

**Exogenous Influences in Path Dependent Transformation Processes –
The Effects of German Foreign Direct Investment on
Work Organization and Labor Relations in Hungary**

Michael Fichter (presenter)

Christoph Dörrenbächer

Laszlo Neumann

András Tóth

Paper for the IESE Conference "Multinationals and the international diffusion of organizational forms and practices", Barcelona, July 15-17, 2004*

Contact:

Dr. Michael Fichter
Otto-Suhr-Institut / FU Berlin
Inestr. 26
14195 Berlin
Germany

mfichter@zedat.fu-berlin.de

Tel.: +49-30-838-55035

Fax: +49-30-838-55042

** This version is a straight-forward presentation of the results of an empirical research project based on qualitative case studies. For the oral presentation at the conference, the key findings will be highlighted in respect to their relevance for broader academic discussions on issues such as FDI, the international diffusion of business practices and the political and economic transformation of the CEE countries. The intention of this approach will be to ask how such findings contribute to enhancing our understanding of such processes in general as well as how our general understanding provides explanations of particular empirical phenomena as embodied in our findings. The resulting insights will be used to complete a final paper, in which the project findings are embedded in the larger academic context.

CONTENTS:

I.	Introduction	2
II.	The Process of Transferring / Relocating Production from Germany to Hungary	3
III.	The Many Facets of Hybridization	6
III.1.	Impact of German FDI on the Production System, Work Organization and Labor Relations	6
III.2.	Headquarters Control and Local Subsidiary Managers	8
III.3.	Local Hungarian Managers as Actors	8
IV.	Impact of FDI on the Hungarian Environment of Transformation.	11
IV.1.	Impact on the labor market	11
IV.2.	Impact through forward / backward linkages	13
IV.3.	Impact on human resources.....	14
IV.4.	Impact on industrial relations	14
IV.5.	The debate concerning low road or high road development.....	15
V.	Beyond the Micro-level: Selective Harmonization and Path dependency in the Hungarian Transformation.	17
VI.	Beyond Transfer, Hybridization and Transformation. The Issue of Reverse Diffusion.....	20
VII.	The European Social Model: Quo vadis?.....	22
	References:	25

I. Introduction

Foreign investments are profoundly shaping the course of the Hungarian economy. Besides such large investors as Audi (2001: 4,900 employees) or Siemens (2001: 1,800 employees), there are many small and medium sized German companies with investments in Hungary. Enterprises from Germany are key actors in the Hungarian economy because they account for a substantial share of all foreign direct investments. Moreover, their home country heritage, i.e. a business system which has a recognizably high wage, high skill profile and a commitment to consensual forms of conflict resolution, draws attention to the possible impact of such characteristics on host country environments. Thus, looking at German enterprises and the transfer of the German production model to Hungary would pave the way toward explaining possible changes emanating from a particular home country model. With the focus on German enterprises we have sought to explain far-reaching developments at the micro-level (enterprise) as they impact on the development of work organization and labor relations. We regard this level as being crucial to economic restructuring throughout central and eastern Europe. Moreover, in the Hungarian context of a weak state regulatory framework and a fragmented labor movement (Neumann 2000, 2002), the scope of structuring capacity at the enterprise level is especially noticeable. Nevertheless, processes at the micro-level have been given only limited attention in the research on transformation and EU enlargement.

The paper will present the final results from a two year research project recently completed. At the outset, 18 enterprises were chosen from the project database of German manufacturing investors in Hungary for "first wave" short case studies. Five of the enterprises from this sample were then subjected to in-depth analysis. In its research design, our project looked at a variety of manufacturing sectors to determine which elements of the German model of production and labor relations have been selected for transfer to Hungary, why this particular selection was made, and whether there are clear indications that certain German foreign direct investments are initiated as either a high-road (high wage, high skill, high technology) or as a low-road strategy (attraction of the low level of regulation and low costs).

In general, research on developments in central and eastern Europe has not adequately dealt with the phenomenon of exogenous influences on the transformation

process. In our research design we postulated — and have endeavored to empirically define and verify — a process of hybridization as the exogenous influence of foreign investment interacts with host country transformation processes. By this we mean that both the host country environment with its path dependent influence and a set of powerful impulses from external sources are reshaping the Hungarian economic environment in a manner which may be a harbinger of a new European-style capitalism in a globalized world.

A key determinant of how that environment may be evolving is the relationship between foreign investment and the host country context. In the Hungarian case, our hypothesis has been that foreign investors are moving into a permissive institutional environment. By this we mean that the institutional setting is generally weak, that it is lacking in sufficient capacity for conflict resolution and that it is far from being consolidated. Trade unions, for example, are rather powerless, fueling their propensity to accept whatever cooperative arrangements management offers. In this position they have yet to find a new role commensurate with their legal status as independent representatives of workers' interests. The weakness of the interest organizations of labor and capital and the decentralized nature of industrial relations arrangements, we believe, facilitate the introduction of production regimes specifically tailored to management's goals and practices.

The project research design used Hungary as a model of these developments to find answers to such questions as the means and dimensions of the transfer/relocation process, the extent and content of hybridization, and the more general issue of the economic impact of German FDI on the Hungarian transformation environment. Furthermore, we have dealt with some of the labor-related issues at company sites which have developed in the wake of relocation.

II. The Process of Transferring / Relocating Production from Germany to Hungary

Prior to the actual decision to invest in manufacturing facilities in Hungary and transfer an existing line of production there, almost all of our sample enterprises had established business contacts and extended a production order contract, usually for a small quantity of a single product or a well-defined, standardized product group. In

those companies, ones such as SAILING, FOOTBALL or GOLF¹, machines, basic components and materials were supplied from Germany in order to take advantage of European Union regulations on OPT.

As for the decision of these enterprises to take over full ownership of their Hungarian production sites, two types of reasons were given. In the first category were those that were related to the privatization process in Hungary. For some of the enterprises (e.g. FOOTBALL), privatization provided them with a bargain opportunity; for others (e.g. SAILING), it was the choice of either acquiring the production site with which they had been doing contract or OPT manufacturing, or severing the contract and moving to a new site.

The second category of reasons for in-house production involves issues of ownership and knowledge. Across the board, our in-depth case studies reported that in the long run, they believed that they could achieve better results for all of their product lines via ownership. For them, the introduction of and adherence to a company-specific production model was of prime importance for the integration of the Hungarian site into the overall company production strategy, for the attainment of quality standards equal to those which had existed in Germany, for the diffusion of knowledge and for the focused development of new products and the acquisition of new market shares.

The majority of enterprises in our sample showed a clear preference for the acquisition of an existing plant or facility over the investment in a completely new site. From our interviews, this seems to be a further sign of the cautious approach pursued by most enterprises in establishing their presence in Hungary (“testing the waters”), independent of the extent of their previous foreign investment experience. Having gathered essential experience from their contract and OPT business arrangements and having convinced themselves of the viability of the operation, most enterprises opted for continuing along the cautious path and building on known qualities.

Two additional aspects of transferring or relocating production are crucial to its understanding and analysis. First of all, it is a process that may be continuous over a period of time or may be clearly marked by different and distinct phases. As such,

¹ The names of the enterprises have been changed because final approval of publication has not yet been attained. BASEBALL is a privately-owned and internationally renowned producer of electronic and electromechanical sensors, rotary and linear transducers as well as identification systems. FOOTBALL is also privately owned and is one of the world's major producers of pneumatic automation. In contrast, SOCCER is a stock company, a global player in the electronics and telecommunications sector. GOLF went public in the mid-1990s and is a leading – but small – automotive supplier. For many years, SAILING was privately owned, then it was bought out by a large corporation. It is a well-known brand name for shoes.

conclusions regarding the status and extent of transfer must always be connected to a particular time dimension, i.e. the initial transfer or the expansion of the investment at a later point in time.

Secondly, there are several elements of the transfer that contribute to its success. For one, transfer involves not only technology and real objects such as machines, tools and other equipment; it invariably includes the factor “personnel” as well. A further essential element of transfer is the process of imparting information, knowledge and concepts, i.e. the production model. Without this “software” of the production process, an indispensable ingredient for the functionality of a particular production model would be missing. Understanding this context and the interaction of these factors contributes to determining the extent to which exogenous factors dominate the development of work organization and production processes in German-owned subsidiaries in Hungary. In addition, it may be said that the right combination of these factors is a basic prerequisite for the ultimate success of the relocation process.

All of our in-depth cases describe successful transfer processes. This may be of importance in assessing the general flow of German FDI to central and eastern Europe, but it did not allow us to make any direct comparisons between successful and unsuccessful approaches. While some companies followed a step by step approach (BASEBALL, FOOTBALL, GOLF and SAILING-Plant1) others concentrated their transfer efforts (especially SOCCER but also SAILING-Plant2) on a single intensive transfer phase. In the former group, the initial transfer was the litmus test of commitment to further incremental transfer steps; companies in the latter group, usually had previous FDI or relocation experience but were nevertheless under more concentrated pressure and needed to mobilize more resources within a shorter time period. In most cases, the training of the production workers was completed within two weeks, taking place either on-site or at the German plants (where existent). The transfer of administrative procedures was either by bi-national management tandems (e.g. at SOCCER and GOLF), by German expatriates (at SAILING-Plant2) or by local management (e.g. at FOOTBALL, BASEBALL and SAILING-Plant1). Problems arose over technical issues, but these usually had less impact on the transfer process than difficulties encountered in personnel matters. Such matters as language barriers, inter-cultural conflicts, and career issues had to be dealt with professionally and satisfactorily. However, these more operational problems were solved in due course either by a stronger input of resources or by tighter control.

Next to the operational side of the transfer, our in-depth cases also revealed that transfer processes in general have a strategic dimension which touches upon the long range development of the respective subsidiary and in some case of the enterprise as a whole (e.g. at BASEBALL and GOLF). In some cases, the strong desire of the Hungarian subsidiary to upgrade became a point of enduring conflict (e.g. SOCCER or FOOTBALL) (for a detailed discussion see Dörrenbächer 2002b).

III. The Many Facets of Hybridization

In our research design we postulated — and have endeavored to empirically define and verify — a process of hybridization as the exogenous influence of foreign investment interacts with host country transformation processes. In the following section, the aspects of this issue are discussed which our research analysis showed to be key elements in determining the extent and character of hybridization.

III.1. Impact of German FDI on the Production System, Work Organization and Labor Relations

In the case of Hungary, generally considered to be a rather weakly institutionalized or (in the terms of Ferner, 1997) permissive environment, we postulated both a far-reaching transfer of the German industrial model and a far-reaching non-transfer. For both options, the case studies offer strong empirical evidence, looking at the two different aspects of an industrial model, i.e. the transfer of the production model as well as the transfer of the labor relations model (Dörrenbächer 2002a). In all our in-depth cases there was a definitive transfer of the production model as represented by the ensemble of technology, machinery, plant layout and work organization used in the German plants of the company or preferred by headquarters if no other comparable plant in the home country existed. Nevertheless there are some interesting variations among our cases in this respect. The weakest case for an actual transfer of the country-of-origin production model happened at FOOTBALL, where an existing production in Hungary was taken over and subsequently enlarged and modernized. In the case of BASEBALL and GOLF, an initially a strong one-to-one transfer of the German production model was superseded by an increasingly idiosyncratic development of the Hungarian plant. In the case of BASEBALL, this occurred once this plant became the only high volume production unit; at GOLF, this development was tied to the subsidiary becoming the major European unit. In the BASEBALL, the GOLF, and the FOOTBALL cases, however, headquarters played a decisive role in all strategic issues of plant

modernization. This was also the case at SAILING, where headquarters imposed the SAILING method of producing shoes even before the company took over ownership of the two Hungarian plants (Plant1 and Plant2). Finally, the SOCCER case also reflects a relatively strong one-to-one transfer of the given model, even though this model can hardly be described as a pure German production model, but must rather be seen as a company-specific model for small size switching factories (no longer found in Germany). In addition, all transfer efforts originated from the Austrian regional company, which had taken over the whole modernization process of the Hungarian subsidiary on behalf of the German divisional headquarters.

Compared to the rather strong transfer of the country of origin production model (or a company-wide, state of the art model), companies in our research sample were much more selective and reticent about transferring the German labor relations model to their Hungarian subsidiaries. The virtual non-transfer of the German labor relations model and the rather weak and fragmented Hungarian labor movement are the main factors which explain the poor labor representation standards at the Hungarian subsidiaries in our in-depth sample. Works councils were only existent at FOOTBALL, GOLF and SOCCER; trade union representatives were only present at SAILING and SOCCER. Thus, in none of these cases were the works council or trade union representatives a powerful bargaining partner which could pose a threat to management's decision-making prerogatives. At the same time, we found a notable emphasis of the Hungarian subsidiary management on the use of information and consultation procedures with the labor force. As Tóth (2003) puts it: "Employee relations exist instead of industrial relations". One aspect thereof is also the fact that all companies of our sample (with the notable exception of SAILING) pay more than the minimum wage and provide benefits to the workforce beyond their legal obligations. Such policies may be a carry-over from pre-transition times or they may be deemed necessary as a prerequisite for securing needed labor. However all extra benefits and any spirit of social partnership end where the two most important location specific advantages of Hungary as a production location are endangered, i.e. the relatively low labor costs and the relatively high flexibility of production organization.

Whether these findings underpin the hybridization thesis by and large depends on the definition of what is considered to be an industrial model. Using the definition in a broad sense – as we did here while looking at both the production model and the labor relations model (and as is also the case in the work of Boyer (1998) and the GERPISA

Group), we find a rather pronounced hybridization. Strong country-of-origin influences in the realm of the production model are combined with strong host country influences in the realm of labor relations. However, restricting the hybridization issue to the transfer of the production model leads to a rather limited hybridization result, which is probably better described as adaptation. Here again our in-depth cases come up with interesting insights. For one, the rather frequent use of Japanese production techniques such as *kanban* or *kaizen*, suggest what Dörrenbächer (2003) calls a “hybridization at the source”. Such a “hybridization at the source” is also to be found in regard to the labor relations model with the increasing use of Anglo-Saxon HRM practices at the German parent companies. These two items also point to the fact that next to home and host country effects various third country influences are at work. Secondly, once a production model is transferred, finding solutions to operational problems induces a continuous and incremental hybridization/adaptation.

III.2. Headquarters Control and Local Subsidiary Managers

This also leads to the question of the role of the headquarters as well as to the role of the German expatriates. In all our in-depth cases the overall guidance and control of the Hungarian subsidiary was in the hands of the German headquarters. As described in the literature (Harzing 2001), both formal as well as personalized control means are used in our in-depth case study companies. Formal control is by detailed reporting (which is rather strong e.g. at SOCCER), with the company-wide link-up of such IT-systems as SAP (e.g. FOOTBALL, BASEBALL) or BAAN (GOLF) allowing further control. Personal involvement of headquarters managers in running the subsidiary is either by on-site expatriates or by frequent visits of the local management to headquarters and vice versa. While BASEBALL and SAILING (Plant1) relied exclusively on local management for daily operations at the subsidiary, the subsidiaries of FOOTBALL, SAILING (Plant2) and GOLF in Hungary are still managed by an expatriate. In contrast to both types, SOCCER sent a large number of expatriates for a two-year start-up phase. Since the end of this phase, however, the company has been run by local management.

III.3. Local Hungarian Managers as Actors

In the early stages of economic transformation in Hungary, the role of "post-socialist managers" and "managerialism" (Szelényi 1998) were topical issues of sociologists. Important for our research have been the empirical findings of surveys showing that a

large share of managers of state enterprises retained their positions following privatization. This continuity can be explained by their technical knowledge, established networks and managerial skills. (See for example: Róna-Tas/Böröcz, 2000).

Still, relatively little is known about local managers working for multinational companies. This is quite in contrast to the abundant literature on expatriate managers covering all aspects of their careers. As such, we found it notable that in each of our five in-depth cases there was one prominent local actor. This person always had a decisive role in the initial phase of the investment. To be sure, some of them failed to maintain this key role later on, and sometimes even lost their job. The closure of the whole company at SAILING-Plant1, a change in the management style at GOLF, the retirement of the founding person in FOOTBALL led to the various changes of the initial leadership of Hungarian sites. In any case, these local managers had a key role in the successful local implementation of the German production culture.

The reliance on a local manager to direct the development of the subsidiary was most obvious in cases of a take-over and especially in those firms, in which the former company – whether a state owned enterprise or a quasi-independent industrial cooperative or private business – had engaged in an OPT contractual relationship with a German company. During such a long term cooperation in manufacturing, German quality standards and some of the working practices were introduced at the Hungarian firm, adapted to existing circumstances, and developed further, embedded in a cooperative atmosphere between the Hungarian firm and the German company. SOCCER, the only company in our in-depth sample whose investment was motivated by market entry, also heavily relied on a top manager of the former state owned enterprise, using his network of contacts to help win a public procurement tender. This example is far from being singular. In many other cases as well, local managers gained the trust of German headquarters by integrating the subsidiary into the organization of the mother company and mobilizing the necessary local resources.

Another explanation of the key role of local managers lies in the Hungarian privatization process itself. As other research has shown (see for example: Stark/Bruszt, 1998), the cooperation of incumbent managers was equally important for both buyers and sellers. Neither the government agencies nor the foreign investors could manage

the business transfer without their knowledge and networks. In turn they negotiated for themselves a leading position in the future subsidiary.

The only seemingly exceptional case is SAILING's Plant2 plant, where following the acquisition of the former Hungarian company which worked for SAILING in OPT regime for a while, a new expatriate management was posted there to steer the reorganization of the plant. But in this case, SAILING had opted for complete reconstruction of the plant and practically built up a completely new state-of-the-art facility. Thus, in reality the Plant2 case is a green-field investment and consequently the knowledge of the earlier Hungarian management – which steered the company at a lower technology level – completely lost its value for SAILING. Another interesting case is the BASEBALL subsidiary. Here a green-field investment was steered from the beginning by a local manager. This case however, can be explained by two factors. In one hand, the incremental build up of production – contrary to the Plant2 case – allowed time for the Hungarian manager to 'learn' the BASEBALL-way. On the other hand, the engineering director of BASEBALL – without being posted to be an expatriate manager – oversaw the development at the Hungarian plant in detail by commuting regularly between the German and Hungarian sites.

The key role of local Hungarian managers in establishing and developing the firm largely shaped the labor policies of these firms as well. Typically, they have pursued an iron fisted management style in terms of quality and productivity requirements and in disciplining the workforce; and they were keen to stress a clear departure from the "socialist work-morale" and to embrace the order driven German work style. At the same time, many of them had a rather paternalistic management style. This was represented by paying higher wages than other local employers as well as by providing fringe benefits and good working conditions in exchange for commitment and readiness to take up flexible working time schedules and other shop-floor practices required by order fulfillment. As a part of the paternalistic style these local managers maintain a family style leadership, which included the emphasis on good personal relationship and support of various "community-building" activities, like company-wide sport and cultural events. This style, on the other hand, meant that they were fairly hostile to any independent action of collective forms of labor representation. Nonetheless, they have been ready to cooperate with a 'tamed' works council or union, provided that these bodies fulfill the needs of management, instead of being an independent channel of employee voice.

Beyond the key role of Hungarian top-managers, there has been a process of development of a new middle-manager strata of professionals at these companies. As the subsidiaries grew, some of the positions were filled by expatriates at the beginning, but gradually a layer of German/English speaking Hungarian middle-managers has emerged in product/process engineering, logistic, financial management, IT, quality management, to name the most important fields. Some of the members of the new middle-managerial stratum are from older generations, but a large number of them are young professionals trained at universities and business schools providing modern professional education.

IV. Impact of FDI on the Hungarian Environment of Transformation.

In the context of the abundant literature of FDI's impact on host country environment, the following assessment based on our empirical findings has to be limited for two reasons. First, our case studies only allow drawing conclusions about the impacts of the subsidiaries in the sample; in contrast, the theoretical literature often tends to discuss country strategies or general impacts on the development of a national economy in macroeconomic terms. This summary is mainly confined to the observable impacts. Nevertheless, it is very likely that beyond the direct effects of these companies there are other less tangible impacts, such as spillover or demonstration effects on other companies, effects on institutions of industrial relations and on the social partners, or the results of knowledge accumulated by the workforce being transferred to other companies via labor market mobility.

IV.1. Impact on the labor market

In a quantitative approach, the experiences of our five in-depth cases are mixed. Three of them (BASEBALL, GOLF and FOOTBALL) proved to be successful growth companies with constantly increasing employment, while at the other two companies employment has fallen considerably (SAILING, SOCCER). The company's different employment performances were due to the different company strategies or market environments. In the cases of BASEBALL, FOOTBALL and GOLF, the success of the product has contributed to increasing employment. On the other hand, marketing

difficulties at SAILING and the end of contractual requirement to follow EWDS production in Hungary at SOCCER have resulted in considerable job losses in 2002.

An assessment of the quality of employment at the foreign subsidiaries in our sample also produces mixed results. At these companies, the formal skill requirement is rather low. Most positions are unskilled and semi-skilled on assembly lines. Nonetheless, there has been new technology introduced at some of these companies, so that the technology level for certain work processes is "state of the art". Moreover, upgrading the activities at subsidiaries through increasing R+D, purchasing, warehousing and logistics functions were also common at these firms and led to employment of some highly qualified professionals. GOLF is an especially interesting example of this development with its newly-built "European Engineering Center". Nonetheless, the GOLF Hungarian plant as well as the subsidiaries of BASEBALL, FOOTBALL and SAILING, are primarily production plants, where the blue-collar workforce represents the majority of the workforce.

In terms of alleviating unemployment, these investments secured a considerable number of jobs in localities marked by high rates of unemployment. Reportedly, the success of BASEBALL facilitated the development of an industrial park style environment in the previously unutilized outskirts of a medium-sized city in west-central Hungary. SOCCER and FOOTBALL investment targeted former state-owned enterprises in traditionally industrialized cities, like Budapest and its agglomeration.

As to wages, all of the companies are pursuing a high wage policy with the notable exception of SAILING. But SAILING is operating the highly competitive and notoriously low wage shoe industry, where there is strong wage competition between European and Asian production sites. Generous wage payments, particularly in the early years of investment, were aimed at assuring the employment of a workforce able to meet high quality and discipline requirements. Paying higher than average wages is a feature of foreign companies in Hungary (Köllő-Fazekas, 1997). Thus, the wage policies of these companies are in line with the general experiences and in general, have contributed to the rising wage rates in Hungary. This is certainly a challenge for the trade unions, whose impact on increasing wage levels has been limited.

Above average working conditions are apparent at most of the companies in our sample. Only the brownfield SAILING-Plant1 site maintained its characteristically "socialist" outdated and dirty environment. BASEBALL, the SAILING-Plant2 site,

GOLF and FOOTBALL are state-of-the-art facilities matching any plant based in Germany as far as working conditions and working environment concerned. These working conditions, beyond wage level, are making these companies attractive in the local labor market.

Through their HRM policies, these companies are pursuing the goal of developing a flexible and quality oriented production system. They are intensively striving to ensure personal commitment to discipline – both in terms of absenteeism and technological discipline – and acceptance of extreme flexibility. Flexibility is an especially key issue in highly volatile product markets run by just-in-time ordering systems: “*The shoe always comes, no matter what problems occurred*”. (SAILING, first wave case study). Various forms of flexibility requirements are including acceptance of shift-work and/or continuous operation, readiness to work overtime whenever production demands it, acceptance of shortened hours (and lower income) in case of slow-downs, and flexible work schedules with individual working time accounts according to production needs. Some companies engaged in highly capital-intensive mass production where the machines run in three shifts or continuously, while others run more conventional one-shift or two-shift systems. Flexibility often means overtime hours on weekends, national holidays or even at Christmas. No doubt, foreign owned companies – among them the German ones – not only make use of this permissive environment, but also shaped it by making flexibility a general precondition of hiring in the labor market. A special issue of flexibility is to ensure the co-operation or at least the tacit acceptance of such measures by unions and works councils, should they exist at all.

IV.2. Impact through forward / backward linkages

Forward linkages have no considerable role in three out the five cases, as the mother company is practically the sole buyer of all manufactured products of the Hungarian subsidiary at FOOTBALL, BASEBALL and SAILING. At GOLF, in contrast, the subsidiary is gradually assuming more direct responsibility for customer orders and direct contact to customers. SOCCER's subsidiary represented a special case in which the main customer of the plant was Hungarian. In this case, market entry required the existence of local production in form of miniature replica.

Only two companies of our sample have managed to develop significant linkages with local suppliers (FOOTBALL and SAILING), while at BASEBALL there is only a small fraction of components is supplied by local suppliers up to date. Many of the companies reported that they would have preferred to have more of their materials or components provided by local suppliers. Yet they had been unable to find partners in Hungary who could meet time requirements and quality standards at no more than the same price level of recognized suppliers. On the other hand, companies successfully 'nurturing' their local supply base contributed to the development of the suppliers in various ways: providing them with know-how, engineering services, tools, machinery and finance.

IV.3. Impact on human resources

In general, these German investments have augmented the skills base of the Hungarian work force. The increasing deployment of production-related managerial tasks and R&D activities has an added importance for newly trained young professionals in Hungary. Knowledge upgrading was important in form of further training and retraining at these companies, but these further training efforts are mainly targeted at a still limited group of skilled blue-collar and white collar employees. In all cases, there was some support for language training. BASEBALL and SAILING have developed closer ties to nearby vocational schools and offer material support for upgrading the curriculum in order to ensure a continuous stream of skilled workers. However, expenditures for the training of semi-skilled workers – the largest part of the workforce – are rather limited and it is general practice to hire new employees to alleviate skill shortages.

IV.4. Impact on industrial relations

As has been explained above, the transfer of the German model was a hybrid process, i.e. only the production system but not the labor relations system was transferred. From our interviews we may conclude that German management has no regrets about leaving behind the highly institutionalized environment of labor relations and has fully accommodated to the rather unregulated Hungarian environment.

In privatization cases German investors have learned to live with unions they 'acquired' with the workforce. This was the case in three plants in the in-depth sample. One of these cases was rather exceptional in that an independent union organization

existed outside of the plant. Through the initiative of the responsible union official, a reasonably high level of membership density was attained (SAILING-Plant2). In the other two cases management maintained a "cozy" cooperative relationship with union representatives (SOCCER and SAILING-Plant1). In these three plants, as well as in the cases of FOOTBALL and GOLF, works councils existed, but their role was not always that which the law foresaw. At FOOTBALL, for example, the local management organized the works council elections and a trusted first line supervisor has been elected to its leadership, managing to keep this position over the past ten years. FOOTBALL's works council role is limited to being an information channel between management and the workforce.

This state of workplace industrial relations equally reflects the organizational weaknesses of unions and employees' disinterested in and even distrust of trade unions. And it should also be noted that employers are not interested in developing industrial relations above the company level either. Companies have no affiliation to employer organizations. At best, they hold a membership in the German Chamber of Industry and Commerce, which is a voluntary organization with no bargaining functions. Moreover, none of these companies have joined voluntarily to any multi-employer agreements existing in their respective sectors.

IV.5. The debate concerning low road or high road development

As for the question, whether German foreign direct investors are following a high-road (high wage, high skill, high technology) or a low-road strategy (attraction of the low level of regulation and low costs), our findings indicate that these companies are following a mixed strategy. The most striking case of this mixed strategy is SAILING, which followed a low road strategy at the Plant1 plant as far as technology and working conditions are concerned. By contrast, the company initiated a high road strategy at the Plant2 site by deciding to build up a state-of-the-art manufacturing facility. At the same time, there is no discernible difference between the two plants as far as flexibility requirements and wage levels are concerned. At both plants, employees are paid around the minimum wage level.

BASEBALL, FOOTBALL, GOLF, and SOCCER have been following a rather high road strategy as far as technology, working conditions, wage level and employee commitment are concerned. Nonetheless even in the cases of BASEBALL, GOLF and FOOTBALL, the dominant part of workforce is unskilled or semiskilled, and the

level of management-imposed flexibility is high. In these cases, the investment decision was certainly influenced by the low level of regulation and low costs. Moreover, in all our cases, one of the inherent characteristics of a high road strategy, namely, an industrial relations system that promotes the drive for higher productivity and quality (Wood at el, 1975), is missing. In our cases, cutting labor costs is not so difficult in the short-term via flexible working time arrangement or via layoffs, both of which are considered to be part of the low road development route (see: Jackson 2001). As Fichter (2003) has written,

„while the model of high road/low road development is certainly useful in providing a structuring instrument for general, macro-level analysis, its validity at the enterprise level has certain limits. For one, the applicability of the model may vary in detail across the various sectors of the economy, depending on such factors as the numbers and sizes of enterprises, the extent to which they are export-oriented, and the organizational density of trade unions and employers' associations. Secondly, the question has been raised as to the actual practice of the model beyond the realm of the large stock corporations, for example, whether all of the elements of the model are "in place" and functioning in small and medium-sized enterprises (SME). SME's also generally depend heavily on large customers, not only for volume output but as regards their pricing, their technological standards and their product development as well. This kind of dependency is not generally recognized as an element of the model, and yet it has a profound impact on the business strategies of such enterprises.”

As we have seen, companies are employing selectively the elements of high road with low road strategy elements in order to find a balance between exigencies of stiff price competition and the quality-technological requirements of their product markets. This use of a mixture of high road and low road elements of company strategies seems to show that it is illusionary to pursue a high road development route at national (regional) level by banking on its implementation by companies arriving from a high road environment. State and non-state actors of national (regional, local) civil society also have a contribution to make in building a regulative environment and institutions providing public goods for enterprises in order to facilitate the high road development route. To be sure, the creation of such a high road environment is a significant challenge, as the cases in our sample showed. All of them face globalized world-wide competition and the need for having low unit cost production for firm survival.

V. Beyond the Micro-level: Selective Harmonization and Path dependency in the Hungarian Transformation.

In the research proposal, we hypothesized that neither path dependency nor "designer capitalism" adequately encompass the actual transformation process in progress. Instead, there is a very clear trend of selective harmonization taking place. By this we mean that both the host country environment with its path dependent influence and a set of powerful impulses from external sources outside of Hungary are pushing the country towards a European style environment which, as we pointed out in our grant proposal, as yet can only be rudimentarily defined.

Our study underlined the well-researched positive impacts of foreign direct investment on the Hungarian development. These investments secured a considerable number of jobs in local labor markets marked by high rates of unemployment, a development which holds in particular in regard to companies which located in rural areas far from Budapest or other more developed regional economies of Hungary. In general, the German investments have augmented the skills base of the Hungarian work force. Research in general has shown that foreign companies with a high wage policy have contributed to increasing wage rates in Hungary. The increasing deployment of production-related managerial tasks and R&D activities has an added importance of offering jobs for newly trained young professionals in Hungary. These investments are helping to sustain traditional industrial cultures which threatened to disappear following the collapse of state socialist industrial model.

As far as the integration of subsidiaries into the Hungarian industrial network is concerned, the newly established subsidiaries were supplied either directly from the mother company through a central warehouse in Germany or directly from established suppliers to the company located in western Europe or Asia. There were some intentions to develop local supplier base, both supported by the headquarters and intensively proposed by the subsidiary, but none of our researched companies had been able to find a significant number of such partners in Hungary which could fulfill their reliability and quality requirements. Moreover, at least in respect to suppliers from Western Europe, the potential Hungarian suppliers held no particularly strong geographic (transportation) advantage.

As for the evaluation of these cases in light of the literature concerning foreign direct investment and its impact on development on Hungary (and in wider sense on the Central and Eastern European (region), we should highlight two traits.

1. Concerning the issue of spatial redistribution of industrial capacities in Europe, the cases of SAILING and BASEBALL show that companies in highly competitive market segments used their Hungarian investment to develop a new spatial distribution of work. This new spatial distribution of work means that at these companies, the core manufacturing activities were almost completely or completely relocated from Germany to Hungary. Core headquarter functions remained in Germany, while in Hungary, state of the art high-tech manufacturing plants employing latest work organization techniques, were established. To a certain extent this also holds for FOOTBALL. Although there was no relocation in this case, the investment enabled the development of a fairly outdated - state owned company into a state-of-the-art manufacturing and competence center. The only outlier case is the SOCCER subsidiary, where manufacturing was closed down despite the attempts of the Hungarian management to turn the Hungarian subsidiary into a manufacturing center with wider competency. Nonetheless, the development of an IT-spinoff shows that SOCCER did not completely write off Hungary as an investment location. Using the categorization of Kurtz and Wittke (1998), the development of these three companies – and SOCCER to a certain extent if we take into account of the IT-spinoff - represent a complementary specialization of industrial capacities between East (Hungary) and West (Germany). In all these cases cost cutting played a very important role; however, low costs are not achieved simply by transferring labor intensive production sequences. Rather, the fundamental spatial reorganization of all company activities, including a thorough reform of work processes, is the basis for improved efficiency. This complementary specialization lead to a strategic rearrangement of all tasks and functions within the value chain: state-of-the-art manufacturing along with some managerial and R&D functions has been relocated to Hungary. The industrial capacities based in Hungary are integrated into the value chains of German companies on a long-term basis. This re-organization of the production chain on an international scale represents a fairly positive outcome for Hungary, which – due to the failure of the state socialist industrial model - lacks both the industrial knowledge and the capi-

tal to develop an endogenous industrial capacity to compete successfully in the global market economy.

2. As far as path dependency is concerned, we should point out that there is a partial break which has taken place at these German-owned subsidiaries. As it was noted, there is a difference between the transfer of two different aspects of an industrial model, i.e. the transfer of the production model as well as the transfer of the labor relations model (see: Dörrenbächer 2002a). All of our in-depth cases show successful transfer processes as far as production technology and production processes are concerned. At the same time, these companies have been able to avoid transferring the German labor relations model. Since the German model of industrial relations was not transferred, company employee relations policy reflects on the one hand the organizational weaknesses of the trade unions and the heterogeneous and difficult state of industrial relations throughout Hungary (Fichter 2003). On the other hand, it reflects certain managerial prerogatives inherent to the work organization of the production system. The transfer of home country production system in the context of the permissive Hungarian environment means a partial break of path-dependency. The virtual one-to-one transfer of technology, production methods, and quality control meant that the heritage of state-socialist production, even at brownfield (acquired) companies, is quite irrelevant. Consequently, as far as production technology and work organization are concerned there has been a clear break of 'path dependency' at these companies. On the other hand, there is the lack of workers' representation (BASEBALL) or the relatively weak leverage of works' councils and unions on management. Thus the 'path-dependent' weaknesses of employee representation and the continuity of this path-dependency at these German subsidiaries allowed a selective transfer of human resource practices employed in German production plants. This, in turn, allowed the development of highly flexible working practices – which is notably important for management as was amply illustrated by the BASEBALL and SAILING cases. While this partial path-dependency may not prove to be intrinsically harmful for Hungary's chances of taking the "high road" of development, it is likely to be a harbinger of a new variation on the model or indeed the introduction of a new, less institutionalized and regulated "model." Furthermore, the question remains as to how this less regulated model, which is lacking strong and

meaningful representation of employees at workplaces, would be integrated into the European Social Model (Fichter, 2003).

VI. Beyond Transfer, Hybridization and Transformation. The Issue of Reverse Diffusion.

The focal thrust of the project research has been on the issue of the “forward diffusion” (Ferner/Varul 2000) of the company-specific modes of the German production model to Hungary via FDI. But in the course of our empirical work it became clear that the impact of this process – especially in SMEs – on the company as a whole was fundamental for the trajectory of the investment development in Hungary. This is an aspect which touches to some extent upon what has been labeled “reverse diffusion” (Edwards 2000). The use of this term in our context refers not only to the calculated spread of practices and processes from the Hungarian subsidiary to the home country sites of the German mother country, but also to the evidence of changes in Germany effected by the existence and development of the Hungarian investment.

The most immediate and noticeable impact of production transfer is the loss of employment “on the shop floor.” Depending on the actual product, the kind of jobs lost varied to some extent in our sample cases. For the most part, unskilled and semi-skilled positions, mostly held by women, were eliminated. With few exceptions, company works councils were able to negotiate severance pay along with some retraining. A number of companies also provided support in finding new jobs.

Overall, however, after an initial drop due to the loss of production jobs, employment at the German site of many of the companies returned to the pre-transfer level or even increased. Skilled white-collar employees such as engineers, technicians, commercial staff and IT specialists were hired to support the new production arrangement, bolster the marketing strategy and control the growing complexity of internationalized production. Even into later stages of the Hungarian investment, when the subsidiary had begun taking on more production-related responsibilities, the home country site — usually the headquarters at an SME — did not experience a loss of jobs similar to that which occurred in production. When employment cutbacks did occur in Germany, they were the direct consequence of a poor economic performance by that company.

A second observation is that project-related teamwork among white-collar employees at the German site was intensified, both within the site and — necessarily — with the new production subsidiary. The introduction of such German-Hungarian teams proved to be an experiment in intercultural cooperation, in which the Germans had the advantage of language as well as the initial privilege of greater company-specific and product-related knowledge. But they also had to deal with the uncertainty of the future of their positions in respect to the further growth and development of the subsidiary. Many of them expressed their worries to us that by working together with the Hungarians they were in effect training their replacements. Their uneasiness over this situation was mitigated however by the strength of their skill and knowledge level, both in general and in regard to company-specific processes. What came across was a certain feeling of being indispensable to the company, and therefore not easily replaceable, supplemented by a strong dose of confidence in their ability to easily find a new job if necessary.

A third observation concerns the status of industrial relations and the role of the works council at the German site from which production was relocated. The “delocalization” of production as a strategic response to competition (Abraham/Konings 1999: 591) is the process we are studying in this research and it entails the transfer of the routine and standardized processes to Hungary and the retention of high value-adding activities in Germany. With few exceptions, this transfer resulted in the removal of the core of labor relations at the German site: The organizational density of union membership declined proportional to the loss of production workers and the backbone of support for the role of the works council as the representative of workers’ interests was eliminated. In part due to the jurisdictional restrictions under which works councils operate, their constituency being generally a single plant, and in part due to their limited capacities, company works councils from our sample were for the most part ill-informed about the situation of the workforce at the Hungarian subsidiary. While for the most part they had visited the Hungarian site, no steps had been taken – either directly or via their union representatives – to develop contacts to their Hungarian counterparts. As such, management exercised an information monopoly over the situation and prospects of the Hungarian facility and its potential impact on the German site.

With the disappearance of a sizeable contingent of blue-collar workers, the workforce became inevitably almost fully white-collar, more non-union and characterized by

strong individual career interests. As a consequence, the coordinates of management—workforce relations were redrawn. New topics appeared on the agenda of the works councils at these sites and at election time, they went through membership shakeups that reflected this extensive shift in the composition of the workforce. This did not necessarily mean that works councils became generally irrelevant. Although this was the case at some enterprises, at others, their role was not questioned but was launched on the path of redefinition.

The final observation on reverse diffusion is in reference to the effects of the transfer on corporate strategy and organizational restructuring as a whole. Delocalization of core production processes represented a substantial qualitative organizational change even in enterprises with sales subsidiaries and some modest production facilities in various regions of the world. New and affordable information technology systems (for example, SAP) presented both an opportunity and satisfied a need to control this process in such a way that the previously acceptable independence of far-flung subsidiaries could be overcome, their operations harnessed in the interest of an holistic enterprise strategy.

Within the enterprises of our sample, there were ongoing struggles in management over the dimensions of restructuring and the advantages of a centrally-steered course of operation as a control framework for the overall coherence of the enterprise. The introduction of new IT-systems presented both a chance for the subsidiaries to use central data to improve their operations and for headquarters management to keep an up-to-date eye on the external operating units. The overarching capabilities of such instruments thus dovetailed with the new production capacities resulting from the transfer process to generate potentially dynamic and innovative approaches. How each of the enterprises was actually meeting this challenge differed markedly and will presumably lead to a variance in the outcomes on this level.

VII. The European Social Model: Quo vadis?

The focus of our research is on the changes at the workplace and within the enterprise resulting from FDI and the transfer of production and the production model. From that level to the generality of the European Social Model is certainly a long

step, but it is an important one for establishing the context in which to project our conclusions beyond the micro-level.

The concept of a European Social Model was injected into the European debate by former commissioner Jacques Delors in the 1980s as a normative goal for the social development and integration of Europe (Kohl/Platzer 2003: 46). Characterized by the “indissoluble link between economic performance and social progress” (European Commission 2002: 45), it was reaffirmed and given a political boost at the summit meeting in Lisbon in 2000 and then a year later with the adoption of the European Social Agenda at the Nice Summit.

As the academic discussion has shown, the model is characterized by a “richness” in institutional variety at the level of national states and regions, where it is a functioning socio-political reality. (Ebbinghaus 1999: 24) At the supra-national level, there is a general consensus that the European Social Model is a project toward the integration of Europe, “within the framework of which the structural coupling of economic growth and social cohesion ... are made the object of supra-national and transnational regulations and institutions.” (Aust/Leitner/Lesenich 2002: 273) Arguably, in extension of institutional practice at the national level, the collective regulation of labor relations and employment practices and workplace issues is a core element of the model, ensuring “the existence of a ‘collective voice’ for employees at the establishment level through different forms of workforce representation and through coverage by collective bargaining.” (Krieger/O’Kelly 1998: 216) Even though the model as a unified and institutionalized norm throughout the EU is still more of a goal than a norm (Hemerijk 2002), its meaning and political relevance as a throttle to further deregulation and an uncontrolled “downward spiral” (Flecker/Schulten 1998: 106) has not been lost on the accession countries and their transformation policies.

Has the considerable flow of FDI to Hungary and many of the other candidate countries of central and eastern Europe contributed to the implantation of high standards and the creation of a foundation for the realization of the European Social Model? FDI has certainly made an enormous impact on overall economic development in Hungary as well as on the integration of those sectors into the European economy in which FDI is dominant. At the level of foreign owned enterprises, and here in particular the German-owned ones, there has also been a process of upgrading in regard to production skills and technology. In contrast, the social cohesion side of the model’s

equation has not been equally supported. The “collective voice” is still underdeveloped, and the accession process has not fostered a new course. (Vickerstaff / Thirkell 2000) While this may not prove to be intrinsically harmful for Hungary’s chances of taking the “high road” of development, it is likely to be a harbinger of a new variation on the model or indeed the introduction of a new, less institutionalized and regulated “model.”

References:

- Abraham, Filip / Jozef Konings (1999): Does the Opening of Central and Eastern Europe Threaten Employment in the West? in: *The World Economy* 22:04, pp. 585-601
- Aust, Andreas / Sigrid Leitner / Stephan Lesenich (2002): Konjunktur und Krise des Europäischen Sozialmodells. Ein Beitrag zur politischen Präexplantationsdiagnostik, in: *Politische Vierteljahresschrift*, 43:02, pp. 272-301
- Bluhm, Katharina (2001): Exporting or Abandoning the "German Model"? Labor Policies of German Manufacturing Firms in Central Europe, in: *European Journal of Industrial Relations*, 07:02, pp. 153-173
- Boyer, Roger (1998): Hybridisation and Models of Production: Geography, History and Theory in: Roger Boyer / E. Charron / Ulrich Jürgens / S. Tolliday, *Between Imitation and Innovation*. Oxford. pp. 23-56
- Deutsch-Ungarische Industrie- und Handelskammer (2000): *Deutsche Direktinvestitionen in Ungarn. Motive, Erfahrungen, Zukunftsperspektiven*, Budapest
- Dörrenbächer, Christoph (2002a): *National Business Systems and the International Transfer of Industrial Models in Multinational Corporations: Some Remarks on Heterogeneity*, WZB (Wissenschaftszentrum Berlin) Discussion paper , WZB FS I 02-102, Berlin
- Dörrenbächer, Christoph (2002b): Einzelwirtschaftliche Anforderungen einer erfolgreichen Modernisierung durch Auslandskapital: Einige Anmerkungen am Beispiel ausländischer Tochtergesellschaften in Ungarn, in: *Osteuropa Wirtschaft*, No.4, pp.354-375
- Dörrenbächer, Christoph (2003): *Fleeing or exporting the German Model? The internationalisation of German Multinationals in the 1990s*, Paper presented at the Workshop on Changes in the German Model, Wissenschaftszentrum Berlin für Sozialforschung, 30th May 2003 Berlin, Mimeo
- Dörrenbächer Christoph (2003): Grenzüberschreitender Modelltransfer in Multinationalen Unternehmen. Zur Relevanz und Heterogenität von Heimat-, Gast- und Drittlandeffekten, in: Dörrenbächer, Christoph. (Hrsg.): *Modelltransfer in Multinationalen Unternehmen. Strategien und Probleme grenzüberschreitender Konzernintegration*, Berlin 2003 (Edition Sigma), S. 151-171
- Dörrenbächer, Christoph / Marion Dohle / Michael Wortmann (2000): "*Database: German Manufacturing FDI in Hungary. Preliminary Results*", mimeo, Berlin
- Dörrenbächer, Christoph / Ivo Scheike / Michael Wortmann (1996): *Die Top 500 Deutschen Tochter- und Beteiligungsgesellschaften in den Visegrád-Ländern*, Berlin
- Ebbinghaus, Bernhard (1999): Does a European Social Model Exist and Can It Survive? in: Gerhard Huemer / Michael Mesch / Franz Traxler (eds.), *The Role of Employer Associations and Labor Unions in the EMU. Institutional Requirements for European Economic Policies*, Aldershot, pp. 1-26
- Edwards, Tony (2000): Multinationals, international integration and employment practice in domestic plants, in: *Industrial Relations Journal*, 31:02, pp. 115-129
- EIRO-online 2002: Trade union membership falls further, <http://www.eiro.eurofound.ie/print/2002/06/inbrief/HU0206102N.html>, download 9.8.02
- Estrin, Saul / Kirsty Hughes / Sarah Todd (1997): *Foreign Direct Investment in Central and Eastern Europe. Multinationals in Transition*, London
- European Commission (2002): *Report of the High-level group on industrial relations and change in the European Union*. Luxembourg
- Ferner, Anthony (1997): Country of origin effects and HRM in multinational companies, in: *Human Resource Management Journal*, 07:01, pp. 19-37
- Ferner, Anthony / Matthias Varul (2000): "Vanguard" Subsidiaries and the Diffusion of New Practices: A Case Study of German Multinationals, in: *British Journal of Industrial Relations*, 38:01, pp. 115-140
- Fichter, Michael (2003): *Internationalization of Production: Options and Responses. Evidence from German Enterprises in Hungary*, AICGS/DaimlerChrysler Working Paper Series, Washington DC

- Flecker, Jörg/Thorsten Schulten (1998): Arbeitsbeziehungen in Europa und die Zukunft des „europäischen Sozialmodells“, in: Roland Berger / Ulrich Steger (eds.): *Auf dem Weg zur Europäischen Unternehmensführung. Ein Lesebuch für Manager und Europäer*, München, pp. 103-136
- Harzing A-W. (2001): Of Bears, Bumble-bees, and Spiders: The Role of Expatriates in Controlling Foreign Subsidiaries, in: *Journal of World Business* 36:04, pp. 366-379
- Hastenbergh, Hans van (1999): *Foreign Direct Investment in Hungary: The Effects on the Modernization of the Manufacturing Industry and the Demand for Labor*, Netherlands Geographical Studies 256, Utrecht
- Hemerijk, Anton (2002): The Self-Transformation of the European Social Model(s), in: *Internationale Politik und Gesellschaft*, 04, pp. 39-67
- Holzmüller, Hartmut H. (1997): Bedeutung und Instrumente zur Handhabung der kulturellen Heterogenität im internationalen Unternehmensverbund, in: Klaus Macharzina/Michael-Jörg Oesterle (ed.), *Handbuch Internationales Management. Grundlagen - Instrumente - Perspektiven*, Wiesbaden, pp. 785-807
- Jackson, Gregory (2001): The Origins of Nonliberal Corporate Governance in Germany and Japan, Wolfgang Streeck/Kozo Yamamura (eds.): *The Origins of Nonliberal Capitalism. Germany and Japan in Comparison*, Ithaca; London, pp. 121-170
- Kluge, Norbert/Eckhard Voss (2003): Managementstile und Arbeitnehmerbeteiligung bei ausländischen Unternehmen in Polen, Tschechien und Ungarn, in: *WSI-Mitteilungen*, 56:01, pp. 66-69
- Kohl, Heribert/Hans-Wolfgang Platzer (2003): Arbeitsbeziehungen in Mitteleuropa und das „Europäische Sozialmodell“, in: *WSI-Mitteilungen*, 56:01, pp. 40-50
- Krieger, Hubert/Kevin P. O'Kelly (1998): The Extent of Participation in Europe, in: *Transfer. European Review of Labor and Research*, 04:02, pp. 214-230
- Kurz, Constanze/Volker Wittke (1998): Using Industrial Capacities as a Way of Integrating the Central and East European Economies, in: John Zysman/Andrew Schwartz (ed.): *Enlarging Europe: the industrial foundations of a new political reality*, Research Series 99, Berkeley, pp. 63 -95
- Meyer, Klaus /Skak, Ane (2002): Networks, Serendipity and SME Entry into Eastern Europe, *European Management Journal*, 20:02, pp. 179-188
- Neumann, László (2000): Decentralised Collective Bargaining in Hungary, in: *The International Journal of Comparative Labor Law and Industrial Relations*, 16:02, pp. 113-128
- Neumann, László (2002): Does Decentralized Collective Bargaining Have an Impact on the Labor Market in Hungary? in: *European Journal of Industrial Relations*, 08:01, pp. 11-31
- Oechsler, Walter A. (1997): Verfahren zur Auswahl, Vorbereitung und Entsendung von Stammhausdelegierten ins Ausland, in: Klaus Macharzina/Michael-Jörg Oesterle (eds.), *Handbuch Internationales Management. Grundlagen - Instrumente - Perspektiven*, Wiesbaden, pp. 769-784
- Róna-Tas, Ákos / József Böröcz (2000): Bulgaria, the Czech Republic, Hungary, and Poland: Presocialist and Socialist Legacies among Business Elites, in: John Higley / György Lengyel (eds.): *Elites after State Socialism: Theories and Analysis*. pp. 209-227
- Rudolph, Hedwig (2000): Foreign Companies and the Transformation Processes in Poland: The Role of Western Financial and Human Capital, in: Rueyling Tzeng/Brian Uzzi (eds.), *Embeddedness & Corporate Change in a Global Economy*, New York et al., pp. 239-262
- Vickerstaff, Sarah A. / John E.M. Thirkell (2000): Instrumental Rationality and European Integration: Transfer or Avoidance of Industrial Relations Institutions in Central and Eastern Europe? in: *European Journal of Industrial Relations*, 06:02, pp. 237-251
- White, R.E. /T.A. Poynter (1984): Strategies for Foreign-owned Subsidiaries in Canada, in: *Business Quarterly*, 2, pp. 59-69
- Wood, S. J. / A. Wagner / E.G.A. Armstrong / J.F.B. Goodman / E. Davis (1975): The “Industrial Relations System” Concept as a Basis for Theory in Industrial Relations, *British Journal of Industrial Relations*, 13:03, pp. 291-308