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

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Agenda

• Research objectives
• Theoretical Background
• Propositions in progress
• Methodology
• Preliminary results
• Tentative conclusions
Research objectives

• To examine in comparative terms if, regarding the transfer of HR/IR practices, US MNCs adopt in different host countries:

  – a globalising (or standardising) behaviour or

  – a “chameleonic behaviour” (or an adaptative approach)

  *This host country effect for US MNCs is studied in Canadian and Spanish US subsidiaries*

• To examine other factors explaining the adoption of one or another behavior global or chameleonic behavior?
Theoretical background

• We based our framework on the *comparative institutionalism approach* (Kostova and Zaheer 1999; Scott 2001)

• *Convergence versus diversity debate.* This literature debate is still vigorous in the study of the transfer of HR policies and practices in MNC companies (Quintanilla and Ferner, 2003).

• Convergence arguments:
  - MNCs are considered as *vehicles of globalization* (Martin and Beaumont, 1998; Belanger et al., 2009)
  - MNCs internalize these standardized best practices from headquarters when they represent a source of competitive advantage (Taylor et al., 1996; McGraw and Harley, 2003)

Divergence arguments:
  - MNCs needs to maintain an *external legitimacy* adapting their HRM practices to the *different hosts* (Gooderham el at., 2004)
  - MNCs’ subsidiaries are prompt to adopt HRM practices that are congruent with the *countries* in which they operate (Brewster, et al., 2008)
Theoretical background

- **MNCs from the US**
  - Comparative international research observes that US MNCs are more centralized, formalized, and standardized in their HR-IR policies than other MNCs (Dunning 1998; Martin and Beaumont 1999; Almond and Ferner 2006; Ferner et al., 2007; Fenton-O’Creevy et al. 2008)

  - An anti-union attitude is also identified as a characteristic of the US MNCs: “The prominence of the non-union sector is the single most striking feature of American employment relations” (Colling 2001: 1)

  - The receptivity of host systems to American HR is likely to be increased by the relevant power of US subsidiaries in many hosts (Ferner et al., 2005).
Theoretical background

Canada as a host country for US MNCs

• Open economy of modest size
  – 30% of the assets of firms operating in Canada are foreign-controlled (Baldwin et al 2006)

• Largely influenced by the U.S. economy and firms
  – 75% of foreign direct investments in Canada (Baldwin and Gellaty 2007)
  – More than 50% of MNCs operating in Canada (Bélanger et al 2006).
  – Hollowing out of corporate Canada (Bélanger et al 2009)
  – Driven towards a North American economic integration (NAFTA)
  – Management practices converged, especially in HR (Rosenzweig and Nohria 1994; Parry et al 2007).

• Similar industrial relations systems on both countries but with significantly different evolutions.
Theoretical Background

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 (20%) (UNCTAD, 2008; Quintanilla et al., 2009).

• High level of exposure of the Spanish MNCs to the American HR policies and practices (Quintanilla et al., 2008; 2009)

• Malleability of the Spanish national business system (Quintanilla, 1998; Ferner et al., 2001)

• Spain is a well-developed and relatively centralized system of collective bargaining (Felgueroso et al., 2008; Ferreiro., 2004)
  – Collective bargaining agreements are true law for firm
  – Strong degree of influence of work councils
  – Spanish IR has a high level of industrial conflict
Theoretical Background

- **Comparative Institutional influences : CN-SP**
  - The distance between American and Canadian institutions seems rather shorter than the one between US and Spanish institution
    - For instance, Canada and the US are classified as LME while Spain can be considered as a CME or Mixed (Hall and Soskice, 2001)

- **EU-NAFTA comparative perspective**
  - US MNCs operating in EU countries:
    - seem to have greater pressures to adapt their HR/IR practices to the host characteristics than
  - US MNCs operating in NAFTA countries:
    - seem to act more homogeneously, in a similar way that they would do on the US territory
Propositions...statements... in progress?

We would like to explore the following matters:

• **In which HR/IR practices USMNCs have significant different discretion between Canada and Spain?**
  – More discretion regarding HR/IR practices implementation in Spanish than in Canadian subsidiaries of US MNCs (for the higher institutional proximity)?
  – Can we really expect higher degree of discretion regarding IR practices than for HR practices both in Canada and Sp?

• **Controlling by host country, what other factors (structural contingent variables) can affect to the degree of discretion?**

• **Multilevel analysis: inter and within companies**
Methodology

• **Large scale survey**: International project (Cn and Sp teams report (see: Bélanger et al., 2006; and Quintanilla et al., 2010)). 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 sub-sample of **15 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.

• **Empirical analysis (in progress):**
  
  – Bivariate analysis: T-test media differences
  – Multiple regressions with discretion indicators as DVs on all cases: Ordinal Regression
  – Cluster analysis
<table>
<thead>
<tr>
<th>DEPENDENT VARIABLES</th>
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<tbody>
<tr>
<td>Discretion over performance appraisal for managers</td>
<td>Host Country</td>
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<tr>
<td>Discretion over performance appraisal for LOG</td>
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<td>Discretion over performance variable pay for managers</td>
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<td>Discretion over performance variable pay for LOG</td>
<td>Sector of operations</td>
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<td>Discretion over overall training and development -</td>
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<td>Discretion over succession planning</td>
<td>Vintage</td>
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<td>Discretion over attitude surveys and suggestion schemes</td>
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<td>Discretion over provision of information to employees</td>
<td>Size</td>
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<td>Discretion over union recognition</td>
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<td>Discretion over employee consultation</td>
<td>International HR body</td>
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<td>Discretion over Problem solving and countinuous improvement groups</td>
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Preliminary Results

t-mean comparison (both Host-country)

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<thead>
<tr>
<th>country_of_operations</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>T-Equal variances not assumed</th>
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<tbody>
<tr>
<td>Discretion over performance appraisal for managers</td>
<td>Canada</td>
<td>15</td>
<td>2.51</td>
<td>1.59</td>
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<tr>
<td></td>
<td>Spain</td>
<td>15</td>
<td>1.87</td>
<td>1.41</td>
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<td>3.10</td>
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<tr>
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<td>Spain</td>
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<td>Spain</td>
<td>15</td>
<td>3.27</td>
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<td>Discretion over succession planning</td>
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<td></td>
<td>Spain</td>
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<td>Discretion over attitude surveys and suggestion schemes</td>
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<td>Spain</td>
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<td>Discretion over union recognition</td>
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<td>Discretion over employee consultation</td>
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<tr>
<td>Degree of discretion on Problem-solving and continuous improvement groups</td>
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<td>3.81</td>
<td>0.58</td>
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<tr>
<td></td>
<td>Spain</td>
<td>15</td>
<td>4.04</td>
<td>1.20</td>
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1= no discretion
3 = some discretion
5 = full discretion
Preliminary Results T-test

• Chameleonic behaviour:
  – The differences related to *discretion over performance appraisal for LOG* and *over union recognition* are significant.
    • More discretion about performance appraisal for LOG in Canada subsidiaries than in Spanish ones:
      – Great cultural proximity between Canada and the US?
    • More discretion about union recognition in Spanish subsidiaries than in Canadian ones:
      – Proximity in US and Canadian industrial relations systems?

• No Chameleonic behaviour
  – The differences for the rest of the HR/IR practices are not statistically significant.
### Different analysis

**Ordinal regression (30 subsidiaries) inter-company analysis**

<table>
<thead>
<tr>
<th>Ordinal Regression: General model validated with 5 IV:</th>
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<tbody>
<tr>
<td>- Discretion over succession planning (p-value: 0.042)</td>
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<tr>
<td>• sector of operation: Less discretion manufacturer</td>
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<tr>
<td>• International HR Body: More discretion</td>
</tr>
<tr>
<td>- Discretion over problem-solving and continuous improvement groups (p-value: 0.036)</td>
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<tr>
<td>• Vintage: Higher vintage lower discretion</td>
</tr>
<tr>
<td>- Discretion over union recognition (p-value: 0.021)</td>
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<tr>
<td>• Size: The largest the size, the highest discretion</td>
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</tbody>
</table>

*Host country: More discretion about union recognition in Ssub than in Csub*
Different analysis
Linear regressions (15 MNCs) squared difference (within MNC)

Cluster analysis
Within MNC
¿NOT very robust?
¿Adequate for small samples?
¿Difficult interpretation?
Tentative Conclusions

• There is a higher level of subsidiary discretion over the Union recognition in Spain than in Canada

• All the models are significant for the Union recognition

• There is an influence of contingent variables over several HR/IR practices. However, the effects of the contingent variable depend upon the nature of the practice itself
  – Host Country: The country (home and host) is the most relevant factor which explain the degree of discretion (see: Ferner et al., 2004)
  – Sector: Fenton-O’Creevy et al., (2008) argue that services are generally more locally adapted than is the case with manufacturing plants and firms. Our results reinforced this assumption
  – HR corporate body: Tregraskis et al., (2006) suggest that US corporate functions tended to have some level of influence on subsidiary level. Our results support that the existence of HR corporate body give more discretion to the subsidiary in succession planning policy.