An ‘Emerging’ Challenge: A Brazilian MNC’s Employment Practices in Canada

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The study of employment relations policies and practices in multinational companies (MNCs) has focused in the main on companies from, and with, operations in developed economies. The literature on MNCs which originate in developing countries and expand into mature developed economies is, by contrast, surprisingly thin. Thus, while we know a great deal about MNCs’ employment practices in countries which possess strong and stable institutions, have low levels of corruption, have access to good infrastructure, and can recruit from a well-educated indigenous workforce, we know relatively little about MNCs which originate in economies which are characterised by unstable or weak political and labour market institutions, and whose workforce is predominantly low-skilled.

This study attempts to fill this gap in our understanding by examining the case of a significant Brazilian multinational with operations in North America, Asia, Africa, Australia, and Europe. Drawing from the existing theoretical literature, a number of possible factors might be thought *a priori* to exert an influence in shaping a company’s HR practices in its overseas subsidiaries. We distinguish between three broad theoretical approaches. First, there is the institutional literature which has two streams. The ‘comparative institutionalism’ literature argues that multinationals are rooted in their home country’s national business system and carry particular ‘home features’ with them to their new host countries. A broad distinction is often made between co-ordinated (CMEs) and liberal market economies (LMEs). Alternatively, scholars working within the ‘new institutionalism’ perspective suggest that, when companies establish operations in a new country they are compelled either by local laws or norms to observe, and adapt their employment policies to, local practices. In such circumstances, an incoming MNC is said to enter a new organisational field whereby they undergo a process of homogenisation, often referred to as ‘local isomorphism’. Second, there is the marked-based view. This assumes companies use rational decision-making to identify, share and, in turn, enforce the adoption of ‘best practices’ in their overseas operations, in some case by engaging in so-called ‘coercive comparisons’. Finally, there is the political perspective which draws attention to the possibility that outcomes might result from contest, negotiation and compromise. It draws attention to actors’ (central management, local management, workers’ and unions’) interests and the extent to which they might be able to draw upon particular power resources to advance their interests. Together with this micro-organisational level analysis of power dynamics, an important recent development in this
theoretical perspective has been the attempt to conceptualise the links between the behaviour of MNCs (at the micro-level) and actors and institutions at the national and global levels as well as overlapping levels such as international- and national-sectoral levels (see especially Almond and Ferner 2006). This study is an examination of which of these theoretical perspectives, either individually or in combination, provides the greatest purchase in explaining the employment practices used by a Brazilian MNC in its Canadian operations.

**Literature review**

*Comparative institutionalism*

The view that MNCs are ‘rooted in’ their country-of-origin is one which is widely held in the international business and employment relations literature (Harzing and Sorge 2003; Edwards and Kuruvilla 2005; Hayden and Edwards 2001; Whitley 1999). Companies are seen to derive distinctive capabilities and styles of management from the structures and institutions of their home country’s national business systems (NBS). The attempt to distinguish countries on the basis of their NBS is particularly associated with the work of Hall and Soskice (2001) who in their book, *Varieties of Capitalism*, saw institutions as “rules” which companies “generally follow”, in respect of training, corporate governance and employment.\(^1\) From this Hall and Soskice distinguish between two broad categories of capitalist economies, liberal markets economies, such as US and the UK and co-ordinated market economies, such as Germany. The former are characterised by their reliance on market relations between actors, including other firms and employees, which are often of a short-term nature; while the latter rely on non-market mechanisms to develop long-term relations involving networks of collaboration between employers, training institutions, and state agencies. Each national business system’s components are then seen to engender ‘institutional complementarities’ which steer companies’ business strategies and employment practices in a particular direction. Such distinct nationality effects are then seen to influence MNCs’ practices when they move overseas. Ferner (1997), for example, speaks of the ‘country-of-origin effect’ wherein MNCs are identified as carriers of preferred employment practices which are derived from a company’s country-of-origin. It is also recognised that such effects are not invariant and that

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\(^1\) Other attempts to categorise countries’ NBS include those of Chandler (1990) and Whitley (2001).
especially in the more liberal regimes, such as the UK and the US, companies enjoy a considerable freedom of manoeuvre to adopt a variety of strategies. As a result, as Ferner and Tempel (2006) recognise, such NBSs may permit clusters of outcomes and a consequent variety in organisational forms and employment practices.

*The new institutionalism perspective*

Another perspective to the study of business systems and MNCs’ employment practices, although less comparative in its approach, is the new institutionalism perspective. This is particularly associated with the work of DiMaggio and Powell (1991), Kostova (1999) and Kostova and Roth (2002). The focus in this perspective is on modes of rationality, values, norms, and, more particularly, the ‘taken-for-granted’ assumptions as they are played out in particular ‘organisational fields’. Within any given organisational field there are a series of pressures which are seen to compel or encourage firms to adopt similar practices, a process known as ‘institutional isomorphism’. Three are identified. The first, ‘coercive isomorphism’, results from pressures which are exerted by other organisations or institutions. These are expressed in the form of rules and regulations and are supported by various modes of enforcement and oversight to ensure compliance. Greater weight however is given to two other ‘softer’ mechanisms. They are ‘mimetic isomorphism’ which results from the transfer and copying of practices from other organisations; and ‘normative isomorphism’ which results from the professionalization of management training and the diffusion of new models of management where management come to internalise particular values and norms. International consultancy firms are also identified as important diffusers of particular practices or ‘standard models of organising’, as Meyer (2000: 235) refers to them. Organisational forms are then perceived to be a consequence of firms’ compliance with these expectations and their quest to gain legitimacy in any given context. Kostova’s (1999) draws our attention to the difficulties and pressures MNCs might encounter as they seek to reconcile their inherited strategies and practices as derived from their country-of-origin and that which they confront in the countries where their subsidiaries are located. If there is a considerable ‘institutional distance’ between the two this may not necessarily prohibit the MNC from implementing its preferred practices but any desired change in the host workforce’s behaviours may not result in a full ‘attitudinal’ adjustment where the new practices are not fully internalized or embraced by employees (Kostova and Roth 2002).
The market-based perspective

The assumption of the market-based perspective is that companies face such severe competitive pressures that they are compelled to share and/or enforce ‘best practice’ in their subsidiaries. It assumes that best practice is readily identifiable and that senior management has the wherewithal to determine an appropriate course of action and can implement it effectively. In practice management might seek to diffuse best practice either by ‘unobtrusive’ means through the establishment of learning networks (Coller 1996), or by corporate management engaging in ‘coercive comparisons’ where underperformance in one subsidiary leads to it being forced to adopt the best practices of better performing subsidiaries. However, as Edwards et al. (2007) note the inter-organisational transfer of employment practices is not governed solely by calculating economic actors making rational choices, but is critically mediated by the influence of host- and home-country NBS and the political resources available to different actors.

The political perspective

As with the market-based perspective, one of the principal weaknesses of the comparative institutional and the new institutionalism perspectives is their under-theorisation of agency and politics. The latter in particular has been criticised for its “almost wilful lack of concern for power and interests of actors” (Ferner and Tempel 2006: 20) as well as its inadequate treatment of institutional dynamics. Tempel and Walgenbach (2007), too, draw our attention to the problematic manner in which actors in different institutional environments are seen to passively accept and implement globally diffused practices and structures. But as Almond and Ferner emphasise, MNCs do not merely respond to institutions; they are powerful actors in their own right with particular interests which are pursued perhaps by remoulding or resisting institutional forces. It is thus important to consider the manner as well as the extent to which MNCs are able to diffuse similar practices throughout their international operations, and particularly where they are at variance with the practices and traditions of the host country’s business system.

One of the earliest attempts to conceptualise the way in which power might be marshalled by a MNC to diffuse employment practices internationally is that of Ferner and Edwards (1995). They identified four so-called ‘channels of influence’. The first, ‘authority
relations’, refers to the systems of formal management control which includes rules, regulations and procedures with recourse to sanctions. Their efficacy is dependent on their perceived legitimacy. In practice, they are often backed up by formal systems of management control which includes the setting of targets, the provision of financial budgets and which also include systems of reward and punishment. ‘Resource dependent power relations’ involves the overt use of power against potential resistance and its success is dependent on corporate management possessing an intimate knowledge of the subsidiaries’ operations. It usually involves the transfer of expatriate managers in the guise of experts to overseas subsidiaries, sometimes referred to as the use of ‘gunboat diplomacy’ where they act as ‘enforcers’ of corporate policies. The retention of such close corporate control over subsidiaries’ activities is generally seen to be facilitated in cases where MNCs expand overseas by establishing greenfield sites, rather than by acquiring existing companies. In the latter there may be considerable anxiety, resentment and opposition to the new owner which may lead to resistance in the face of the importation of new practices. Assimilation may therefore require a major exercise of corporate power. Such an assertive use of ‘resource dependent power relations’ is particularly seen to be associated with the ‘imperial’ phases of a MNC’s development. Its efficacy, however, might be constrained where a subsidiary’s management and/or workforce have access to countervailing sources of power derived from specialist expertise, access to valuable resources, an ability to withdraw labour, or perhaps also in circumstances where the MNC has devolved strategic roles to overseas subsidiaries or established new organisational structures along product lines for example, which results in the dispersion of power resources. In such ‘multi-centred’ organisations, subsidiaries may be ‘enabled’ to resist the intra-institutional transfer of employment practices, or at least create an opportunity for re-shaping them to suit their own circumstances through bargaining, or as Ferner and Edwards refer to it, ‘exchange relations’. In recognition of the need for such exchange and compromise corporate management may seek to establish task forces wherein management across the company meet on a regular basis to share expertise and information which might then feed into policy development. Such ‘mutually beneficial exchange’ is then seen by Ferner and Edwards to provide participants with a stake in the successful implementation of a policy at subsidiary level. Finally there are ‘culture relations’ which, in the place of hierarchical relations, might be perceived as the new ‘corporate glue’. This is seen to operate on the basis of a set of internationalised values
and understandings and not on the basis of formal external rules. It provides a means for establishing the rules-of-the-game and might be used to set the parameters for exchange relations. It operates through the careful recruitment, socialisation and transfer of managers.

In a later work, Ferner et al. (2011) distil these various channels of influence into ‘two dimensions of control’. The first is direct and indirect control. The former involves direct control over policy determination and the latter informal control through monitoring and socialisation. The second dimension is personal and impersonal control. Personal control works through the interaction of people such as the presence of expatriate managers in key overseas positions while the latter is concerned with the exercise of power through impersonal, bureaucratic policies and procedures. In their survey research of MNCs of various national origins, they find that US MNCs, in particular, are characterised by their use of direct and impersonal forms of control – confirming prior research by Almond and Ferner (2006) – and that US firms exert greater central control over employment policy than MNCs of other nationalities. It was also found that levels of control exercised by MNCs varies by host country such that subsidiaries in Canada were found to have the least amount of discretion in comparison to the UK, Spain and Ireland, which was explained by Canada’s subordinate position in the international division of labour.

Power and its dynamics also need to be understood at the level of the global system. It is now widely acknowledged that there are particular hegemonic or dominant NBSs whose practices invite emulation from companies from ‘lesser’ or subordinate NBSs by virtue of their reputed efficacy (Elger and Smith 2006; Pudelko and Harzing 2007; Smith and Meiksins 1995). As Ferner and Tempel (2006: 26) put it, “Hegemony in the global system includes the generation of cognitive assumptions about the superiority of practices from dominant countries and their companies as sources of international competitive advantage”. To the extent then that a MNC might adopt such best practices and seek to divorce itself from the influence of its own NBS, either because it chooses and has the resources to do so, or because the NBS is emerging and embryonic in its development and thus has a poor grip on a company’s identity, it may be that that MNC’s practices will converge on those of companies from a dominant country. Complete replication is, however, most unlikely to occur. It may be that particular best practices are adopted
selectively and merged with other existing practices such that a MNC will possess sui generis composite features. In such circumstances it may be possible to talk of a particular company’s way of doing things, à la ‘the HP way’.

A consideration of power draws our attention to the possibility that the transfer of practices may be resisted and be subject to negotiation. Even where corporate management seek to impose its will and implement a given practice there is no certainty that its adoption will be anything other than ritualistic. There is now a great deal of case study research which suggests that subsidiaries’ practices represent mixes of influences and the inflection of home, host or company influence varies depending on a variety of other influences. Space constraints prevent us from detailing such other influences here, but in brief they include: the structure and organisation of the MNC (levels and forms of international integration), the role of the subsidiary (its mandate, routine fabrication or R&D), time-of-entry into host country, mode of establishment, etc.

The weaknesses of the comparative institutionalism literature are well documented (see, in particular, Hancké et al. 2009) and it remains unclear as to how useful it might be in explaining the employment practices of MNCs originating in economies that lie beyond the two ideal types of LMEs and CMEs is not immediately clear. Certainly the work of Hall and Soskice has been criticised for its overly neat splitting of the world into two archetypical economies and its associated inability to deal with economies that lie outside of this analytical dichotomy such as so-called ‘mixed-market economies’, or indeed emerging market economies, such as Brazil. Hall and Soskice do, however, claim that their approach can be used to understand political economies which do not adhere to their ideal types and argue (although their further illustrations are of advanced economies) that “each economy displays specific capacities for coordination that will condition what its firms... do” (p.35). The latter statement risks exaggerating the abilities of emerging economies to develop capacities for coordination and, in turn, underestimates the extent to which large well-resourced firms might be compelled to develop their own company-specific employment practices. A priori, it seems that there are a number of ways in which companies might do this. They might draw on certain Brazilian practices or cultural attributes, best-practice models or submit to a host country’s traditions and practices.
In conclusion, the three theoretical perspectives discussed here provide important insights into the ways in which MNCs might seek to diffuse employment practices across their international operations. On their own they are unlikely to provide a full insight into this process. We agree that the home country NBS matters in shaping a MNC’s practices, but its effect is likely to vary depending on its strength of influence and the extent to which its attributes might be exportable overseas. We would not expect a company’s nationality to trump other influences. Such an essentialist notion of national identity downplays the likely influence of the host country’s institutional regime, management’s preference for diffusing best practice models, and the likelihood that the articulation and defence of the material interests and concerns of different actors will be critically important. As such we argue for the adoption of an integrated approach in understanding the shape of employment practices in our case study of a Brazilian MNC.

Method
The data for this paper are derived from an in-depth case study of a Brazilian MNC, MiningCo, and its overseas subsidiaries in three European countries and in Canada. Brazil was chosen as a country-of-origin for two reasons. First, it is a large and important emerging economy (8th largest in the world). Second, it is a political economy which lies beyond that of the ideal type LME and CME. The typical LME or CME complementarities are absent, its institutions are comparatively underdeveloped, mechanisms of co-ordination are poorly calibrated and there is a relatively low degree of ‘general efficiency’. MiningCo is one of the largest private companies in Latin America. In recent years, it has acquired large foreign-owned companies around the globe including, in 2006, the Canadian nickel process company, NickelCo. The four host countries represent a mix of mature western economies including two LMEs (England and Canada) and two CMEs (Norway and Switzerland). For the present paper, however, we focus solely on the employment relations practices of the Canadian subsidiaries of which there were five: Toronto, Port Calborne and Sudbury in Ontario, Thompson in Manitoba, and Voisey’s Bay in Newfoundland and Labrador.

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2 The names MiningCo and NickelCo are used here as pseudonyms to mask the companies’ identities.
Data are derived from in-depth semi-structured interviews, documentary sources, and direct observation in the Brazilian HQ and the Canadian head office. In the Brazilian HQ interviews were conducted between July 2009 and August 2010 with 12 HR managers, one former manager, and with 3 senior trade union officers (CUT, Força Sindical, and UNG). In Canada, we interviewed, in February 2010, 9 Canadian managers in HR and corporate affairs, two expatriate (Brazilian) managers, and one senior United Steel Workers’ (USW) union official. One interviewee did not consent to being recorded; all other interviews were recorded and transcribed.

The documentary sources included: company annual reports from 1942 to 2010, internal communications, website materials, seven books recording the company’s history, and a documentary film. Print media sources were also analysed, including 1,144 articles produced between 1968 and 2010 in Veja (a weekly magazine), and 3,579 articles from the period 1994 to 2010 in Folha de São Paulo, probably Brazil’s most highly regarded daily newspaper. Secondary data sources in Canada included the USW website, as well as two other websites, one hosted by the company and the other by the USW, which were developed during the course of a bitter industrial dispute. We also reviewed ten YouTube videos which were recorded by workers during the strike as well as one further video produced by the Northern Life Newspaper. In order to clarify aspects in regard to NickelCo’s business and the strike, 1,140 articles in the Toronto Star Newspaper’s archives from 1985 to 2010 were reviewed.

The documents were transposed into a computer file to help undertake a content analysis of the data contained therein. No computer-aided software was used in respect of the interview data, principally because the study was conducted in two different languages, Portuguese and English and it would have consumed an enormous amount of time to translate the interviews into one language. In order to preserve the ideas from each interview and in an effort to avoid interpretative mistakes, the researchers opted for a qualititative form of content analysis. The basic unit of analysis chosen was the sentence or sentences related by key words grouped as categories, to produce a ‘cluster’. The content

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3 Three of them had been working for NickelCo before the takeover.
analysis resulted in five such clusters: MiningCo in Canada, structures of control, Canadian constraints, and employment practices.

The Brazilian National Business System

At first glance, the labour market institutions of Brazil resemble those of a liberal market economy. Such an impression might be further supported when one considers the IMF’s and World Bank’s imposition of liberal economic policies almost 20 years ago and President Cardoso’s subsequent reforms of the labour code in 2001. It has been claimed that the Brazilian labour market is amongst the most flexible in the world, particularly in responding to economic shocks (Barros et al. 1997). The matter is, however, more complex. Brazil’s liberal market attributes are not entirely a consequence of deliberate institutional design, but they are in significant part a consequence of institutional voids and gaps. By institutional voids we mean the presence of an underdeveloped financial system, a lack of investment in public infrastructure, and an inadequate regulatory regime including an inefficient judicial system. Brazil is also characterised by an unstable economic and political environment. There are, for example, over 25 political parties distinguished in some cases by radically different political ideologies. Interest rate remains persistently high (up to 12%), product markets are largely insulated from external competition, and there is a significant public deficit.

The national banking system has largely been geared to providing finance for the public sector. Private sector companies, as result, have had to find alternative sources for raising funds such as trade credit and from informal sources (family and friends) (Carvalho 2007). In some cases, companies are able to borrow money from indigenous banks, but this is usually offered on the basis of short-term repayment and interest rates are generally high (Laureano 2008; Klann et al. 2008). In turn, this has placed significant short-term pressures on Brazilian companies. In an effort to avoid such constraints, an increasing number of large Brazilian companies have turned to raise funds on foreign capital markets, principally in the US. However to date only 34 Brazilian companies have been listed on the NYSE, largely due to the strictures in respect of modes of corporate governance.

The Brazilian system of industrial relations is characterised by managerial unilateralism, weak and divided unions, and underdeveloped collective bargaining. Thereafter, it is widely accepted that there exists two subsystems of industrial relations. In the small medium
enterprise sector the workforce is poorly paid and poorly skilled, labour turnover is high and, as a result of which, many employees do not enjoy formal contracts of employment. Large companies have tended to adopt more formalised employment policies often because they are under the government’s surveillance spotlight and, in particular sectors, because of the presence of trade unions. Employers argue continuously with the government that the cost of hiring workers is prohibitive - non-wage costs are typically double those of direct wage cost (Pastore, 1995). The high costs of employment combined with the country’s precarious economic and social conditions, in which 29% of Brazilians live below the poverty line, have ‘institutionalised’ the informal labour market (Gondim et al. 2005). It is estimated that over 44% of the national workforce occupy this segment of the labour market. It is also the case that it is easy and cheap for companies, large and small alike, to fire workers. Brazil has few institutional constraints in respect of dismissing workers.

While union density is reported to be relatively high in the public sector and banking (about 27%), it is thought to be considerably lower (perhaps 17%) when all employees are included. In general, unions have found it very difficult to gain recognition from employers. Workers’ organization at plant level is either weak or entirely absent. In 2001, only 9 per cent of unions acknowledged the existence of a plant-level representative structure (which may not have been linked to a union). Only 3 per cent of unions in urban centres were found to have plant-level union committees, and 34 per cent of all unions had union representatives in the workplace. Where workplace structures exist, particularly in manufacturing, unions would seem to have a role in plant-level collective bargaining, but elsewhere it is thought unions exist as “sindicatos de carimbo” (“dummy unions”). The Instituto Brasileiro de Geografia e Estatística (2004) estimates that 90% of unions are of this form and exist primarily to collect union dues and are largely ineffective in representing workers’ interests (Carvalho Neto 2003; Bridi et al. 2007). Most collective agreements relate to working hours and flexible wages, but rarely extend to the organisation of work with the exception of the retail banking, oil, chemical, and metallurgy industries.

Brazil’s union movement is highly fragmented and competitive. According to the Ministry of Labour there are 8,596 workers’ unions, 24 confederations and 316 federations (Ministério do Trabalho e Emprego 2009). The most important union confederation is the Central Única dos

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4 The information detailed here in respect of union organisation is derived from Cardoso and Gindin (2009).
Trabalhadores (CUT) (Workers’ Central Labour Union) which is closely connected to left wing political parties. Other significant union federations include the Força Sindical (Union Power) which has links with centrist and right wing political parties (Bridi et al. 2007).

The Brazilian workforce is, by developed countries’ standards, poorly educated and trained. Data from the Ministério da Educação (Ministry of Education, 2007) shows that the Brazilian workers have studied for an average of 6.4 years and that only 16.1% of all Brazilians have completed high school. Brazilian companies traditionally operate in unskilled or semi-skilled sectors. Technical schools are few (281) in comparison to the number of universities (1,392). Most high-tech companies are foreign-owned and they often find it difficult to source workers with the requisite skills (Cruz 1999; Santos and Marcondes 1999). Few organisations invest in a structured training system, and if courses are offered they are generally as a means to attend to companies’ short-term requirements (Meneses and Abbad 2002; Reis and Escrivão 2003).

Brazil management are often portrayed as being at once authoritarian and paternalistic in their style of management. In noting that there is a “Brazilian way of managing”, Prates and Tanure (1997:68) suggest that, in their attitudes to the law, Brazilian management are neither defiant nor compliant, they simply step around it. This apparent paradox is explained by Brazil’s colonial past, the paternalism associated with slavery, the early formation of an elite class, the persistence of a highly class structured society, and the rise of ‘bureaucratic authoritarianism’ which came to be associated with military rule in the 1960s, 70s and 80s, and which persisted at a sub-national level for many decades after the fall of military rule and the return to democracy in the 1980s (Carvalho Neto 2003; Collier 1979; Ribeiro 1980; 1995; Freitas 1997). Brazilian elites continue to live in fear of a revolt from subordinated classes and the army continues to be used by the oligarchy as a means maintaining their authority. But Brazilian management and workers also show a preference for developing close relationships in their work environment (Tanure et al. 2007; DaMattà 2000).

In sum, there are features of the Brazilian NBS which might be said to approximate with those of a classical liberal market economy (short-term capitalism, deregulated labour market, weak unions), but it is in essence an emerging economy whose institutions are poorly developed and whose regulatory regime is notably lax. Managerial unilateralism is deeply in
Brazil and the institutional regime, including the weakness of unions, permits considerable space for such behaviour.

**MiningCo**

MiningCo was officially founded by the Brazilian government as a mixed economy company and organised on a public limited basis. In 1997, MiningCo was privatised through a public auction. The company’s current shareholding structure is split between Brazilian (55.3%) and foreign capital (44.7%) with the latter being composed predominantly of Japanese and American investors. While the company operates under the laws of the Federal Republic of Brazil, it also has to comply with other corporate governance laws since its stock is traded on the NYSE, HKEx, Euronext, and Latibex stock exchanges. MiningCo has been dependent on foreign sources of credit since its establishment in 1942.

Over the course of the last 14 years, MiningCo has experienced rapid growth with the development of new mineral mines, mainly in Africa, and with the purchase of a number of major international mining companies, including the Canadian NickelCo. At the end of 2009, MiningCo’s market value was US$150 billion which represents a 17-fold increase on the company’s 1997 valuation. The company employs 145,700 workers and has direct investments in 37 countries. Throughout the recent economic crisis, when international demand for minerals declined, MiningCo remained profitable, returning a net profit of €14 billion in 2010. MiningCo is now the second largest mining company in the world, the largest iron ore and pellets manufacturer and the second-largest nickel producer.

*The takeover of Canada’s NickelCo*

NickelCo was an iconic company in Canada. It was Northern Ontario’s largest private employer, and the world’s largest nickel producer with operations in Canada (Ontario, Manitoba, and, Newfoundland and Labrador), the US, Britain, and Indonesia. In Canada, workers enjoyed good benefits such as a defined benefit retirement plan, as well as a profit-sharing scheme based on the international market price for nickel, which was established in 1988. In the year of its implementation, for example, the nickel bonus payment scheme cost the company US$70 million and, on average, workers were paid a bonus of US$6,000.
NickelCo ran into significant financial problems during the 1980s. Its Board of Directors first considered selling the company in 2001. In August 2006, MiningCo joined the bidding for NickelCo. It was particularly interested in the company because of its skilled workforce and its long-term supply reserves. One month after negotiations began MiningCo bought NickelCo for US$17.2 billion. Prior to its acquisition, Canada accounted for 47% of NickelCo’s revenues; post-acquisition it accounted for a mere 4% of MiningCo’s revenues. Thus, almost overnight NickelCo went from being a big fish in a small pond to being a small fish in a very big pond.

Prior to the takeover NickelCo had operated as a relatively decentralised organisation. Once it was acquired by its new Brazil parent, corporate management moved quickly to centralise all operations of the nickel business in a regional and sectoral HQ based in Toronto. After four years the former NickelCo completely into MiningCo; the Toronto office had implemented all the processes, policies and practices according to MiningCo’s ‘global management model’.

The Canadian subsidiaries
Currently, MiningCo has a regional HQ office in Toronto with about 80 employees and four sites in three provinces: Port Calborne and Sudbury in Ontario, Thompson in Manitoba, and Voisey’s Bay in Newfoundland and Labrador. The nickel mine in Sudbury is among the largest mines in the world and employs about 3,200 workers. Port Colborne produces a platinum-group metals concentrate and cobalt metal and employs about 150 people. Activities in Thompson comprise two underground mining operations, a smelter, and a refinery employing 1,300 employees. The nickel mine in Voisey’s Bay has 420 workers.

The Toronto subsidiary embraces such corporate functions as HR, finance, supply and internal audit for the nickel business. It has responsibility for budgeting, planning production and implementing all business policies coming from the Brazilian HQ across the business sector which includes operations in China, Indonesia, New Caledonia, the UK, and Canada. In turn it reports directly to corporate management in Brazil.
The Toronto office’s CEO is Brazilian and he occupies an L6 position within MiningCo’s seven-level managerial hierarchy\(^5\). Like elsewhere in the company, all key positions are occupied by Brazilian expatriates. In all, there were around 20 Brazilian expatriates in Canada, which accounts for 25% of the management team.

**Structures of Control: The Canadian Subsidiaries’ Relationship with Brazilian HQ**

Four main forms of control are deployed by corporate management in the Canadian subsidiaries. They are: hierarchy and the use of expatriates, budget-setting and performance reports, the implementation of MiningCo’s global model, and managers’ visits to Brazil and conferences calls.

The use of hierarchy is the main mechanism of control within the Canadian subsidiary. Strategic plans and long-term directives for the Canadian subsidiaries are taken by management in Brazil and communicated to Canadian managers, who are expected to follow them. Subsidiary management also receive ‘guidelines’ in respect of short- to medium-term strategy which allows them some decision-making autonomy. In every other respect, however, decision-making power is centralised in Brazil.

The adherence to a strictly delineated hierarchical structure was supplemented by the recruitment of expatriates to key strategic positions in Canada, and as already indicated, the CEO is Brazilian, as are 20 other managers. The use of expatriates in high managerial levels was designed to ensure that the Canadian subsidiaries would follow the directives and policies coming from the corporate headquarters.

The Canadian plant is also controlled by means of budget-setting and performance reports. Managers in each department are required to produce an annual budget detailing the finances needed for the next financial period. This is then sent to Brazil for management’s approval. Prior approval is also required for significant capital investments such as the opening of new mines.

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\(^5\) The most senior level (L7) is MiningCo’s CEO. L6 refers to the 6 vice-presidents, L5 refers to the 20 global directors, and L4 is the 100 department directors. After those levels, there are: the L3 (general managers), L2 (area managers), and L1 (supervisors).
MiningCo’s global management model acts as the third form of control. It has three principal components: a pay-for-performance system, a career and succession plan, and SAP. The model is presented to subsidiary management as a directive from MiningCo in Brazil. The Canadians perceived it as a ‘thou shalt’ which they are expected to obey without question and is perceived to be designed to predict particular outcomes as defined by the headquarters.

It is about standardising, the argument is, if you standardise you remove inefficiencies and you have a predictable outcome. I don’t believe the organisation likes unpredictability... If you put in enough management processes and you believe in the management processes as opposed to the people activity you can lead yourself to say ‘well I have all the systems in place, people just follow them’ (Canada Manager, Interviewee 29, February 2010).

MiningCo’s global model was designed with the help of US-based international consultancy firms, including McKinsey, Accenture, and PricewaterhouseCoopers and, in turn, they were ‘benchmarked’ against the practices of other leading international companies. One senior manager in the Canadian subsidiary showed us a bunch of cards where each one represented a company and its policies which had been benchmarked by MiningCo.

Finally, senior Canadian managers were required to spend time in Brazil so as to become familiar with MiningCo’s management philosophy, policies and practices. HR managers, for example, spent one month in Brazil being trained on how to operate the pay-for-performance system, the career and employee development systems, as well as the recruitment model. In addition, the Canadian HR manager was expected to visit the Brazilian headquarters on a monthly basis to brief corporate management on the implementation of HR policies. There are also weekly conference calls to senior managers in which they are expected to report on pre-defined HR metrics and issues.

**Canadian Constraints: Institutions, Market, and Culture**

As already indicated, Canada might broadly be defined as an LME. Its industrial relations system historically bears a close resemblance to that of the US, and while labour market regulation is relatively light it arguably affords workers greater protection than is available in the US. Trade union density is around 29%. Bargaining has increasingly come to be conducted at establishment level in recent years. The first constraints encountered by
MiningCo were those imposed by Canada’s labour code. Labour laws fall into three categories or levels: federal, provincial, and municipal. Most regulations, however, are provincial and they determine pay rates, holidays, working hours including overtime. While MiningCo recognised that it was required to comply with these legislative strictures, in an attempt to implement the same set of policies and practices throughout Canada, local managers were requested to consolidate all the requirements of the various provinces’ statutes into one single policy, which in turn was consolidated within the company’s global model.

Other constraints included the presence of a strong trade union, the United Steel Workers (USW)\(^6\), and the prior existence of collective agreements. The Canadian subsidiaries were highly unionised and there had been a history of conflictual industrial relations particularly in the 1970s when there had been a series of strikes. In more decent decades, the threat of strike action had been sufficient to bring NickelCo management to the bargaining table and to acquiesce to union demands. It was widely claimed by Canadian management that the company had been “run by the union” prior to its acquisition by MiningCo. Existing collective agreements covered a wide range of workers’ terms and conditions of employment, including working hours, pay systems, wage levels, and pension benefits. NickelCo is not affiliated to any employer association in Canada. It has in-house lawyer to give legal advice, to assist in the event of the company being sued, and to ensure that the company is complying with all legislation.

The third constraint was that of the local labour market, including levels of employment and going pay rates. There is near full employment in Toronto. In the other sites, where the mines were located, unemployment was 7.6% (Sudbury) and 4% (Manitoba). Consequently the company faced significant pressure to offer competitive rates of pay and non-pay benefits. NickelCo’s management conduct regular surveys of terms and conditions in the local labour market. However, if local management consider it desirable to introduce a new element to their compensation plan, they must first request approval from corporate headquarters. Corporate HQ also review pay rates for management and

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\(^6\) The USW is a bi-national trade union whose headquarters are in the US. It represents more than one million miners in both Canada and the US and is ideologically and financially linked to the New Democratic Party in Canada and the Democratic Party in the US.
key professional groups in other large MNCs both in mining, such as Alcan, and elsewhere, such as Coca-cola.

**Employment Relations in the Canadian Subsidiary**

We turn now to examine employment relations in the Canadian subsidiaries to examine whether and how corporate management tried to diffuse company policies and with what consequences. We focus on the reward system, and, in particular, on a bitter strike which ensued following management’s attempt to change the pension scheme and introduce a new bonus pay scheme.

*NickelCo’s reward system: the influence of the market and workers’ resistance*

The rewards system used in MiningCo’s Canadian subsidiaries is designed in Brazil. The company’s base pay matches the mean rate for the industry for most occupational groups and once additional benefits such as performance-related-pay, pension plan, vision and dental care, life insurance, employment insurance, maternity leave and sick leave are included, the company pays in the top quartile. While a pension plan and employment insurance are required by law, the vision and dental care plans and life insurance are provided by MiningCo voluntarily. Further it pays more towards the pension plan than its competitors, so the managers interviewed expressed satisfaction with these arrangements. Health care in Canada is very good and for that reason the company does not have its own health insurance scheme, but vision care, eyewear, and dental care are not covered by the public health system. MiningCo also provides senior management with financial counselling services, tax services, and a ‘visit call with the doctor’ once a year.

In 2010, the HQ reviewed a number of elements in its compensation plan. First the annual doctor’s visit was withdrawn. Its termination was badly received by local management. One senior manager who strongly disagreed with the headquarters’ decision, called a senior HR manager in Brazil complaining that “all of the companies out there give an annual medical”. In response, the Toronto office was asked to conduct a survey to determine whether a similar benefit was provided by other MNCs in Canada. This was a common pattern: whenever local managers challenged a HQ decision in respect of terms and conditions of employment, the Brazilian headquarters proposed to conduct a survey.
In this instance the relevant manager, who had also queried other new practices, was perceived by MiningCo as being “extremely resistant” and was promptly demoted.

There was also resistance to a change in the company’s travel policy. MiningCo’s policy was to determine staff allowances on the basis of their seniority. Thus the class of airline ticket (economy or business), grade of hotel and per diem allowances were governed by management’s position in the hierarchy. Prior to the MiningCo takeover of NickelCo such expenses were harmonised across all management grades. The new MiningCo policy was perceived to create new ‘class’ divisions within management such that some managers reported feeling “not valued” and “disrespected”. A senior Canadian manager approached the head office saying, “hey, we’ve got a travel policy thanks a lot that is great, can we talk about it? Because, really, from a cultural perspective, it is not going to land well here.” A manager in Brazil revealed in our interview that the headquarters directors came to realise that the new policy was a mistake and it was withdrawn. While differentiating between levels of management is a normal Brazilian practice, management in Brazil justified accepting the Canadians’ preferences in terms of maintaining their organisational commitment.

A third controversy occurred in relation to a housing benefit which operated under NickelCo’s ownership. It operated thus: when management asked an employee to relocate from one workplace to another with the company and if that person was unable to sell their home, the company would buy it from them, and then sell it on in the normal way. MiningCo’s executives perceived this policy as being “too paternalistic”, and changed it so that only part of an employee’s re-location expenses was met and they discontinued the practice of buying their houses. Workers were not happy with this change, but as other companies had never provided such a benefit, they believed they had no choice but to accept it.

Finally, the most significant instance of resistance was observed in connection with the introduction of a new payment system, including a pay-for-performance (PRP) scheme, and revisions to the pension plan. Management accepted the new payment scheme, but the blue collar workers and their union, the USW, objected to its introduction. Their resistance culminated in a 12-month strike in three out of the four MiningCo’s plants in
Canada. In both Sudbury and Port Calborne this was an all out strike and in Voisey’s Bay 250 of 400 employees went on strike.

Workers in Sudbury and Port Colborne had enjoyed a bonus payment scheme and a defined-benefit pension plan prior to MiningCo’s acquisition of NickelCo. The nickel price bonus was based on the market commodity price. The benefit was triggered when the price of nickel reached US$2 a pound; there was no cap. The former owners of NickelCo had never operated a PRP scheme, however. MiningCo proposed introducing a new payment scheme where 30% of workers’ annual earnings were to be variable, 80% of which was to be determined on the basis of their individual performance (50%), department’s performance (25%), and the company’s overall performance (25%) with the remaining 20% based on the international market place price for nickel, with a cap of US$15,000 annually. MiningCo identified five competences for non-managerial employees on which they would be appraised. They were: technical competence, analytical competence, relationship with colleagues, focus on sustainable results, and flexibility.

This set of competences is a general set that is related to the company’s principal guidelines which are the values we want from MiningCo’s workers all over the world (Brazilian Manager, Interviewee 4, August 2009).

After the takeover, MiningCo management found a significant liability in the company’s pension scheme. For this reason, as well as complying with corporate policy, they decided to discontinue with the defined-benefit provision for new employees and in its place introduce a defined contribution plan. New employees would then contribute either to a single personal plan, or a full family coverage plan. When these changes to the payment and pension schemes were put to the miners and their union in July 2009, they were firmly rejected. In interviews with unionised workers it was claimed the proposed new PRP system would not work as the workforce did not trust management to be able to differentiate between employees’ performance levels. In face of MiningCo’s insistence on introducing these new policies, the workers took strike action.

MiningCo executives justified introducing the PRP scheme and pension plan on the basis that it was company policy and had been implemented in other international subsidiaries.

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7 Voisey’s Bay had already changed from a defined-benefit to a defined contribution plan prior to the strike.
We are trying to make sure we have uniform policies across the organisation. MiningCo is a very fair, very successful international company, so, we can’t make an exception in Canada just because these guys feel that they have been on this pension plan for so many years that nothing ever changes. (Canadian Manager, Interviewee 27, February 2010)

During the strike, the USW strike fund paid CAD$200 per week to each worker on the picket line. Many miners – it was claimed up to 80% - found new employment in other companies’ mines in Regina, Northern Ontario and in the Alberta oil sands. Those members who found such jobs contributed to the strike fund to assist those who were on the picket line. MiningCo management continued to maintain production during the strike by using ‘scab’ labour (strike breakers) and, in addition, non-miners, including supervisors, clerical workers, engineers, geologists, and maintenance workers, were trained to take up mining jobs. Seven months into the strike, MiningCo brought in replacement workers. 8 On previous occasions when there were strikes, NickelCo had never resorted to using replacement workers. Such a decision placed the strikers in a fragile position since MiningCo was legally entitled to offer a permanent job to any replacement worker, and was not obliged to re-instate any striking worker even if a new collective agreement was eventually arrived at. After seven months of the strike, the Sudbury plant started to produce nickel again. For the first time in 100 years, workers and their union felt vulnerable and unprotected:

They have never brought in replacement workers; it is the first time in history for NickelCo, in 100 years, so all of this is like history being made. Usually when you are in the union you feel protected, but this is the first time that they are probably feeling vulnerable (Canada Manager, Interviewee 21, February 2010).

The decision to hire replacement workers was particularly worrying for union officers.

It is very, very disturbing. All the history of NickelCo, the 100 years of NickelCo they had never started an operation with scabs or with replacement workers. NickelCo had never started operations while on strike. This company does not hesitate to start operations no matter who they use, no matter how much they produce; they will start operations (Senior USW official, Interviewee 31, February, 2010).

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8 While it is illegal for a company to fire striking workers, if a strike persists for more than six months, it is legal to recruit new employees.
The anxiety and bitterness in turn generated a wave of unexpected prejudice and xenophobia, with striking miners retorting: “MiningCo is trying to import Brazilian third world standards”. Media reports included images of Brazilian flags being burnt, people urinating on a Brazilian map and on MiningCo’s logo together with captions of “Let’s kick MiningCo out of Canada”. One trade union member said in Sudbury:

Because our fight today is not just about the contract it is about establishing basic principles, these are our resources, these are our communities and we have the right to be respected by this foreign capitalist coming to trying to turn us into a third world (Charlie Angus on the six months strike video).

When MiningCo’s workers crossed a picket line union members vandalised their homes by spray painting ‘scab’ on their garage doors. Some employees were beaten up, others had their cars vandalised and yet others received death threats, including being warned about of the possibility of bombs being placed under their vehicles. Due to these acts of misconduct, nine workers were fired in Sudbury. Three of them are facing criminal charges. Those events were relayed through regional newspapers such as The Sudbury Star.

The strike ended in July 2010 when the union members voted to return to work. Despite their disagreement with the management’s proposals, they could not endure the strike any longer. MiningCo then proceeded to introduce the PRP system and change the retirement pension scheme from a defined-benefit to a defined-contribution plan, together with a disability benefit scheme. Management made a slight adjustment to the PRP system by increasing the nickel price bonus component from 20% to 25% and reduced the PRP component from 80% to 75%, but otherwise the new payment scheme remained unchanged. In Sudbury and Port Colborne, roughly three-quarters the sites’ workforce voted to accept the collective agreement. A five-year contract was then agreed between MiningCo and the trade union in August 2010. Of the 2,700 strikers in Sudbury, 144 decided not to return to work. Eighty-nine asked for early retirement and 55 found another job. After the strike, MiningCo opened new nickel mines in Indonesia, Goa, and Onça Puma (Northern Brazil) in order to reduce the company’s dependence on Canadian sourced nickel. By 2015, the company expects it will have mined enough raw material to provide to its customers in the event that there is another strike in Canada.

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9 The label ‘scab’ is highly offensive in Canada and, once a worker is so labelled, it tends to remain forever.
Conclusion
In this paper, we examine the structures of control and the shape of employment practices in the Canadian subsidiaries of a Brazilian MNC. In our review of the comparative institutional literature we considered that where a country lacks ‘capacities for coordination’ large well-resourced MNCs might be compelled to develop their own company-specific employment practices. A priori, it seemed that there may be a number of ways in which companies might do this. While they might well draw on certain Brazilian practices or cultural attributes, they are more likely to adopt the host country’s practices and traditions, or implement best-practice models or perhaps some hybrid combination of both. Thus we expected that MiningCo’s employment practices in their Canadian subsidiaries would bear a closer resemblance to Canadian practice and/or best practice models than to anything which might be called ‘Brazilian’.

We found MiningCo used multiple forms of control, including detailed and regular reporting, conference calls, the transfer of expatriates, and the implementation of MiningCo’s uniform global management model. The most striking feature of the company’s controls was their density and variety. We focused, in particular, on the company’s efforts to transfer a new pension scheme and variable payment system. Corporate management were determined to introduce standardised systems which had already been diffused to other international subsidiaries. This finding is not be unusual certainly when set alongside the evidence derived from studies of other MNCs, particularly those of American origin (Almond et al. 2006), but the lengths to which MiningCo was prepared to go to face down workers’ resistance and use its power to insist that its policies were adopted is unique. The clear expectation from Brazilian HQ was that the Canadian subsidiaries would “play by MiningCo’s rules”. The imposition of the payment system was justified on the basis that it was policy-based. MiningCo was not, though, entirely contemptuous of Canadian practice. It was not averse to introducing the new policies through collective bargaining, but the precursor to the negotiations was that the workforce and its union had to understand that the existing reward practices were inappropriate. In the face of the resistance mounted by the Canadian workforce, corporate management were sufficiently determined to enforce the new payment system in a context (strong trade union, expansion into Canada by acquisition), where a priori, it might have been thought that MiningCo would have had to make some adjustment to the ‘Canadian way’.
How then do we explain this outcome? Is this a case of where the effects of the MNC’s country-of-origin or national business system are demonstrably capable of overriding any host country (Canadian) effect? Or, is there something else at work?

From the evidence collected in our study, it is clear that the Canadian workforce had access to various power sources – a strong union with deep roots in its local community, a tradition of conducting industrial relations through dialogue, negotiation and compromise, and a tight labour market which provided opportunities for alternative employment. But these power levers were largely ineffective in the face of MiningCo’s determination to introduce new employment policies. Only in the case of the provision of certain health care benefits and competitive wage rates, did corporate management make any concessions to local Canadian practice. These were the only manifestations of ‘local isomorphism’. In every other respect, the Canadians were compelled to acquiesce to the managerial preferences coming from Brazil. Management who queried the logic of such policies were promptly demoted or let go.

The policies emanating from Brazil were designed by US-based consultancy firms. These policies were deemed to be ‘global best practice’ and were accepted by management as being superior to other practices; they had been ‘road tested’ and proven by other MNCs, particularly of American origin. Such emulation of best practice models of management would support the ‘dominance effects’ thesis of Smith and Meiskins (1995) where companies from lower order NBS see it in their interest to adopt practices associated with dominant economies. But while there was considerable replication of policies, the manner in which they were introduced in Canada was distinctive. They were introduced unilaterally and in the face of stern worker resistance: MiningCo demanded and expected an ‘isomorphic response’. As such, we submit that the style of management in MiningCo remained Brazilian; that is, the persistent insistence and imposition of management prerogative is a Brazilian trait which is deeply rooted in the country’s history, class structure and style of management. It is important to be precise here. We argue that while there is a ‘country-of-origin’ imprint on the way in which MiningCo managed its subsidiaries in Canada, it is not of a form as identified by comparative institutionalists. That is, MiningCo’s management of the transfer of employment practices was not shaped by the influence of its home country’s national business system per se, but rather by the conventions and style of Brazilian management.
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