

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

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Presentation outline

- Research context;
- Research question and focus of current paper;
- The literature to date;
- Methodology;
- Findings;
- Conclusion.



Research Context

- The study of employment relations in MNCs has focused on companies from, and with, operations in developed economies;
- The literature on MNCs which originate in developing economies and expand into developed economies is, by contrast, surprisingly thin.



Present Study

- Study of a MNC from a developing economy (Brazil);
- With operations in developed economies;
 - two CMEs (Switzerland and Norway)
 - and two LMEs (UK and Canada)
- A priori we anticipated that the host country effect (esp. in CMEs) would override any home country effect.

Present Paper's Research Question

- An examination of the forces which shape a Brazilian multinational's HR practices when it transfers its activities to Canada.



Theoretical Perspectives

- Comparative institutionalism – NBS, MNCs as ‘carriers’ of home country practices;
- New institutionalism – firms ‘encounter’ various isomorphic pressures (hard or soft) to conform;
- Market-based perspective (‘best practices’, coercive comparisons);
- Micro-political perspective → varying interests, power and contest.



A Brazilian NBS Effect?

- Any institutional effect likely to be weak;
- But a Brazilian Style of Management:
 - Hierarchical: centralised power
 - Autocratic: unilaterally decisions
 - Decision-making: quick decisions focus on short-term
 - Personal: paternalism and close relationship.



Methodological Approach

- Exploratory Study;
- Single case study of a MNC from a developing economy (Brazil) with operations in four developed economies (2 CMEs and 2 LMEs).



Brazil

- Importance in the new economy – 8th largest economy;
- Brazilian companies accumulated investment overseas: US\$ 152 billion in 2006 – importance of last movers;
- Inflows doubled in 2007;
- Underdeveloped institutions.



Canada and NickelCo

- An LME, a mature industrialised market economy;
- MiningCo acquired NickelCo in 2006, in one of the biggest negotiations involving companies in the mining and steel sectors;
- Canada's workforce represents 7% of MiningCo's workforce.



Data sources

- In-depth interviews in Canada and Brazil:
 - 12 managers in the Brazilian headquarters;
 - 1 former manager;
 - 3 Brazilian trade union representatives;
 - 11 managers in the Canadian subsidiaries;
 - 2 trade union representatives in Canada.
- documentary research;
- direct observation.



Findings

– MiningCo:

- 147,000 employees;
- Operations in 38 countries;
- Iconic Brazilian company;
- Net profit in 2010 - €14 billion;
- Meritocratic, Hierarchical, Commanding;
- Centralised;
- Use of best practices.

– NickelCo:

- 7,000 employees;
- Operations in 7 countries and 4 different provinces in Canada;
- Iconic Canadian company;
- Significant losses over the last 20 years;
- Paternalist;
- Decentralised.



“The million dollar question is how you solve the differences on the management style, because when it is the way that you have been raised and it is the way that you are, it is difficult for the Canadians to just be like ‘ok, cool, I am ok with that’” (Canadian Senior Manager)

“People in Brazil would say: You have to go there (Canada) shout and be heard; you have to show who the boss is, you have to go there and present what we do, and be sure they have to talk to us before they do anything.” (Brazilian Senior Manager in Canada)

Before the MiningCo acquisition, “The company (NickelCo) was run by the trade union.” (Canadian Senior Manager)

Findings

- Four mechanisms of control used by MiningCo:
 - Hierarchy;
 - Budget-setting and performance reports;
 - Global Management Model;
 - Time in Brazil.



Canadian Influences

- Three main local constraints:
 - Legislation;
 - Trade unions and collective agreements;
 - Labour market.



Reward Systems

– Rewards ‘battle’

- Healthcare benefits;
- Relocation benefits;
- Global Management Model:
 - Change to the Pension Plan: defined-benefit to defined-contribution;
 - Introduction of pay-for-performance.



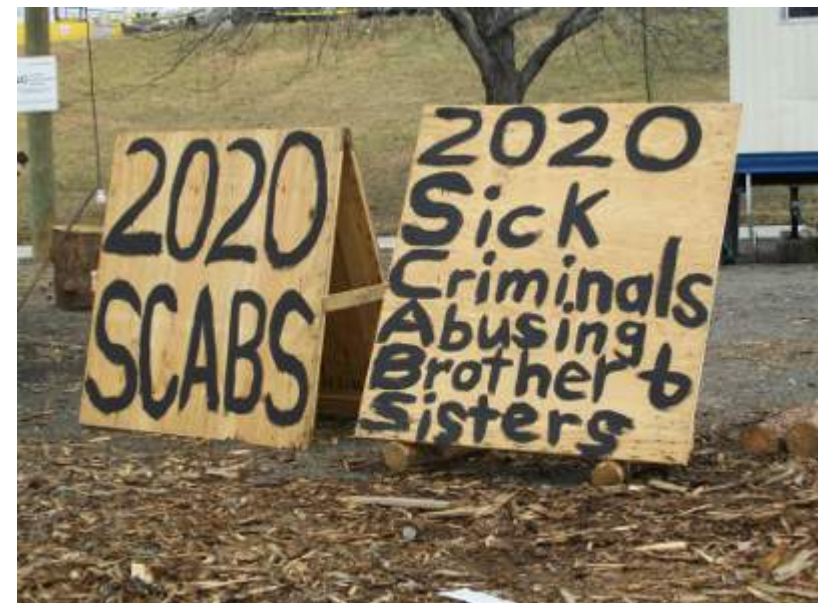
Rewards 'Battle' – 12-Month Strike

- The change would not reduce workers' remuneration;
- Workers objected to the way Brazilian management conducted the change process;
- Strike action: First time in 104 years the company used scabs;



Rewards 'Battle' – 12-Month Strike

- Scabs were persecuted by strikers;



Rewards 'Battle' – 12 Month Strike

- Signs of xenophobia.



“MiningCo is trying to import Brazilian third world standards, they are turning our plants and mines into Third World plantations” John Fera (President of USW) in the Sudbury Star

Pictures: Mining Metallurgy, The Star, USW, and Kingston Labour Concil.

Conclusion

- A priori, we expected Canadian practices to override MiningCo's employment practices, the evidence suggests:
 - Canadian 'influences', although significant, were largely ineffective in constraining MiningCo;
 - MiningCo used multiple forms of power to impose its will;
 - 'Best practices' were introduced unilaterally;
 - MiningCo's style of management is rooted in the home country's history and class structure;

- Hybrid Influences:
 - Brazilian style of management;
 - Dominance effect: practices developed and transported by US-based consultancy firms;
 - Hybrid influences = ‘US dominant economy influence’ and Brazilian unilateralism.
 - Peripheral influence from Canada.

