

Discovering ‘Localness’ while searching for ‘Americanness’

**An analysis of the Factors Influencing the International Employment Strategies
of an American Multinational in two European Countries.**

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Introduction

The research reported here was conducted as part of a project examining employment relations in European subsidiaries of American multinationals. In particular, it begins from the premises that the American business system exercises a strong influence on the management of labour in the foreign subsidiaries of American-based multinational companies (MNCs). This reflects the traditional evolution of the system of corporate governance in the United States between the pre and the post-war period, which was most notably characterised by the persistence of managerial control over the process of corporate resource allocation (O'Sullivan, 2000). Nevertheless, in a recent review of MNCs Edwards and Ferner (2001) suggest that the American-based multinationals' approach to the nature of labour market institutions in Europe has been mediated by the pressures to adapt to national system of industrial relations. These pressures may temper the 'made-in-America' centralised attitude towards employment relations. Although some fairness has emerged regarding the undermining effect home-country practices may have on national system of collective representation and bargaining (Almond et al., 2001), components of the national industrial relations systems in the host-countries are seen to remain a strong influence on the behaviour of 'Americanness' of multinationals (Muller-Carmen et al., 2001).

Key consequences for multinational behaviour have been illustrated by the 'country-of-origin' effect as mediated by the institutional constraints of different national host environments and, therefore, the different degree of regulation of host-country systems (Whitley, 1999). In direct contrast to those who look for convergence, the proponents of this thesis focus on the most contentious challenges the established national institutional, legislative frameworks and business environments play in the way how employment practices are transferred across countries while generating divergence. As recently argued by some commentators of the 'institutionalist' approach, the normative or coercive isomorphic pressures promoted via host country legislation or collective bargaining explain the extent to which such practices are transferred (Brewster and Tregaskis, 2003). This seems to be most notably the case of countries with strong institutional labour systems, which impose stronger pressure for adaptation to the transfer of Anglo-Saxon human resource and industrial relations practices (Muller, 1998), as well as the case of highly regulated parent-company systems, which establish subsidiaries in weak institutional settings (Tüselmann et al., 2003). With reference to the latter, for example, case study evidence on German MNCs in Britain shows that although the pressure to adopt Anglo-Saxon business practice, the 'German way' in operating management still persist (Ferner and Varul, 2000). Therefore, despite the requirements of flexibility, German MNCs are able to better preserve elements of a home-country style in host-country environments (Ferner et al., 2000). Hence, Wever (1995) points to the need for 'adaptive learning' by US and German MNCs based on an understanding of their organisations in both their domestic and international contexts. On this view, further research in industrial relations have highlighted how in Europe regulations in the form of labour law directives and the implementation

of co-ordinated bargaining at community, sector and Euro-company level have encouraged the introduction of factors of governance American multinationals perceive to be adaptive (see, for example, Marginson and Sisson, 2002). A large body of literature on US MNCs in Europe suggests these factors are not generally fixed but evolve depending on the degree of internationalisation of the company and, therefore, are different according to diverse sectors (Ferner and Quintavilla, 1998; Clark et al., 2002).

Overall, this bulk of research have contributed to the rapprochement of some literature who have traditionally emphasised the basic features of the American business regarding labour and employment as specifically 'ethnocentric' and 'anti-union' (De Vos, 1981). Specifically, by arguing that nationally determined patterns of multinational companies behaviour are not static but evolving, interest has turned to explore the way American multinationals conduct employment relations within Europe. This is connected to the wider debate on the international employment strategies of US multinationals and the nature of the factors affecting these strategies when they establish subsidiaries abroad. Thus, the 'country-of-origin' thesis has been critically revisited in the light of a broadly defined notion of 'institutions' on the behaviour of trans-national capital. In other words, the influence of the institutions is explained by referring to the impact national as well as contextual factors including labour market regulation, level of openness of dominant institutions, nature of the financial markets and market access have to shape the extent to which American multinationals expand their practices and operations abroad (Ferner and Quintavilla, 1998). The unresolved questions, however, are whether these contextual factors will retain their national distinctiveness by responding to the pressure of 'Americanness' with a path-dependent trajectory of change drawn within the national boundaries of the business system, or whether these pressures will lead to responses which are shaped outside the institutional framework, within the system of resources which are locally generated. And if a context of local resources is created, do local actors (i.e. trade unions and management within the subsidiary) shape this process and (if any) how? In other words, to what extent are different regulatory contexts central to understand the diffusion of employment practice within multinationals? Are local actors engaged with the process of diffusion while mobilising their power resources as to achieve their own interests within certain regulatory national contexts?

Recent studies about the management of employment relations in multinational subsidiaries have shown that host country effects are still relevant to understand the internationalisation strategies of multinationals. More specifically, these studies have illustrated how subsidiaries are able to develop a more active role within the management process of the multinationals and, thereby, to make a proper choice regarding the change or maintenance of specific practices (Birkinshaw, 2000). Some authors share the view that the autonomy of host country subsidiary is influenced on one hand by the local business environment (Belanger et al., 1999). On the other hand, there are local factors,

such as the degree of dependence to local inputs, the presence of expatriates, the extent of communication with the parent which structurally are seen to affect the transfer of HR and IR practices in the host-country (Rosenzweig and Nohria, 1994). In addition, evidence of the local business environment influencing trans-national phenomena is illustrated by Corteel and Le Blanc's (2001) study on cross-border merger and its implications on forms of dialogue and participation. Accordingly, there is an evident nationalisation effect which informs unions and their structures of representation within a context of creation of multinationals in continental Europe. On this view Ortiz (1998) further illustrates how within these national and local frameworks of labour regulation, unions can exploit international constraints in order to reinforce their position in the industrial relations system. More recent research have linked these processes to the power of local actors, which derive from their location in distinctive national business systems. For example, Kristiansen and Zeitlin (2001) have indicated how, within one multinational firm, different subsidiaries have distinctive powers to influence the headquarters' decisions because of the distinctive patterns of skills and competences which exists within them. These patterns derive from the subsidiary's positioning within a particular national business system. Together, these views support the idea of multinationals as composed of differentiated practices, which in turn are shaped by forces for local adaptation, which are very much to do with key institutional features of the business system.

The paper assesses these issues through an empirical comparative research into the country-of-origin effect on Italian and British-subsidiaries of one American multinational in the metalworking and the chemical sector. In particular, we analyse the possibility of integrating institutional national-based features of the business system with power relations between the diverse local actors into a single framework while examining the way American multinationals manage their international workforce. Thus, the conceptual approach focuses on institutions not exerting binding influences on the transfer of employment practices from the parent company while attempting to explain cross-national similarities and differences amongst subsidiaries. Hence the argument is put forward that 'localness' is equally relevant to understand the extent of diffusion of employment practices within multinationals, since the 'space' local actors at site level have to negotiate the effects of such transfer within institutional constraints. We found this space strongly affected by company-specific factors, more generally structural considerations local actors use in order to promote their own interests and, thereby, exercise their own power at the plant-level. More specifically, the study empirically illustrates that the combination of institutions and power relations within the firm create a framework where local managers can produce circumstances in which they negotiate with the parent company on one hand, and local unions can function to defend and extend their scope to respond to the transfer of management international strategies abroad on the other hand.

The paper is organised as follows. After a brief trace of the comparative industrial and employment relations framework in Italy and Britain, the study research is presented. Hence, the paper begins to

examine the features characterising labour and employment relations of American multinationals, more generally. It then goes on to focus on exploring the way the American multinational chosen for investigation manage their workforce in Europe and, consequently, it examines the nature of the factors influencing such arrangements. The aim is to use the comparative case study analysis to develop the argument for an incorporation of the institutionalist and the power relations approaches within organisations. We do that by first analysing how corporate mechanisms of control of American business work in the European context. Secondly, we examine in a comparative perspective local management and trade unions' responses to corporate mechanisms of control of American capital, and finally we identify the nature of the factors and the correspondent mechanisms explaining such responses.

Comparing institutional frameworks of labour and employment relations in Italy and Britain

The analysis of the factors affecting the international employment strategies of American multinationals in a cross-country comparison between Italy and Britain requires an initial understanding of the principal features characterising how the industrial and employment systems in these two countries are regulated. Some tradition of industrial relations described the Italian system in the post-war period as one of 'voluntarist' workplace-based union representation and collective bargaining (Regalia and Regini, 1998). The low level of institutionalisation as the absence of formalised and stable rules governing relations among the social actors were the two main factors contributing to define as 'voluntarist' the industrial relations tradition in Italy. Conversely, 'voluntarism' in Britain generally focused on the principle of abstention of the state from direct intervention in industrial relations or better absence of statutory regulation by means of weak rights protecting individual employment condition, a situation known also as 'collective laissez-faire'. This is reflected in the high level of deregulation traditionally characterising British industrial relations, where any arrangement regarding the participation at the workplace as well as collective bargaining is left to the voluntary initiatives of the parties locally. Hence, despite the apparent similarity between the two systems they remain substantially different when the level of employment protection and regulation matters is taken into consideration. This is clearly illustrated by the combinations of legislation protecting employment (such as the statutory right to strike and the unfair dismissal legislation), employee representation rights and sector-level agreement being integrative part of the Italian industrial relation context conversely to the British one. Thereby 'voluntarism' in Italy is mostly to do with enhancing coordination in collective bargaining and reinforcing information and consultation rights at the shop floor rather than introducing patterns of rules to regulate the system. In addition, the divergence between the industrial relations systems in Italy and Britain is reflected also in the nature of employment relationships. This includes the management approach based on standardised policies on appraisal, performance and corporate culture, which portrays the 'individualistic' image of the Anglo-Saxon business practices in human resource and industrial relations within predominating Fordist scheme of mass production.

Conversely, the proponents of the Italian style traditionally reflects the ability of firms to create sufficient flexibility by establishing a socio-economic model of networking based on the achievement of 'economy of specialisation' while benefiting of informal mechanisms of governance of the workforce.

During the 1990s both Italy and Britain have undertaken important changes in the industrial relations arena, which have contributed further to shape the distinction between the two systems. Although the shift in governments (from Conservative to Labour), since May 1997 the traditional legislation and government policy and initiatives who have accompanied the consolidation of 'voluntarism' in Britain did not change. British regulatory systems rested on the reinforcing features of relative state abstention, strong labour market flexibility and the use of individual-led management culture to enhance company competitiveness. The latter includes the introduction of values and norms as well as the strong tendency to link wages to the accomplishment of company values by the employees. As a result the traditional Anglo-Saxon business practices continued to influence aspects of work behaviour and employment relationships while emphasising individualism versus collectivism. In addition, the socio-economic environment of industrial and employment relationships in Britain at the end of the 1990s is claimed to be remained quite unaltered. In particular, most of the Conservative legislation restricting trade unions was not altered significantly, so that membership decline continued to undermine trade union power, and limitation on strike action and individual employment protection (such as dismissal legislation) remains virtually unchanged. Although some European legislation (such as the Working time, the European Works Council, the part-time and the parental leave Directives) was transposed (and other such as the Information and Consultation Directive will be transposed soon) in national law, the government seems to follow a 'minimalist' approach in the implementation of such pieces of legislation. As Hyman (2003) reported this has contributed to enhance the atmosphere of 'confusion' - within a background of underlying deregulation and weak statutory requirements - which characterises current British industrial relations.

Conversely, changes which were undertaken in the industrial relations arena in Italy since early 1990s have been shaped by an increased formality of the bargaining and union representation structures, which contributed to enhance the establishment and operation of the country's labour market regulation institutions. These changes were driven by the need to align Italian industrial relations with the new European climate, characterised by the Maastricht convergence criteria for economic competition, monetary union and employment. In addition, the problematic post-Christian Democrat political climate, the difficulty to achieve a consensual agreement in the socio-political area due to high degree of fragmentation and disunity among the diverse political parties, led trade unions, government and employers' associations to manage change while setting up a new framework to guarantee flexibility. The main aim was to enhance flexibility in the distribution of

work-time reduction across the work force or in the introduction of changes into work organisation and pay procedures at company-level, while reinforcing coordination among the bargaining levels and enhancing employees' participation at the shop floor. In short, the idea was to produce a regulated bargaining structure as well as to generate 'institutionalised partnership' arrangements among interests groups in order to foster transformation in the balance of power between management and labour. The Social Pact (or tripartite agreement) of 1993 on incomes and labour policy has contained the key factors of change (Alacevich and Burrioni, 2001). It offered a new programme for employees' participation at the company level through increasing the level of institutionalisation and coordination of the institutions of industrial relations, especially with regards to trade union representation and the system of collective bargaining. Accordingly, the collective bargaining system in Italy has assumed a more decentralised and coordinated pattern where bargaining is shifted to the company level, but in such a way that the centre represented by the national industry unions and employers' associations still retains control. Thus, centrally negotiated guidelines are adapted to circumstances at local level, so that where company or plant-level bargaining occurs, negotiations produce agreements that do not replace strong pattern bargaining in industry. As Baccaro (2000) pointed out the tripartite agreement has worked in the union's interest against the employers' endeavour to create a single plant-level locus of collective bargaining, which might have given managements unilateral decision-making prerogatives on work re-organisation and employment practices as the Anglo-Saxon experience widely illustrates (Marginson et al., 1988). Likewise, it was in the employers and unions' interest to set the workers' representation organisations on a more solid footing, so to have a more reliable and solid base to negotiate change and regulate employment relationships at the shop floor. As a result, a unitary trade union representative body (*rappresentanza sindacale unitaria* or RSU) was established to foster participatory workplace relations between employers and unions. Within this context of institutionalised change trade union representatives act as bargaining agents at company and local level on issues explicitly mentioned in national agreements. Despite consultation and information are not yet covered by statutory rules, unitary trade union representative body in Italy have recognised consultation and information rights, which concurs to identify them as formal bodies of employees participation.

In summary, comparatively the Italian industrial relations framework is stronger than the British legislative and recognition provisions. This might suggest diversity in the implications for employment relations. More specifically, we may expect the diffusion of non-unionism and individualistic employment practices by American multinationals being much more resistant in the Italian than in the British context. The next sections will try to test such hypothesis by broadly exploring the impact of institutional factors on the extent to which American multinationals transfer employment practices abroad.

Research design and the case study analysis

The paper is based on a large case study analysis of a big American multinational in two European countries (i.e. Italy and Britain), within two sectors (i.e. metalworking and chemical). The analysis focuses on three different business units of the same American corporation, two in the metalworking (referred to as Meta1 co, Meta2 co) and one in the plastic sector (Plastic co). One operation for each business in Italy and Britain has been chosen for investigation (Meta UK and Plastic UK are used to refer to the British subsidiaries and Meta 1 IT, Meta 2 IT and Plastic IT for the Italian ones). Within the limits of access indicated by the company, operations in the foreign countries were selected according to the following criteria: similarity in the nature of the production process, union presence, and (where possible) size. The business units overall are unionised and have headquarters in Europe. Within two of them the sites of the European headquarters coincide to the global headquarter within that business. This has contributed to generate interest to analyse the interplay between European and Global headquarters, and their influence (if any) on the internationalisation strategies developed by the American multinational.

Empirical analysis has focused on one of the most profitable and dominant American corporations in the global economy in both product and financial markets, with a current global workforce of 340,000 employees. The overall growth and high profitability are the heredity of the strategic investments made by the corporate in the development of a powerful managerial organisation since its historical creation, more than one century ago. The company's early innovative success was dependent on learning management policy and high skilled and professional workers, who were partly supplanted by un-skilled and manual employees as the result of the later expansion of the business towards no-customised products, in particular, in the electronic sector. With the advent of globalisation the company executed a new strategy, which was spread across its 14 diverse business segments covering electronics, plastics, energy, medical systems, information systems, and financial services, and different subsidiaries widely distributed across the globe. The strategy has been to evolve in export, to increase the establishment of global plants for local consumption and to expand global sourcing regarding both products and services. This has been intertwined to the explicit goal of the corporate, which is to maximise efficiency and profit, while minimising employment levels. The latter implicitly refers not only to reduce employment at unionised locations around the world, but also to diminish the role of the unions in the operations of the various businesses at both the shop-floor level and internationally as the foundation of the managerial control rationale on which the corporate has historically built up its prosperity. Despite the increase in the volume of business worldwide, a net employment reduction occurred since the end of 1990s as the result of the restructuring practices followed by the fast opening and closing down of production facilities and the moving away of workers from centres of union strength.

At the time fieldwork was conducted one business division Meta1 co had European headquarter in Spain¹, and the other two Meta2 co and Plastic co had global headquarters in Europe (Italy and Netherlands). Each subsidiary has significance within the country chosen for investigation. For instance, Meta 2 IT in Italy in the metalworking sector is the biggest division in terms of employment while Meta 1 IT and Plastic IT are of smaller dimensions but they both focus on the production of specialised products in the electronic and plastic industry respectively, with the electronic plant being one of the three technology centres in Europe. Whereas in Britain production in the metalworking unit covers commodities, the plastic plant represents the manufacturing site, with a large workforce, which provides assistance on the development of human resource management practices to the other plants within Plastic co in the United Kingdom. In addition, overall the subsidiaries in both Britain and Italy are highly unionised, with union density of more than 50 per cent.

Data collection has taken place at the European management level of the corporate headquarter (in two cases coincident to the global headquarter) and at the European industry federations (EIFs), as well as at the subsidiary level in Italy and Britain. The cross-countries comparison is interesting given the contrasting view the above countries offer regarding the framework of industrial relations and patterns of employment regulation. Research has been developed by using various sources. The primary method to gather data has been the in-depth interview. A total of 40 semi-structured interviews were conducted with key local, European and global levels managers, international, European and national union officers, employee representatives at the local and the European works council (see table 1). Shadowing at the EWCs related meetings, where possible, has also been included as part of the research methodology, as well as analysis of documentary materials and participation to seminars on the subject matter.

Table 1: Case study company and number of interviews conducted

Sector	Metalworking			Chemical		Total
	Meta UK <i>Electrical distribution&control</i>	Meta1 IT <i>Electrical distribution&control</i>	Meta2 IT <i>Power energy</i>	Plastic UK <i>Plastic materials</i>	Plastic IT <i>Plastic materials</i>	
EU & Global HQ	4		2	3		9
In UK subsidiary	7	-	-	8	-	15
In Italian subsidiary	-	6	6	-	4	16
Total	17		8	15		40

¹ The recent incorporation of three (power system with lightning and appliances) into one larger business division in January 2004 has followed the transfer of the European headquarter from Spain to Hungary.

Overview of the British and Italian subsidiaries in metalworking and chemical sectors

Meta UK

Meta UK is a British-based subsidiary of Meta1 co in the electronic industry. At the time research was undertaken the company was still part of the electrical distribution and control division of the American corporation. The plant was established in 1998, when a low voltage switchgear business was bought from a traditional British-owned company. When the plant was acquired Meta 1 co – with European HQ in Spain - decided to restructure the business direction on a regional base. The idea was to increase efficiency by implementing a regional structure which includes Europe, Americas and Asia-Pacific. Production units in Europe are distributed as follow: Germany, Spain, Netherlands, Belgium, Italy, France, Portugal, United Kingdom.² The plant manufacturing in Britain is for industrial domestic and commercial type commodities such as switches and fuses. It also distributes boards for electric supply. Up to May 2003 there were 140 employees in total, 20% salesmen but more redundancy were expected. The plant is highly unionised with Amicus as the prevalent union.

Plastic UK

Plastic UK was established at the beginning of 1990s when the corporation took over Marbon Chemicals - a big American company in the plastic industry. At that time the business was integrated with the rest of the manufacturing, the commercial and financial operations. The global HQ of Plastic co is in the Netherlands. Overall operations in Europe are present in seven countries: Netherlands, Spain, Italy, Germany, Austria, France and the United Kingdom. Manufacturing within Plastic UK is prevalently based on panels. The British-based subsidiary assists the other British production and commercial operational units regarding the implementation and diffusion of human resource management practices from the corporate. The plant covers a total workforce of 170 employees, 70 out of 170 are shop-floor workers. It is overall unionised (Amicus and T&G are the most representative unions).

Meta 1 IT

Meta 1 IT is one of the three plants Meta1 co established in Italy, and the only one which has better survived the huge restructuring plan, which has led to a drastic reduction of the labour force across Italy, and more widely in Europe, in the last ten years or so. Metal 1 IT is the electronic centre for manufacturing of specialised products such as electrical control systems for appliances as well as one of the three technology centres in Europe for equipment products (the others are based in Germany and Belgium). The total workforce is around 400. Union density in the plant is of 80 per

² The entrance into EU of 10 new countries since 1 May 2004 has signed the completion of the transfer of the entire production from UK to Poland and Hungary.

cent, with the presence of FIOM-CGIL (*Federazione Italiana Operai Metalmeccanici*) as the largest Italian union federation in the metalworking sector. At the time research was conducted the European HQ was based in Spain.

Meta 2 IT

Meta 2 IT is the largest European subsidiary of Meta 2 co, with global headquarter in Italy. The total workforce is of around 3000. The plant manufacture stem propellers, compressed spin-driers and equipped arrangements for the extraction of gas and oil. Union coverage is 100 per cent, with FIOM-CGIL as the most representative union. Meta 2 IT has responsibility for the coordination of the diverse operations of the business across the globe. Production units in Europe are distributed in 3 EEA countries such as Italy, Spain, United Kingdom. This basically means the administration of the personnel is centrally managed by the Italian HQ as well as training policies, salary planning and management-labour relations.

Plastic IT

Plastic IT is a small-medium and specialised production unit of Plastic co. with global HQ in the Netherlands. Its current workforce is about 70 and the level of unionisation is around 60 per cent. Plastic IT was originally an Italian family-owned company, which was bought by the corporate at the beginning of the 1990s. The production in the plant is varied: specialised plastic components and commodities. As a result the composition of the workforce varies between skilled and unskilled employees. Since the last two-three years the plant has been affected by a wide restructuring plan which has contributed to reduce the total workforce of nearly 30 per cent.

Employment relations within American corporations: nature and orientations

American corporations have acquired a special reputation of being more highly centralised, formalised, 'ethnocentric' and less adaptive to local cultures than other multinational companies of different nationalities. Various researchers have found that American multinationals draw from their own management and industrial relations policies and attempt to adjust them to local rules, procedures and policies to the extent that is obligatory by law (Young et al., 1985; Turner, 1997; Barlett and Ghoshal, 1989). It has also been outlined that they are typically against the recognition of trade union rights to represent their workers and collective bargaining. As Jacoby (1997) argues, trade unions have been traditionally avoided by American multinationals and this was mainly the result of the so-called 'welfare capitalism', which represented the hostile response from American capitalism to the growth of both the welfare state and trade unionism since the beginning of the twenty century. This process was accompanied and continuously reinforced by the emergence of companies which developed an aggressive approach to labour in the period of the economic

recession, which followed the decline in the prominence of the New Deal collective bargaining system (Kochan et al., 1986). As a result the union activity of organising at shop floor has been roughly repressed. The reason of this repression has traditionally been found in that De Vos (1981) suggested to be the typical American employers' attitude. Edwards (1986) explained this attitude within the wide circumstances of rapid industrialisation in the second half of the nineteenth century, in which American companies needed to establish their authority against the craft unions' traditional power to impede employers' attempt to create large plants and companies based on bureaucratic rules and procedures. This contributed to shape the weakness and fragmentation of the working class. Likewise, Ferner et al (2004) interpret the hostile American employers' attitude as reflected into the historical roots of American capitalism. In other words, the 'individualistic' managerial ideology is seen as one of the main aspect characterising the national identity of American corporations. It deals with the implementation of employment practices, which are conducted on the base of a direct relationship between workers and management, and the clear preference for performance-related pay and associated formalised performance appraisal systems as the main policies in order to regulate the employment relations. The non-union approach of the various American firms by the 1970s become the result of this individualism, which basically aim at keeping the workers so happy that they will not become interested in being represented by the trade unions. Certain studies of American multinationals in host countries have highlighted the relevance of such tradition while presenting some evidence of the anti-union behaviour and discouragement of union membership, which accompanies the establishment of American multinational subsidiaries abroad (Gunnigle, 1995; Muller, 1998, Martin and Beaumont, 1999).

Another problematic issue within the area of employment relations of American corporations concerns the practice of precipitous restructuring of plants with the subsequent and apparent easy closing down of sites with which large numbers of workers are laid off. This broadly reflects American firms little or no consideration for the welfare of the workers on one hand. Thus, it is not a central problem for them to disrupt national and local planning of welfare, which may hinder their capital investments. On the other hand, these critical consequences of corporate investment and production decisions are predominantly interpreted as reflecting a general attitude of American capital, which is to largely pursue the maximisation of profit within a short time scale. As Wever (1995) reports in a study of American multinational subsidiaries in Germany, primary commitment of such enterprises is to strongly emphasise the short term financial performance, basically quarterly, which has become the American way to run the business. As a result, the financial activity of the corporation is more frequently monitored by managers who are, therefore, involved in measuring quite frequently the status and progress of the business. One outcome of this process is that long term strategies in American multinationals can change relatively quickly, as management can also change relatively fast in a very short time frame, because of the result of the carrier mechanisms. These mechanisms are based on the ability of managers to ensure the achievement of the best results in the shortest time possible. Crucially, this is reflected in the general philosophy of

the 'shareholder value', in accordance to which the values of the corporation are returned by the nature of the business and of the people behind it (O'Sullivan, 2000).

A number of commentators (notably Dicken, 2003) have argued that the institutional context within which firms operate shape the nature of corporate strategies. As indicated earlier this has concurred to explain the 'individualistic' and 'anti-union' American employers' attitude within employment relations as embedded in the traditional roots of the American capitalism as well as shaped by the contextual nation-institutional and socio-economic features, which informed the starting process of industrialisation in US. In addition, the hegemonic role or dominance exerted by the American international economy has been particularly emphasised to explain the relevance of the American business system within the home-country (Elger and Smith, 1994). Together, these arguments have contributed to stress the institutional approach to explain the extent of adaptation of American employment policies and practices in territories which are away from the American influence. As anticipated in the introduction these institutional interpretations, however, have been found to suffer from limitations surrounding the 'nationality' effect (see, for a summary, Edwards and Ferner, 2001). Most studies have addressed the attempt by American multinationals to take advantage of the elements of the different business systems in which they operate as well as to be affected by institutional constraints of different national host environments and structural features. Overall, these factors concur critically to shape the 'country-of-origin' nature of American corporations. They can be summarised as follow: the organisational and technological advantages of particular countries within the international economy (Smith and Meiskins, 1995); the degree of production integration and the nature of product market (Edwards et al., 1999); the specific sector-based features (Colling and Clark, 2002).

In the paper we attempt to carry on along this line of analysis while exploring the nature of the factors affecting the 'country-of-origin' of the international employment strategies pursued by an American corporation abroad. Whereas the tendency of national-based factors to affect such strategies is not underestimated in the paper, our approach is more inclined to examine micro-social dynamics within certain structural frameworks. Generally speaking, this means to move away from a 'monolithic' or 'ethnocentric' model in which multinationals dictate the behaviour of subsidiaries while responding to the host-environment and, in contrast, recognising the structure of multinationals as created by "the interplay between the actions of the parent company and the subsidiaries" (Birkinshaw, 2000: 4). In this context of mutual interaction between the multinational parent company and the subsidiaries, we consistently found institutions not exercising binding influences on host-country orientations to the management of employment relations in both the British and the Italian subsidiaries. In contrast, we identified certain company-specific factors shaping a space where management and labour can locally ground responses to the international

strategies of the American corporation. These responses reflect their interests as social groups and, thereby, express their power in the relationships to each other within certain institutional settings.

Looking at international employment policies in an American corporation

Our field study observation indicate the determination of management policies within the American-based subsidiaries in both countries selected for investigation is very much centralised and standardised under the control of the corporate headquarter. Thus, policy planning is integral to this and conducted through powerful and corporate functions. For example, policy developments concerning HR/IR are characterised from the centre and monitored subsequently by the decentralised level to fit the diverse national requirements. Hence, European headquarters, where exist, have responsibility to ensure corporate HR/IR policies are in line with national legislations across Europe.

The corporate policy within the employment area is to use patterns of direct relationships with the employees as a general common practice of the American multinational abroad. In particular, these patterns focus on linking pay with performance while undermining the role of trade unions as bargaining agent. They also establish the budgetary costs each business unit should respect in planning salary increase in its subsidiaries in Europe, introduce training and recruitment programmes which require central authorisation from the parent company in case changes in the procedures are locally requested, and set up company norms and values regarding employees participation as well as social integration into the organisation. Overall, these policies concur to define the central philosophy of the corporation. More specifically, this philosophy is illustrated by the development of policies of 'integrity' concerning the introduction of company values and norms as a formalised way to advance corporate 'culture' amongst the diverse subsidiaries across countries. These policies mostly include a cross-borders programme for the standardisation of rules concerning both the regulation of employment relationships according to 'individual' patterns, the relations with the customer and the public administration, and the resolution of disputes and conflicts of interests when they occur. This programme has also been followed by the introduction of organisational changes or restructuring practices in production, which normally go along to the common 'we' rather than 'them' ideology, which is aimed at achieving employees' commitment to the company values and, therefore, to marginalize the role of 'third parties' - most notably trade unions - as actor in the process of negotiation over pay increase with management. Hence, pay rewards to salaried-employees are measured yearly on the base of the achieved level of performance and monitored at central level through the electronic completion of a questionnaire by the employees themselves. The questionnaire is discussed between the senior management and the employees within each business unit, and the results are fed back to the central management at the level of each division. Rewards under the form of salary increase or participation to the financial setting of the company (i.e. company-shares) are distributed amongst the employees, and in respect

of the budget line established formerly by the corporate, which is in charge to finalise yearly the salary planning for the overall salary population. Due to the high variety of national regulation across the globe, hourly-paid employees are not covered by these practices. Bonus systems and other contractual arrangements regarding increase in pay for this occupational category are either monitored directly by local managers or negotiated locally with the union and/or works councils as part of the local collective agreements. In accordance to the corporate HR policies, at the end of each year senior managers are expected to classify employees on the base of three categories – ‘weak’, ‘average’ and ‘excellent’ – and reward them on the base of this ranking. Thus, salary increase and other rewards will depend on this ranking. While for the good performers salaries increase will be measured on the above level of ranking, the poorest performers will not benefit from any economic increase and in the worst of the case will risk the ‘exit’ from the company (the so-called ‘Work Out’ system). The ‘exit’ – which is reserved to the last 10% of people at the bottom of the ranking - is normally ensured through economic incentives the company provides for people who have not performed fairly in the last two years or so.

Training as well as recruitment practices are also centrally coordinated and strongly monitored by the parent company, which decides whether future training courses and recruitment are needed and for how long. As for the policies on pay and appraisal, training and recruitment tend to be highly prescribed for certain occupational categories, most notably managers and senior managers, rather than others. Thus, there is a distinction to be made between managerial and no-managerial employees. As far as the former is concerned there is an electronic management system in place in accordance to which employees’ developmental needs are identified and specific training courses are recommended to them by senior managers, previous authorisation from the corporate. This system works through a questionnaire, which is yearly completed on a individual-basis by the employees overall. The questionnaire is completed as part of the self-assessment procedures. The process is centrally monitored through a periodic communication between the parent company and the subsidiary, where individual cases are notified, discussed and solutions indicated regarding further individual developments. The financial coverage of the training courses is sustained locally. Training courses are normally organised centrally in US by the corporate, and they involve personnel coming directly from the corporate headquarter. In contrast, decision-making regarding any developmental needs for the employees who do not cover managerial positions are taken at the subsidiary level, following authorisation at the EU HQ, and the training courses are locally organised by local managers through exploiting the opportunities the internal market offers in this respect.

Whereas most of the employment policies are determined at the corporate level, research findings illustrate the extent to which management has tailored these policies to the host environments is affected by company-based factors within various regulated host-environments. Amongst these

factors we point out the internal organisation of the unit. Although employment is globally coordinated across all the diverse divisions (and subdivisions) of the corporation, for example, the level of coordination follows a specific European path in those divisions which have global headquarter in Europe. As recent evidence on US and UK-based companies have illustrated elsewhere (Marginson et al., 2001) three considerations are useful to explain the rationale behind the coordination path. First, it is the influence of the geographical location where coordination is made (Europe rather than US), which affects the management interpretation of the way how to coordinate employment across the diverse business operations. Second, it is the extent to which business operations within the same division are spread across several countries, with differentiated IR systems or concentrated in few countries, where the level of diversification across the diverse patterns of industrial relations is lower, which intensifies the process of integration of the diverse operations regarding employment issues. When the global headquarter is in Europe, business activities are differentially spread across diverse countries, embedded within very diverse regulatory systems. Thirdly, a global-based headquarter in Europe with European-side managers leads to play a higher role with regards to the degree of coordination of employment policies, which will be more 'European' in character. Case study evidence illustrate that Meta1 co with global headquarter in the US and business operations spread across less institutionally diverse countries has a weaker interest to coordinate at European level than the other two businesses (Meta 2 co and Plastic co) with a based global direction in Europe, and business structures in more diversified institutional contexts. In addition, we found that in cases where the management chairing employment relations at global HQ came from a continental European country, with highly regulated knowledge of works councils and information and consultation procedures, the employers' side had developed a better coordinated approach to labour issues at European level, which involved the employees' side as well. For example, in Plastic co a process of negotiating policies has been initiated with management at the European level on the grounds of a European framework agreement. Moreover, interviews report wide discrepancy between Meta 2 co and Plastic co regarding the management attitude towards the establishment of European Works Councils (EWCs). In particular, the US national management attitude in Meta 2 co is more concerned about the need to protect information and, therefore, use a 'reactive' approach to employees' structure of information and consultation at European-level in comparison to a more 'open' approach to the role, the content, functioning and operations of the EWC in Plastic co. As the next session will illustrate this has implications at local level.

This account reveals some first insights of how coordination paths shape the diffusion of employment practices in a different way. What are the effects of this diversity upon the subsidiary-level? How far do diverse institutional settings concur to explain such effects? It might be expected that subsidiaries that comply with more deregulated economies - such as British institutions - should more easily transfer integral employment practices from the parent company than regulated ones - such as Italy - can do. As the next sections will illustrate although the existence of cross-

country institutional variations contribute to rise diversity in the way corporate employment practices are transferred to the host-country subsidiaries in Britain and Italy, similarities also emerge from the comparison which ask for further examination.

Understanding employment practices at subsidiary-level: Britain and Italy compared

The aim of this section is to analyse the extent to which American multinationals impose their policies in diverse host-environments in Europe, and whether the strategy of diffusion can be directly understood as the parent company response to environmental shifts and institutional forces or whether these changes are also affected by the dynamic interplay between the multinational parent company and the subsidiary. To what extent are institutional domains genuinely affecting the process of transfer of American employment policies to host-country subsidiaries? We attempt to respond to this question while relating the analysis to the constituent elements of the American business system, such as structures of employees representation, remuneration and performance-related systems, training and recruitment.

As we have indicated, the literature on American multinationals tends to show evidence of the most powerful mechanisms through which corporate control in multinational companies are exercised on subsidiaries in host countries. Generally speaking, it is reported that central headquarters set or influence policy on wage and appraisal systems, training policies, collective bargaining and trade unions. However, the extent to which policies and practices are mandated, recommended or simply available to be used at the subsidiaries' discretion varies. Hence, institutional and structural environmental influences are considered crucial to attenuate the effects from the parent-company on the subsidiaries regarding the transfer of such employment policies. With the aim of accounting to analyse further the nature of the factors shaping cross-countries variations within British and Italian-based subsidiaries of the same American multinational, research findings proceed to illustrate a more complex picture where is the space actors in multinationals have within institutional settings which seem to create scope for local adaptations in the host-business environments. These adaptations are the result of actions undertaken by local actors at the subsidiary-level and, thereby, reflect their power in relation to the other social groups. The power relationships are affected by the resources available locally to the subsidiary. They concur to reduce its dependency to the parent company and gain control over the negotiation process with the former concerning the transfer of employment policies. Hence, it might be argued that the centralised and formalised control of the international policies and practices of American multinationals need to be qualified by looking at the degree of autonomy some operations play compared to the corporate management more generally

Evidence from both the metalworking and the chemical sector demonstrates that in the UK as well as in Italy the degree of autonomy by local actors is 'strict but practicable'. Such degree of practicability is shaped by company-specific factors or more generally structural considerations within institutional constraints. Whereas in the British-based subsidiaries British managers felt under pressure from the US to adopt employment policies, they both acknowledged a certain degree of independency on the implementation of such policies. For example, the local HR managers in both Meta UK and Plastic UK talk about "interpretation and development of the corporate policies" while expressing the possibility to adapt central policies to local features and behaviour. As Ferner et al. (2001) pointed out, while fairly extensive centralised and standardised mechanisms are the norm in American multinationals, they become subject to a process of negotiation with local managers and, therefore, rarely extendable as primary form of control towards the subsidiaries. Case study research illustrates that the extent to which local managers are able to negotiate with central headquarter for local interests is affected by the level of performance of the subsidiary. This demonstrates that within the environmental context local managers have to provide additional levers they can use to force senior management in the central headquarter to negotiate the process of adaptation of employment practices. For example, the HR manager in Meta UK points out problems of over-capacity of the British plant – in comparison to the other subsidiaries of Meta co in Europe - as central to explain the weak position to negotiate with the corporate the diffusion of employment practices:

"One basic problem we have is the duplication of products throughout Europe. Here, we can make products which are different from what is produced in Germany, but we likely make the same products which are made in France, Spain or Portugal. Generally speaking here we produce no-customised products, which are very simple and perhaps more convenient to make in Britain than in other parts of Europe – due to labour conditions. In Britain we are very much affected by that, we have always to keep an eye on the level of plant performance and productivity; it has to be always high compared to the other plants in Europe because otherwise this risks to reduce the position of the subsidiary in the process of negotiation with the corporate regarding salary planning, changes into work organisation and so forth; and correspondently it increases for us the risk of restructuring and redundancy at plant-level"(HR manager – Meta UK, February 2003)

The low level of autonomy on the implementation of local employment practices in Meta UK is pointed out to have relevant implications on the nature of the relation with the trade unions. The HR local manager further emphasises:

“With the unions is always a ‘zero-sum game’; unions always ask for a substantial increase in pay, better benefits and working conditions; trade unions have to understand that what comes from the corporate - through the European headquarter - to us is the final offer and there is not so much influence we can exert further on central business decisions”(HR manager – Meta UK, February 2003)

The extent to which trade unions can negotiate on their interests with local management is strongly affected by this climate of ‘adversarial’ labour relations at the subsidiary-level. A local shop steward remarks:

“We do not have so much power to negotiate with management increase in pay or better working conditions. We are aware of the difficulty the plant is facing, such as weak competitive position in comparison to other manufacturing plants in Europe; likely this will mean that in the near future manufacturing will be easily moved to Eastern Europe; we know that, we are aware of this risk; this is a big problem for us, we have to plan strategies in order to save jobs, to keep jobs ‘in-house’; this is the big challenge for the future !” (UK shop steward – Meta UK, February, 2003)³

Conversely, this was not the case of Plastic UK where both local managers and trade unions saw the situation in a different light. In particular, the HR local manager argues that because Plastic UK is the only manufacturing site supporter for human resource management to the rest of the British-based subsidiaries within Plastic co, this leads to mediate the transfer of American practices overseas. As a result, training and recruitment policies in Plastic UK, for example, follow a more local development, which is not subject to authorisation from the central level, and relations with the unions are undertaken along a ‘track of communication’. On this issue the local HR manager at Plastic UK argues:

“With the trade unions we sit down and discuss, I would not say we are partners but neither adversaries; we can achieve common goals together” (HR manager – Plastic UK , May 2003)

At this stage two considerations are important. First, research findings seem at odds with certain assumptions claiming institutional or national-specific factors alone as central in order to understand the dynamics governing the transfer of employment practices abroad. This is illustrated by the diversity of the British local managers’ responses regarding the extent to which negotiation

³ In April 2004 Meta UK was closed down with the complete transfer of production to Poland and Hungary.

with central management on the transfer of employment practices can occur and involve the trade unions as well. In contrast to what has been frequently assumed, these responses critically assess certain assumptions according to which the tradition of ‘voluntarism’ in Britain is an automatic precondition for the transfer of American individualised employment practices as well as the direct cause of the managerial reactive attitude towards the trade unions. More specifically, the problematic position local management had in Meta UK to negotiate the transfer of these practices with the parent company and, thereby, its adversarial attitude towards the trade unions, is explained by the weak competitive position of the subsidiary within the broader structure of the corporate. This offered a narrow space to both local management and unions to settle a framework where to bargain in accordance to their own interests. The deregulated nature of the national British domain contributed to exacerbate the nature of such relationship. The second consideration - directly linked to the former - is that, despite general propositions have attempted to generalise the American management style as widely spread from home to host environments, research findings highlights that the contingent resources subsidiaries are enable to create entail them to gain competitive advantages in their local market. As case study analysis illustrate these company-specific factors consist in whether the American-based subsidiaries in Britain, for example, are poor or good performers on the manufacturing side, or whether do they cover a strategic position within the international structure of the corporation. The latter often depends on the nature of the company’s products and business operations. Together, these factors affect the extent to which local actors are able to mediate on the transfer of employment practices from the parent to the host-country environments.

The cross-national comparison between the British and the Italian subsidiaries illustrates such argument more clearly. Meta 1 IT is ranked by the EU HQ as one of the subsidiary in Europe where local managers more frequently ask for adjustments to local circumstances of the yearly percentage of salary increase reported in the salary planning. The HR manager in Meta 1 IT remarks:

“We often ask adjustments regarding the range of salary increases and appraisal systems diffused by the corporate. We do that because we have very experienced people working here who needs to be fairly rewarded for what they do! Any adjustment is negotiated with the EU HQ but we have not had so many problems in doing that. Once you give a good reason of why you need that then you get through it” (HR manager – Meta 1 IT, March, 2003)

Although the institutional context in Italy entails local management to more strongly comply with its legal obligations regarding wage determination, the cross-national difference is explained in fully by tracing back to the specific competitive advantage the Italian-based subsidiary provides for

the multinational in comparison to the British one. Within Meta1 IT this advantage namely includes both the existence of a technological centre for the development of new products in the electronic industry and the logistic position of the subsidiary in the local product market. As the HR manager at the EU HQ in Meta 1 co further reported:

“An important aspect which leads the Italian plant to be more competitive than others is the fact that Italy is the country with the highest concentration of best clients for industrial systems in Europe” (HR manager EU HQ – Meta 1 co , October 2003)

Overall, the inter- and cross-country analysis of American-based subsidiaries in Europe seem to explain (although not preclude) the capacity of local management to influence the outcome of the parent decisions on the diffusion of employment practices through the relevance of company-specific factors. Specifically, these factors create a ‘space’ that local actors in host-country subsidiaries can use to establish their interests as a group while mediating the effects of the transfer of such practices from the parent company. Thus, the relevance of ‘localness’ is highlighted to explain the way American multinationals manage their workforce internationally. The key findings demonstrate that the institutional forces are not so strong as to make outcomes identical and inevitable. Although the country-based similarities, for example, corporate diversity policies were also found in Meta 2 IT and Plastic IT. As we have indicated this diversity is namely due to the character of the management structure at the two Europe-based global HQs, such as US-based nationals posted to Europe in Meta 2 co and continental EU-based managers located in Plastic co. The difference in the character of management chair affected the degree to which a more European management approach existed in the two cases. More specifically, the most European are the management arrangements in multinational more is the engagement with European employment regulations. This seems to have implications upon the nature of the relationships between management and union at the subsidiary-level. In particular, more management have a continental European background and are engaged in coordinating employment practices at European-level more likely this will lead to maintain consultative and informative arrangements with the trade unions locally. Conversely, less the headquarter management familiarise with European-level arrangements because of the lack of an European-level management structure as well as the absence of a continental European management chair, higher will be the management attitude to maintain a minimalist attitude towards consultation and information with trade unions, in spite of a higher regulated institutional framework. The response from the local HR manager in Plastic IT clarifies such argument:

“Although the corporate anti-union policy, the global HQ is for dealing with the trade unions; this is confirmed by the fact that procedures for negotiating an agreement at European-level have been recently set up; this has important effects locally because it means that we follow the same procedure, which basically means that we inform, communicate and consult trade unions regarding terms and conditions at work” (HR Manager – Plastic IT, April 2003)

In summary, cross-national findings within (and across) sectors strongly suggest that explanations for variations in employment practices at the subsidiary level are related to the space local actors have to pursue their interests within institutional constraints. This space is defined by company-specific factors (i.e. level of competitiveness of the subsidiary, European-level management structure and European management-side experience in national IR systems), which are mutually inclusive and locally determined. They assume a relevant position in mediating the effects of the diffusion of employment practices to host countries. Hence, ‘localness’ seems to shape a context where management and labour can negotiate over the relocation of employment practices to host environments. Whereas this argument might be helpful in assessing the complexity surrounding the study of the diffusion of employment practices from American multinationals more generally, it entails to explore further the conditions under which trade unions may affect such transfer, and whether differences might be identified across (within) countries, more specifically. This will be the aim of the next section.

Is labour a ‘contested’ terrain for American based-subsidiaries abroad?

The paper looks at the effect of ‘localness’ in order to explain the diffusion of American employment practices abroad. Evidence demonstrates ‘localness’ has an influence on the extent to which such practices are transferred at the subsidiary-level, which means they are not imposed from above or freely negotiated at the management level but often bargained between local management and trade unions. More specifically, the extent to which central employment policies are adapted to local circumstances affects - and it is affected by - the nature of the relation between local management and unions. In this instance, it might be argued that the national social protection of employees’ rights and their representatives’ interests as well as the power relationships at company-level affect the transfer of employment practices from the parent company. The latter reflect the interests of social groups and are influenced by company-specific factors.

In all the five case studies, trade unions interviewees indicate that the local union ability to negotiate with management the transfer of American-based employment practices to local subsidiaries had been very much affected by two mutually reinforcing sets of factors. Firstly, the degree of the company competitive position within the broader parent company structure. Specifically, this is indicated to strengthen the local unions’ capacity to coordinate more effectively

their responses within (and across) diverse plants, and within (and across) diverse business units versus the commonly spread corporate individualised and ‘anti-union’ policies. A consideration is important to make here. It is the extent to which such coordination is established across (and within) the most advantageous and powerful plants, which affects the extent to which the trade unions can effectively pursue their own interests versus the parent company attitude. As the Italian case demonstrates local unions at the three Italian-based subsidiaries of Meta 1 co (which include plants at Turin, Milan and Rovato) have established a coordination programme to respond to the corporate ‘anti-union’ management attitude, which risks to undermine the union bargaining power. The aim was to oppose the overwhelming strategy of individualisation of employment relations pursued by the corporate by means of bargaining centrally with management on terms and conditions of work and, therefore, to ensure inter-plants national harmonisation concerning pay and working conditions. This is at odds with the corporate management strategy, which attempts to constraint the bargaining activity at plant-level. Accordingly, it was primary interest of the Italian union to get support from the plant-level employee representatives and the territorial union branch in Milan - where Meta 1 IT is located - so to force local management to negotiate centrally on the process of change. In particular, trade unions negotiated with management the appraisal systems as part of the four-year bargaining activity on salary increases at company-level. As an Italian union representative reports:

“Our common response to the individualised nature of employment relations was to set up a common practice [among all the three Italian plants in Meta 1 co], which consists to squeeze the margin of individual negotiation while enlarging union collective agreements at company level. In order to do that it has been very important for us to coordinate activity among the three Italian plants and, especially, to set up the ‘core’ of the coordination process at Meta1 IT - in the province of Milan - because of its strategic position and the stronger union role in bargaining with management. This is due to the fact Meta1 IT is the technology centre and ‘core’ for the production of industrial systems in Europe [the majority of the clients for industrial system are located in Italy]” (Italian union representative - Meta 1 IT – March, 2003)

Conversely, two union representatives in Plastic IT illustrate the nature of the product, basically commodity, which can be easily shift to locations with lower labour costs, made initially their position vulnerable to resist the implementation of individualised appraisal systems and training and recruitment practices at local level. Nevertheless, the existence of a European management structure, where managers are European and, therefore, more acknowledgeable of a continental European culture of dealing with unions have contributed to open space for dialogue between the social actors. This had relevant implications at plant-level so that local union representatives expressed their interest to start discussing soon with local management on the inclusion of the

rewards system as part of the company-level bargaining activity with management. In addition, the British experience in Plastic UK seems to represent a case of adjustment of home-country employment practices to local circumstances. A British shop steward in Plastic UK argues:

“Here, we have managed to adapt locally the corporate holiday policy. In accordance to what the corporate indicates there was an option to cancel holidays not taken. We thought this was a kind of bribery and could also contravene new legislation on minimum number of holidays per year. So we asked for change. Another example is the change we negotiated regarding discipline procedures. We changed it in a way to escalate the severity of the corporate policy in case disciplinary action needs to be undertaken. This was done by introducing the option for the employees to remain on the same occupational level in case disciplinary action is taken. At the moment we are also negotiating on training days because we want to specify days in the shift rota for training” (UK shop steward Plastic UK – April, 2003)

The key information from each company is in Table 2, which illustrates that cases of adjustments to local factors, which involved the presence of the union as bargaining agent, were detected.

Table 2 about here

The local HR manager at Plastic UK has given a deep indication of the weak intervention from the US about the handling of relations with unions when negotiation on holiday and discipline procedures started:

“The process of negotiation with the local unions regarding changes on holiday and discipline procedures was mediated by the company’s management structures in the Netherlands where global HQ is based; the US corporate was not directly involved in the process. This had important implications on the outcomes of the negotiation; the fact we had communication with EU-based managers who have experience of works councils and employee consultation and information issues was fruitful for us when we had to refer back to them about local unions request at the UK plant ” (HR Manager Plastic UK – April, 2003)

One implication of these findings is that, relations between trade unions and management are likely to be affected locally by the existence of a European-level management structure which can act as a counterpart to the US. This feature represents the second factor we look at in order to explain the union ability to negotiate the transfer of employment practices from the corporate to the subsidiary level. There was little indication in our UK plant in the chemical sector of any influence the ‘adversarial’ nature traditionally characterising the employee relations in the UK had on shaping the outcomes of the negotiation process at plant-level. Thus, in this respect

outcomes in the UK plant were alike in some other Italian plants. Nevertheless, cross-national evidence illustrates institutionalised national settings may offer easy access to network ‘best practices’ among union representatives across diverse business units, and (within) sectors. For example, the centrally regulated context of company bargaining in Italy seems to facilitate the coordination of union responses to the common attempt by the US multinational to spread individual appraisal system practices to host-countries. This reflects the content of the 1993 tripartite agreement in accordance to which in Italy pay and results *bonus* are negotiated at company-level every four years and they have to be linked to the results of so-called development programmes agreed on by both management and trade unions at sector-level. A union representative in Meta 2 IT reports about the experience of networking ‘best practices’ among trade union representatives across the diverse subsidiaries in the metalworking sector being facilitated by such national feature:

“The management attitude at corporate-level is to individualise employment relations through negotiating terms and conditions on an individual base. In response to that we [the Italian union representatives in Meta 2 IT] have exchanged practices with the local union at Meta 1 IT and we are trying - as much as we can - to follow the same behaviour such as to squeeze the margin of individual negotiation while enlarging union collective agreements at company level. Two factors mutually help us in this action: the centralised company-based bargaining system and the fact we [local union representatives] exchange information regarding our activities” (Italian union representative Meta 2 IT - March, 2003)

In addition, the union representative indirectly comments on the American background of the management structure at the global HQ in Meta 2 co as constraining more significantly the mediation of the American corporate-level management attitude:

“We [the Italian union representatives in Meta 1 IT and Meta 2 IT] discovered similarity in the nature of management-labour relations in the two divisions; although Meta 2 IT has got global HQ in Italy it seems alike the attitude towards trade unions; specifically this occurred when we [the Italian union representatives in Meta 1 IT and Meta 2 IT] exchanged experiences regarding the operations of EWCs in the two businesses – the convergence was clear: ‘reactive’ management attitude to EWC” (Italian union representative Meta 2 IT - March, 2003)

Overall, the observed findings highlight that despite the sector in the Italian as well as in the British subsidiaries the extent of the successful imposition of global models of production and employment practices by the parent company to the subsidiary-level depends – although it is not exclusively determined - by company-specific factors. This is particularly true when the subsidiaries have the leading role in the design or manufacture of new products, retain a crucial logistic position in the market, have responsibility to coordinate on a national-basis employment and human resource management practices across the diverse sites, within the same business unit. Another crucial structural factor findings highlight is the presence of global HQ in Europe where management keep a continental European background. In particular, the existence of a European-level management structure at company level responsible to coordinate human resource and employment practices across the diverse subsidiaries in accordance to European procedures of information and consultation does matter in the way those practices are not centrally imposed but negotiated with the subsidiary. Thus, it might be argued the context of ‘localness’ has important effects on the extent to which employment practices are transferred from the parent to their subsidiaries, due to the fact it provides additional resources local actors at site level can use within institutional constraints to negotiate the process of diffusion with central management. In this instance, ‘localness’ become a potential agent of transformation whose effects are to resist the centrally designed employment practices overseas.

Conclusion

The findings from this study confirm the analytical value of arguments which suggest to critically assess the ‘country-of-origin’ effect by the American multinational headquarters (see, for example, Ferner et al., 2001, Almond et al, 2003a, Colling and Clark, 2002). More specifically, the paper sympathises with certain studies highlighting the relevance of local influences on the transfer of employment practices from the parent to the subsidiary. Whereas the five case study present evidence of centralised international patterns in employment practices developed by the corporate, the paper highlights the relevance of ‘localness’, such as the space local actors have at site level to meet their own interests within the institutional constraints of the host-country while shaping the effects of such patterns at local level. While offering local actors scope for action, such space opens up opportunity to foster the move from a formalised and centralised imposition of such practices by the home-country towards the feasible local adaptation to the host-environments. The paper examines the factual conditions which elicit the creation of ‘localness’ and explore their effects by focusing on the relationship between the parent company and the subsidiary. Hence, the analysis looks at inside the evolution stream of such relation as the way to respond to changes in the business environment.

Although the validity of national institutional forces where subsidiaries are based is not excluded, the paper highlights limited evidence of a convergence of trends on the basis of factors which are

exclusively 'national' in character. As such, it presents a different analytical account of the features explaining the transfer of corporate policies, which aims at integrating both institutionalist and power relations approaches. The cross-national comparison offers a privileged framework to assess the validity of such conceptual approach. The industrial relations literature, for example, indicate comparative studies which have pointed out the role of interests, as opposed to institutions, as relevant to explain the nature of forces shaping national policy responses (Wailes et al., 2003; Pontusson and Swenson, 1996). More recently, Edwards et al (2004) have addressed the importance to reflect on both institutional pressures and the agency of key actors as important to explain the corporate diversity policies in American multinationals. Within this context, research findings show that company-specific factors seem to better explain the extent of autonomy local managers have to run their own operations within certain institutional settings. In addition, they illustrates local adjustments are often the result of negotiation with the trade unions. In this respect, the data also reveal the nature of the management-labour relationship across diverse plants and (within) countries is complex and it does not genuinely reflect the level of institutionalisation within the national domains. Thus, the paper is in line with certain arguments claiming the existence of 'trends' rather than 'convergences' in the way how patterns of national business systems are transferred overseas (Almond et al., 2003b). In spite of national and sectoral similarities, for example, differences were found between Meta 1 IT and Meta 2 IT in the metalworking sector in Italy. Specifically, the tight integration of the functions of research for new products and manufacture in Meta 1 IT as well as the position of the subsidiary in the local market, contributed to increase the autonomy of local management on one hand, and generated more scope for action by local unions on the other hand. Thus, within this new space the corporate was forced to negotiate with the subsidiary on salary planning, training and recruitment policies, and to coordinate pay at company-level. Conversely, in Meta 2 IT although the size and the position of the plant within the organisational structure were crucial, the absence of a continental European management style at global level constrained the process of communication with the union at plant-level. As a result trade unions found problematic to negotiate with local management on the transfer of employment policies from the corporate on one hand, and local management strictly followed the corporate individualisation policies on the other hand. Conversely, in Plastic IT the existence of a European- management structure supported by a adequate management-side knowledge of the European national industrial relations systems at the global HQ facilitated the process of negotiation with local unions. This is strongly pointed out by evidence in Britain where in spite of the deregulated and adversarial nature of labour relations there was a general willingness to adapt the corporate definitions to local circumstances and, thereby, to negotiate change versus the central models of employment in case the subsidiary was leading in certain areas and the European-based global HQ was indoctrinated by European-style management relations.

Generally speaking, despite country and/or sector differences, adaptations were more easily implemented by the subsidiaries where local managers were either in a powerful or better position

in the realisation of the multinational's strategies on one hand, and trade unions were much more prepared to exploit the implications of such process within specific institutional domains by negotiating with management on the outcomes of such adaptations on the other hand. Thereby, the comparative case studies analysis do not lead to the emergence of a genuine 'institutional' explanation when the nature of negotiating change between local management and trade unions across the Italian and the British plants is taken into consideration. Conversely, the existence of company-specific factors is highlighted. As we have indicated these factors foster the creation of a space which offers scope for action to local actors in multinationals within specific national settings. The way this is done reflects the interests of diverse social groups and, thereby, their power in relation to each other. Thus 'localness' emerge as the result of a conceptual approach which does not attach emphasis only to institutional forces. For example, the means by which Meta 1 IT, Plastic UK or Meta UK dealt with the diffusion of corporate practices was seen to be mutually affected by beneficial company-based features both plants can exploit within their institutional settings in order to bargain change with the corporate. Although the research outcomes appear appealing, we are aware that further cross-national and sector-based research is needed on the aspects pointed out by the research in order to grasp the extent to which our findings are limited to local contexts, traditionally highly unionised, within conventional industrial sectors. In other words, it appears relevant to question the effectiveness of local environments in having a genuine effect on corporate decision-making, as opposed to simply affecting the process in line with announcements of workplace improvements, more generally.

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Table 2: The Adjustment of Practices in American-based Subsidiaries

Firm	Pay, Appraisal and Rewards	Training and Recruitment	TUs and Collective Bargaining	Discipline and Employees' Rights
Meta UK	Individualised system of pay and appraisal system which rewards employees on the base of the level of performance - this reflects low level of discretion by local managers on the implementation of local adjustments to the corporate employment practices	Training and recruitment practices are centrally defined by the corporate and then transferred to the subsidiary level with low possibility to local adjustments	'Adversarial' management attitude towards TUs – plant-level bargaining	Discipline systems centrally determined - employees' rights are guaranteed within the national context of social rights indicated by British regulation (very low)
Plastic UK	Individualised pay and appraisal systems which rewards employees on the base of the level of performance	The UK operation developed local training – new training procedures most notably training days were negotiated with TUs. As a result the system was aligned to the requirements of the local labour market.	Relations with TUs are undertaken along a 'track of communication' – decentralised bargaining	New discipline system and holiday scheme negotiated at plant-level with TUs as the result of the union interests to enhance the level of employees' social rights
Meta 1 IT	At the Italian operation no individualisation of employment practices was performed. Pay and rewards system are negotiated with TUs at company-level as part of the salary increases bargaining activity	Centrally defined training and recruitment policies but for certain managerial position (i.e. within HR/IR) adaptation of those practices locally	'Reactive' Mgt attitude towards TUs – TUs 'information and consultation' only in cases allowed by law or collective agreement - coordination btw company- and sector-level bargaining - coordination on pay bargaining at company level	Statutory rules and collective agreements cover employees' rights at the shop floor
Meta 2 IT	A rewards system based on employees performance is established by local Mgt at plant level in accordance to appraisal practices decided centrally by the corporate – narrow space is left to TUs to include rewards as part of the negotiation process on salary increases	Centrally defined recruitment and training practices	'Reactive' Mgt. approach to TUs – no local Mgt mediation - coordination btw company- and sector-level bargaining – network 'best practices' among union reps. across diverse business units	Statutory rules and collective agreements cover employees' rights at the shop floor
Plastic IT	Appraisals exist at plant-level – TUs indicate space for discussion on appraisal and reward systems with Mgt - collective agreements regulate pay and salary increases.	Training and recruitment centrally determined	Information and consultation with TUs	Statutory rules and collective agreements cover employees' rights at the shop floor