Do Multinationals Have a Chameleonic Behaviour?
A Comparison of MNCs in Canada and Spain

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Such as MNCs operate in different countries, chameleon lives in a variety of habitats. It changes its skin color to match their environment so that it cannot be seen. MNCs also adjust more or less successfully to the various institutional environments where they do business (for instance, Ferner, Quintanilla and Sánchez-Runde, 2006). This paper looks at the behaviour of US MNCs regarding their human resource (HR) and industrial relations (IR) practices in two different host countries and at the explanatory factors.

Research objectives

The aim of this paper is to examine in comparative terms if US MNCs have a global (“a one size fits all”) approach in their implementation of the HR and IR practices or have a “chameleonic behaviour”. That is, we are going to study the differences and similarities between the HR and IR practices implemented in US multinationals in two host countries with different institutional systems: Canada and Spain. We expect that the behaviour of MNCs reflects the characteristic institutional features of the national business systems in which they operate and, thus colour their behaviour (Myloni, Harzing, and Mirza, 2004). But, like chameleons which change colour in response to other reasons (e.g. mood) than contextual ones, MNCs’ behaviour is not only explained by the national context in which they operate. That is why we consider others factors than the host country and the country of origin, such as sector, size, mode of entry, vintage and the value chain position that might affect to the transfer of practices.

Theoretical Background

One of the central questions in the literature on MNCs is the extent to which their subsidiaries act and behave as local firms (local isomorphism) versus the extent to which
their practices resemble those of the parent company or some other global standard (internal consistency) (Tregaskis et al., 2006).

In the light of globalisation, HRM is evolving from being a mere support function to one of strategic importance and several authors have argued that HRM policies and practices are becoming crucial because they can act as mechanisms for co-ordination and control of international operations. At the same time, it has been acknowledged that HRM constitutes a major constraint when MNCs try to implement global strategies, mainly because of the different institutional framework of each country in which the MNC operates.

The paper analyses the background based into the classical debate of convergence/divergence in the transfer of the HR/IR systems and practices. Then, supported on institutional comparative approach, we portray the main features of the three country involved here: the US (as a country of origin), Canada and Spain (both host countries). In addition, we highlight the idea that the process of transfer is not only a question of institutionalism but of the nature of the policies and practices of the HR/IR (Ferner et al., 2005).

Convergence vs divergence debate: HRM and IR

Convergence versus diversity literature debate is still vigorous in the study of the transfer of HR policies and practices in MNC companies (Quintanilla and Ferner, 2003). Global markets create a uniform and harmonized economic space, which induce MNCs to embrace common HR strategies and practices across borders (Duysters and Hagedoorn, 2001). MNCs are considered the vehicles of globalization, scattering managerial knowledge and techniques internationally through the diffusion of 'best practice' (Martin and Beaumont, 1998; Belanger et al., 2009). MNCs want to internalize these standardized best practices from headquarters when they represent a source of competitive advantage and of internal legitimacy. This expected convergence of practices shapes HR and IR (McGraw and Harley, 2003). For instance, MNCs may look for to integrate all policies around a specific set of HR policies and practices in order to sustain their wider business plan (Schuler and Jackson 1987; Dickmann 2003). For a chameleon, convergence means to maintain its original colour.

At the same time, MNCs needs to maintain an external legitimacy adapting their HRM practices to the different hosts in order to be consistent with their global strategy (Gooderham et al., 2004). Main reasons for this approach could embrace economies of scale, higher quality of service, increasing international network coordination or reinforcing the business strategy (Bartlett and Ghoshal, 1989; Peters, 2000). Contemporary institutionalism approach would suggest that MNCs’ subsidiaries are prompt to adopt HRM practices that are congruent with the countries in which they operate (Brewster et al., 2008). In this situation the chameleon change the colour to Institutional arrangements and labour practices reveal the elasticity of capitalist variety (Hall and Soskice, 2001) and numerous host countries act as a counterbalance to pressures for headquarter convergence strategy. Poutsma et al. (2005) argued that MNCs try to balance the need to internalize and standardize best HRM practices across national
confines with the need to adapt to local practices. Kostova and Roth (2002) labelled this phenomena “institutional duality.”

**USA as home country**

US MNCs are embedded in the assumptions, practices, and institutions of the American business model (Ferner, 2000; Ferner et al., 2004). Comparative international research observes that US MNCs are quite centralized, formalized, and standardized in their HR-IR policies; this may be partly explained by reference to elements of the US business system. An anti-union attitude is also identified as a characteristic of the US MNCs. Open opposition to union representation is motivated by the perception that it represents a constraint to managerial discretion and even goes against US values (Gooderham et al, 2008; Collings, 2008; Ferner, et al., 2005, Almond et al, 2005). Furthermore, the receptivity of host systems to American HR and IR practices is likely to be increased by the relevant power of US subsidiaries in many hosts (Ferner et al., 2005). However, as observed by Parry et al (2007), cross-cultural, empirical support on this issue is quite insufficient. These authors found in their quantitative study that there are some differences between the features of the HR practices transferred by US MNCs in “coordinated market economy” (CME) countries and “liberal market economy” countries, following the classification of Hall and Soskice (2001).

**Canada as a host country for US MNCs**

Canada, is a very open economy of modest size on which the influence of the dominant economy in the world has been historically, and remains very preeminent (Bélanger and Edwards 2005). Because of its size, as well as its proximity and familiarity to Canadians, the U.S. market remains fundamental to Canada's economic prosperity: in 2008, the US account for slightly more than three quarters of Canadian exports and for nearly 60% of foreign direct investments (FDI) in Canada.). Given that the USA economy is ten times larger than Canada, it is easy to see that US dominate economic relations between the two countries.

Canadian economy is characterized by a very high presence of U.S.-based MNCs. For the purpose of the Canadian survey which results are presented here, the proportion of the US MNCs in the total population of MNCs operating on Canadian soil was estimated to more than 50% ((Bélanger et al 2006). One major issue related to this important presence of US MNCs is the position of Canada as a centre of corporate decision-making (Bélanger et al 2009) labelled this phenomenon “the hollowing-out of Corporate Canada” and considers it as the results of six long-term trends all driven by the logic of North American economic integration: 1) The US as the main economic partner of Canada and its main source of ideas about government policy, business organization, legal practices, employment relations and much else; 2) The sale to Americans of important Canadian firms; 3) American investments in sectors where they were previously restricted or banned; 4) Canadian corporations relocating significant management functions abroad or simply reinventing themselves as American corporations; 5) Hiring by Canadian firms of American senior managers, some of them “managing by remote” from the US; 6) “Corporate Canada” depicted is US-dominated, remotely controlled from US headquarters as a northern extension of the US market and with no real distinctive Canadian–specific characteristics. Given this relationships between the two countries, it
is not surprising that management practices converged, especially in HR (Rosenzweig and Nohria 1994; Parry et al 2007).

The recent evolution of US Industrial relations (IR) differs from Canada IR progress. In USA the employers based the system in the idea that the unions are needless if employers “do right willingly”, that is “union avoidance” but in Canada persist a “union free environment” (Adams, 1975). The efforts made to run away from compel of union and collective bargaining by employers in US is quite successful. In the United States, both union membership and union militancy have fallen drastically (Kochan et al., 2003). Nevertheless, for the past two decades the Canadian labour movement has been going stronger and more confident itself (Adams, 1975).

*Spain as a host country for US MNCs*

US FDI has played one of the most important roles regarding the total FDI inflows in Spain, which has been the key driver in terms of the improvement in the trade relations between USA and Spain (Quintanilla et al., 2009). Currently, US FDI is a considerable part of the FDI inflows in Spain. Based on data from the Ministry of Economy, the US FDI was 20% of the overall FDI flows in 2006. According to the American Chamber of Commerce in Spain, there were roughly 500 US companies operating in Spain in 2007 and approximately 300 of these firms were MNCs companies. American firms compose more than 6% of the GDP and have employed more than 225,000 employees all over the country.

The great level of exposure of the Spanish MNCs to the American HR policies and practices and the “malleability” of the Spanish national business system have been taken into account as the two most important factor determining the formulation of the policies and practices within Spanish MNCs. It means that the Spanish national managerial style has a tendency to be influenced by US MNCs due to the lack of an own national managerial style and the high level of presence of American MNCs in Spain (Quintanilla et al., 2009).

Spain is a well-developed and relatively centralized system of collective bargaining. We can highlight two main characteristics of Spanish collective bargaining system. First of all, all workers benefit from agreements within their scope (national, regional, industry, or firm) regardless their union affiliation. In fact, collective bargaining agreements cover about 80 % of the workforce (Hamann and Martinez Lucio, 2003:60) and are true law for firm. Secondly, the main representative body of workers is the work councils and however the union density is very low in Spain; they have a strong degree of influence since work councils. For this reason, Spanish IR has the high level of industrial conflict.

*Institutional influences*

The distance between American and Canadian institutions seems rather shorter than the one between US and Spanish institution. From the variety of capitalism perspective (Hall and Soskice 2001), Canada and the US are classified as LME while Spain can be considered as a CME.
Still debatable and requiring some nuances, the VOC-based classification have a limited usefulness in this research given that the countries studied here are integrated in regional economies. The typical approach about the country of origin/host country operations effects traditionally omitted the influence of regional institutions. Rugman (1981) argues that the study of the institutional context of MNCs should take into account the regional level of strategy formulation. Verdin et al. (2003) believe that, instead of a national strategy, a MNC may pursue a regional strategy, for instance as an ‘undershooting’ strategy which permits a company to take a ‘step by step’ approach on the path to globalisation. This study is concerned with this influence of regional institutions on MNC behaviour while focusing on countries in two distinct economic regions: the European Union (EU) and the North American Free-trade agreement (NAFTA) regions.

Moreover, EU-NAFTA comparative perspective shall be extremely useful to perform empirical inquiries concerning the MNCs behaviour in these regions. Given the dominance of the US over Canada, the similarity underlying values and regulatory framework, and the liberal market principles orienting the development of free trade across NAFTA countries, we expect firms not to be pressured to adapt to national contexts. Regarding the EU region, as Edwards, Jalette and Tregraskis (2009: 8) argue, ‘the greater development of European-wide institutions in creating incentives and pressures for MNCs to pursue a regional logic is largely offset by the wider range of national institutions in Europe that present challenges to MNCs in doing so’. In this sense, US MNCs operating in EU countries seems to have greater pressures to adapt their HR practices to the host characteristics than the US MNCs in NAFTA countries in which they act more homogeneously, in a similar way that they would do on the US territory.

Because the institutional proximity between Canada and USA, the prevalence of US in Canada and the greater need to adapt practices in the EU, we expect also that the degree of discretion over the HR practices implementation will differ.

Influence of the nature of the practices
Some scholars have stated that subsidiaries usually report distinctive level of local adaptation depending upon the nature of the HR issues (Rosenzweig and Noria, 1994). Some authors have pointed out that the level of control exerted over the HR policies and practices depends if these particular HR policies are or not influencing the international competitive advantage of the firm (Taylor et al., 1996). If some HR policies are crucial regarding the international competitive advantage of the company, the control which is exerted by the parent country will be greater (Pudelko, and Harzing, 2008)

It has been argued that HR issues directly related to local norms are more likely to be adapted, while those which are left completely on the company discretion tend to be formulated by the headquarters. For instance, the practices regarding union recognition are in general specially adapted to the local context (due to the high level of legal requirements within this issue), whereas employee involvement practices or some aspects of the pay and performance policy are likely to be more centralized because of the lack of local institutional arrangements related to these issues (Ferner et al., 2007).
The institutional differences of the host country have a particular relevance in the case of IR practices (Kvinge and Ulrischen, 2008). This is the reason why IR practices are more likely “to vary significantly between countries than are other aspects of managing employees in international context such as training and development” (Collings 2009:174). Decision making regarding IR is in general much decentralized (Bélanger et al., 1999) because, as argued by Kvinge and Ulrichsen (2008:125), “there are difficulties in transferring labour relations because of differences in cultural codes and lack of basic”.

Regarding American IR policies and practices, it has been argued that ‘the prominence of the non-union sector is the single most striking feature of American employment relations’ (Colling 2001: 1). The role of American MNC in terms of IR practices or organized labour in USA has been typified as “modest” (Kochan et al., 1986). One of the reasons which could explain this fact is the notion of ‘individualism’ in American society and the primacy accorded to private enterprise (Guest, 1990; Jacoby, 1997; Gunnigle et al., 2005).

Hypotheses

H1. A higher degree of difference is expected in The nature of HR practices of US MNCs operating in Canada than in those operating in Spain.

H2. A higher degree of discretion is expected in HR practices implementation in Spanish subsidiaries of US MNCs than in Canadian subsidiaries.

H3. A higher degree of discretion regarding IR practices is expected in Canadian subsidiaries of US MNCs than in Spanish subsidiaries.

Methodology

The findings are drawn from two, parallel large-scale surveys of employment practice in the national operations of MNCs in Canada and Spain. The design and implementation of the surveys was undertaken on an internationally coordinated basis, involving close cooperation between the research teams in each country. The subsequent coding of the data has been undertaken in such a way as to enable the integration of national datasets for the purposes of cross-national analysis. A detailed account of the design and methods of the Canadian and Spanish surveys is respectively provided in Bélanger et al. (2006) and Quintanilla et al. (forthcoming) (Spain).

A subsample of 13 US MNCs with subsidiaries operating both in Canada (NAFTA country) and Spain (EU country) was extracted for the purposes of this analysis. By using the same MNCs in both countries, we will be able to better control for unmeasured factors than was the case in other studies based on survey data. We will compare 26 subsidiaries on the basis of a wide range of HR variables collected in the survey. These variables relate to the structure of HR function, pay and performance, training and development, knowledge transfer, employee’s participation and communication and industrial relations. As dependent variables, we will use the presence of specific practices in these broad areas but also the discretion of the subsidiary over the implementation of these practices. Control variables will be the size, mode of entry, vintage and sector.
Therefore, the main core of analysis here is to study the chameleonic behaviour of the same US companies within two host countries in order to identify significant differences between them. Bivariate analysis is concerned with the relationships between pairs of variables (X, Y) in a data set. Our data analysis situation can be visualized, depending on the measurement levels of variables and whether there is any distinction between dependent and independent variables. We will test this hypothesis by constructing a two-way or bivariate frequency distribution.

**Findings and contributions**

This paper will contribute to the debate of the different perspectives of institutionalism in NAFTA and EU countries, as well as the degree of influence of these different contexts that MNCs are facing in shaping their HRM and IR strategies, policies and practices. As it has been argued elsewhere (Morley et al., 1996), the same HR and IR practices cannot always work everywhere and what can be a proper practice in one country, can fail in another. Moreover, we can find other factors different from those related to the host country that affect to this relation.

This field of study is dominated by qualitative and case study-based contributions. However, for the moment, there is a notable lack of quantitative research due to the difficulty of gathering quantitative data directly from the HR functions of MNCs (Quintanilla et al., 2009). Thus, this paper will be a great opportunity to get findings through a quantitative analysis. Finally, the results of the paper will reinforce the evidences about the centralization of IR and HRM. Summarize this paper have the aim to make a contribution to our understanding the depending factors in the transfer HRM practices.

**References**


