argued that the company had been able to avoid swift responses to fluctuations in the business cycle. Since the diminution of this stake, as we have seen above, the pressure has grown on senior managers to satisfy financial institutions that a downturn in the product market is being treated seriously and that management are taking swift action to avoid or reduce losses. It

was the deep cuts, including the job losses and freeze on international travel, in response to the downturn that derailed the emphasis on participative policy making across countries that looked set to generate numerous instances of RD. Arguably, therefore, the institutional context in the US worked against the gradual, consensus building approach to policy making that is conducive to actors from across a multinational shaping the policy formation process.

5. Discussion: Towards a Political Economy Approach

Overall, the paper has advanced the notion of a political economy approach as a way of understanding the extent and nature of the transfer of employment practices within MNCs. We have argued that distinct national institutional frameworks exert strong forces on the transfer of practices but also leave open a range of indeterminacy for actors within MNCs. We have also detailed the way in which political activity occurs and the inter-dependence between this and institutional forces. In essence, then, we have sought to integrate a macro focus on extra-firm institutions with a micro focus on internal political processes into a ‘political economy’ approach.

In this section we elaborate on four aspects of this approach that can be developed in future research. One possible extension of the argument involves studying the way in which actors within firms have some scope to shape the institutional environment in which their firm is embedded. Institutions are not created independently of firms, nor do they evolve independently; rather, powerful groups of organisational actors can exert some influence over their environment. This is particularly evident in relation to the power of MNCs over their suppliers, distributors and competitors. More generally, senior executives in MNCs are actively engaged in social networks that can shape, reproduce and change the structural context in which their firm is embedded. A classic exposition of this view is Wright Mills’ (1956) account of how elite groups have controlled the nature of American society over time. He argues that ‘changes in the American structure of power have generally come about by institutional shifts in the relative positions of the political, economic and military orders’ (*ibid.*: 269). In a similar vein, Useem (1984) has written about the way that an ‘inner circle’ emerged in the post-war period in the USA. This inner circle was dominated by those who held multiple directorships and who used their influence to carry out a form of ‘class-wide

co-ordination'. Sklair (2001) has extended these ideas to the international level in arguing that a key development in recent years has been the emergence of a 'transnational capitalist class based on transnational corporations (which) is more or less in control of the processes of globalization' (2001: 5).

Our case study data provide instances of the way in which actors within the firm played a role in shaping its environment. Perhaps the best illustration of this is its influence over the labour market in the small towns in which it has located its production sites. This shows up most clearly in the heartland operations, where the founder's commitment to the local community showed through in a number of ways, notably its efforts to improve the architecture of the town and attempts to influence the local government's policies on segregation in housing between ethnic groups. It also shows up, albeit in a more limited way, in the attempts by senior managers to fend off hostile takeovers. By taking aggressive legal action against one of the potential bidders, senior management at Engineering Inc were part of a wider group of firms that have sought to check the growth of the 'market for corporate control' over the last twenty years. It must be noted, however, that as a medium-sized multinational without a dominant market position Engineering Inc's influence over its environment is limited, much more limited than very large, monopolistic firms like Microsoft or McDonalds. Nonetheless, the data serve to illustrate the way that MNCs are not merely passive recipients of institutional pressures but also alter their contexts. One significance of this is that it may enable MNCs to shape the environment in such a way that it becomes more open to receiving transferred practices.

A second area that could usefully be examined in greater detail is linked to the first point, namely that the transfer of practices is itself a way in which institutional frameworks change over time. Transferred practices can spread to other firms, thereby becoming established in their new environment and leading to changes in the nature and functioning of pre-existing institutions. As Djelic and Quack (2003: 24) note, foreign firms, particularly those from 'dominant' countries, can act as 'missionaries' with the strength and resources to establish new 'rules of the game'. As new practices become institutionalised, this creates a new dynamic within the business system contributing to a process of 'institutional layering' (Thelen, 2003) in which new institutions are created on top of existing institutional sets. These new institutions can

adapt to the norms and pressures of pre-existing institutional sets, but will not always push ‘developments further along the same track’ (2003: 226) but rather they can change the nature of institutional configuration within a business system.

One example of this is the way in which many foreign MNCs in Germany have opted out of multi-employer collective agreements and the vocational training system (Muller, 1998). Since both the bargaining and training systems have been dependent on inter-firm collaboration for their effectiveness, the tendencies for foreign firms to depart from established practice in Germany has been one force for institutional change. Similarly, there is evidence that many large Swedish firms have sought to transfer practices across their operations that represent a significant departure from prevailing practice. One example is the spread of forms of ‘variable’ forms of pay such as performance-related pay, profit-related bonuses and share options (Hayden and Edwards, 2001). These were ‘grafted on’ to existing pay practices in Sweden, contributing to the ongoing erosion of the principle of ‘solidaristic wages’. The case study data from China in Engineering Inc. provide evidence that is indicative of such a process of institutional layering. Engineering Inc strove to establish new practices that represent a significant departure from prevailing traditions, such as variable pay being linked to individual performance. As part of a growing number of foreign MNCs transferring similar practices into China, this has the potential to reconfigure the nature of pre-existing norms.

A third set of questions relate to the role of elite groups in the transfer process. While elite groups certainly have some scope to shape the environment in which MNCs operate, it would be a mistake to conceive of them as entirely unified. Elite groups tend to be loosely coupled alliances of groups whose interests are often compatible but sometimes diverge. Arguably, this is something that Sklair (2001) underplays in his analysis of the role of the ‘transnational capitalist class’. For example, Levy and Egan (2003) illustrate the potential for an elite group to fracture in showing how the joint campaign of senior executives across the oil industry broke up, with BP and other European firms adopting a more accepting approach to climate change regulations compared with their American counterparts. The power of elite groups is partly constrained by such fractures, therefore, but a further limitation on their power is that their actions can have unintended consequences. Some attempts by firms to

mould the institutional context to suit their aims can be counter-productive. Levy and Egan (2003) provide an example of this in discussing the way that the challenges to scientific opinion made by the oil and automotive firms has at times backfired, with the US government forced to distance itself from the positions adopted by industry associations.

The data from our case study revealed ways in which senior managers' relationships with other strands of the capitalist class was often uneasy. The clearest illustration of this was the relationship between senior managers on the one hand and financial analysts and distant shareholders on the other. While the legal action the company initiated following a hostile takeover attempt was an extreme example of this, a more constant tension was evident in the way that senior managers sought to pacify concerned analysts that their interests were being served, yet also undertake sufficient long-term investment to secure the company's future. The nature of practices pushed by the HQ onto its operating sites reflected the tensions between senior managers and financial analysts, of which the move to instil a stronger 'performance ethic' yet also retain some emphasis on internal labour markets is an example.

A fourth issue that could be analysed in more depth concerns the basis of disputes and trade-offs between groups of organisational actors in the transfer process. While the findings reported here chime with those of the micro-political literature in acknowledging the ability of actors at levels below senior management to challenge their authority and control, the terms on which this takes place and is resolved could be considered in more detail. The extent to which they can do so is of course dependent on their control over resources on which others are dependent. Central to a 'political economy' approach must be the notion that actors will be differentially placed in terms of their access to particular power resources and their ability to use them.

The findings from the case study have shed some light on this. Control over funds for investment is one very important resource, of course. Generally, management at corporate HQ possess the role of distributing within the organisation both finance raised externally and that generated from internal profits. Commonly, sites are engaged in competition with one another to secure investment funds, thereby creating

a dependency on the HQ. In relation to legal frameworks, the case study indicated that plant managers can use their expert knowledge of this in their dealings with corporate management on such issues as how diversity policies are to be operationalised at site level. Employees, on the other hand, are unlikely to possess detailed expertise in the host country legal framework and are correspondingly less likely to use this as a resource to resist transfer of practices in an area that challenged their interests. In contrast, in relation to issues such as the organisation of work and shopfloor discipline, employees are able to use a mixture of the formal bargaining process and management's dependence on them maintaining a given pace of work to shape the operation of transferred practices. More generally, across a range of different organisational levels struggle with each other to control and define the agendas within the firm, using particular rhetoric as a way of doing so. The distribution of these power resources within a firm, therefore, is central to understanding how intra-organisational conflicts are resolved. These four issues are all ones on which the paper has shed some light but could usefully be explored in more depth in subsequent analysis.

6. Conclusion

We have argued for a political economy approach to understanding the extent and nature of the transfer of employment practices within MNCs that integrates a focus on distinct national institutional frameworks with one on the micro-political activity of multinationals. In developing this argument, we have been influenced by the contribution of analogous approaches in other subject areas. For example, in the field of comparative industrial relations an approach that incorporates both institutional influences and the power of firm-level actors has been used to explain differences between national systems of IR and changes within them. For instance, Pontusson and Swenson (1996) show how the system of centralised bargaining in Sweden was radically altered in a way that reflected the interests and power of economic actors, particularly the employers in the exporting sector. A similar political economy approach was central to the analysis of Wailes *et al.* (2003) in their assessment of the similarities and differences in bargaining structures and wider patterns of industrial relations between Australia and New Zealand. They argue that these patterns can only partly be explained by institutional differences between the two countries; 'national

differences in the configuration of material interests' (2003: 622) of employers and their associations were also a key part of the story. An emphasis on the relationship between national level institutional structures and the interests and power of firm-level actors is also central to Sally's (1996) analysis of the internationalisation of large firms in France and Germany. In making the case for putting the firm at the centre of the subject of international political economy Sally argues that MNCs are embedded in 'a myriad of historically conditioned power relationships with external actors such as local, regional and national governments, financial institutions, trade unions, small and medium sized firms and industry associations' (1996: 4) and that the internationalisation process of large firms has the power to cause significant change in the relationship between firms and these external actors.

Thus the paper has sought to extend a political economy approach into a subject area in which it has not featured previously. It provides a way of incorporating the insights of both institutionalist and micro-political approaches into an integrated framework. We have been able to demonstrate its analytical purchase through a detailed, multi-level international case study of an American multinational. The framework can equally be applied to MNCs of other nationalities, but that is a task left to future research.

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Table 2 – Summary of Key Findings from Engineering Inc

	Pay & Performance Mgt	Diversity	Representation
Company Traditions	Historically strong internal labour market but now eroded through lower pay rates for new entrants and reduced job security. Tradition of accepting collective bargaining to determine pay.	Strong ideological commitment on part of founding family. Recently, use of the ‘business case’ to promote diversity.	Acceptance of ‘independent’ unions in heartland sites in 1930s. Evidence of collaborative relations historically, but more fraught negotiations over job cutting recently.
Corporate Influence	Recently, strong global push to control pay, and to tie pay much more closely to performance, particularly through a ‘forced distribution’ for professional staff.	Clear direction from the HQ that this should be a priority in all sites worldwide, with the progress of sites monitored closely. Gender is a universal component with other elements left to locality.	No strong direction on how this is handled internationally. Expectation that where workforces are unionised local managers ‘should work with them not against them’ but recognition is patchy across sites.
UK	Collective bargaining covers vast majority of staff. Recent pressure to cut costs has meant that collective agreements must be ‘self-financing’. The forced distribution, which has been met with some resistance from UK managers, has led to only a minority of staff receiving pay rises.	Practices include Diversity Councils in place at the two biggest sites; Domestic Partner’s Benefits Policy in operation; and all employees experience training in diversity. Considerable employee scepticism about the training in particular and diversity in general.	The two key sites are heavily unionised, both for white and blue collar workers. Collective bargaining covers a range of aspects of pay and conditions, but some issues taken out of scope of bargaining. Employee feeling that unions had become less influential.
China	Pay limits have posed considerable problems to local managers in recruiting and retaining staff in the urban areas – led to some alterations to the formal policy. Performance mgt system used in regional HQ but is ‘not widespread’ in the production sites – no requirement to cut the bottom 10% here.	Domestic Partner’s Benefits Policy not implemented after debate. There is a Diversity Committee at regional HQ but no evidence of Diversity Councils at site level. Some measures designed to increase proportion of women in managerial positions and of ‘regional’ diversity within China.	No independent employee representation in the regional HQ. Unions do exist in the joint venture production sites but are seen as ‘organs of management’ without much scope to challenge management.