Multinationals, national business systems and employment practice

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Introduction

• much work on multinationals in past 10-15 years on conceptualising MNCs as operating across national business systems (NBSs)

Q: what do we now know about this?

Q: how do we go beyond what we know?

what are the challenges? what is the direction of travel?
The projects

- extended network of researchers on interlinked projects
  around 10 countries, 20 institutions

1. series of in-depth case studies of MNCs
   a. MNCs and the transfer of HR/ER practices across borders
   b. Multinationals and subnational regions
      role of local ‘governance actors’ in embedding MNCs in localities on basis of local institutional resources
The projects

2. large-scale surveys of MNC subsidiaries in 4 host countries

*Canada, Ireland, Spain, UK*

integrated dataset of 1,100 responses

survey extended to several other countries → future growth of dataset

*Mexico, Argentina, Denmark/Norway, Australia*

+ drawing conceptually on work of range of other scholars currently studying MNCs

*Elger & Smith, Kristensen/Zeitlin, Morgan, Birkinshaw, Bélanger et al....etc*
Where we are now

understanding of someDeterminants of HR/EP outcomes

• institutional factors: country of origin and how its influence is shaped/modified by interaction with different host regimes
  including mobilisation of institutional resources to pursue goals
  importance of coalitions and accommodations at local level, sometimes of management & workforce against wider MNC...

• MNC as ‘micropolitical space’ of diverse strategic interests, agendas and power resources

• influence of form of ‘integration’ of MNCs’ productive operations across countries
  influence of ‘value chains’ across MNC operations
  "mandates", i.e. global responsibilities for R&D or products on behalf of global firm
  degree of standardisation of products across borders
Where we are now

- influence of upstream on HR/EP outcomes strongly mediated by international **HR organisational structures**
  - global HR policy committees
  - forms of HR networking in MNC
  - sophisticated electronic info systems
  - mechanisms monitoring HR metrics in subsidiaries

these IHR structures exert strong and to some extent independent effects on HR outcomes

e.g. existence of performance appraisal systems, forms of reward
e.g. HQ control of HR policy in the subsidiary
Where we are now

→ i.e. lower level outcomes ‘partially nested’ in upstream strategic features of cross-border operational integration

[Edwards, Marginson, Ferner 2011]

suggests HR structures, and practices, have ‘relative autonomy’ from upstream strategic variables

→

important implications for MNC actors – managers, employees, representatives:

limits and possibilities of action and strategic choices
Beyond NBSs

BUT

• older NBS models increasingly inadequate for understanding behaviour of MNCs

• advances in conceptual understanding of nature of NBSs and their place in the global economy

→

challenges...
Beyond NBSs

1. relations of NBSs to global economic system
2. internal heterogeneity and dynamic change in NBSs
3. classification and characterisation of NBSs beyond CME vs. LME (Glenn Morgan)
4. power relations underlying operations across NBSs

→ MNCs as constructors of host institutions, not just adapters to them

implications of each for understanding EP/HR in MNCs
1. Interaction between NBSs and the global economic system

- tendency to compartmentalise NBSs and global integration of production into analytic ‘silos’
  
  → need to integrate, combining insights of comparative institutionalism, economic geography and GVC theory
  
  GVCs/GPNs should be seen as physically and institutionally ‘grounded’ in specific locations
  
  → governed by specific socio-political, institutional and cultural arrangements
1. Interaction between NBSs and the global economic system

MNC able to exploit institutional differences in construction of its ‘tangled webs of production circuits and networks’ (Dicken)

• draws competitive advantage from institutional resources in the parent and host locations

• geographical location of links in GV chains driven by need to access to skills/resources of particular institutional settings  

  *i.e. institutional variety is both constraint on MNC activity and opportunity for increasing efficiency of the production network*
2. Heterogeneity of NBSs

tendency, esp. in IB and IHRM, to exaggerate monolithic nature of NBSs

major sources of internal variation:

sectoral
Katz & Darbishire, Marginson & colleagues

geographical

subnational regions, localities
2. Heterogeneity of NBSs

issue of interrelationship of different institutional levels hardly begun to be addressed
nor how NBS relates to supranational levels

Q: what is the role of different levels?
Q: how does articulation between levels vary across business systems and within them?
2. Heterogeneity of NBSs

- **first order heterogeneity**
  genuine institutional diversity with rival models of business system rather than a single dominant NBS
  e.g. Italy: north, Mezzogiorno, terza Italia

- **second order heterogeneity**
  (partially) nested institutional levels
  e.g. provinces/regions/states embedded within federal national states
  often with devolved powers/responsibilities within overarching national framework
  e.g. Canadian provinces, Spanish comunidades autónomas

- **third order heterogeneity**
  variations within dominant model occupying underspecified ‘institutional voids’
  e.g. Silicon Valley, cooperatives in the US
  German-style training arrangements in TV film industry in London (Crouch et al.)
  institutional ‘micro-climates’ or localised institutional orders –
  how do MNCs engage with these?
2. Heterogeneity of NBSs

increasing significance of subnational institutional levels:
in context of globalisation, ‘competition state’ devolves supply side functions to lower institutional levels
global knowledge economy requires greater embeddedness of MNCs in local networks of skills, innovation, tacit knowledge generation, etc.

“flexible high skills ‘ecosystems’, involving MNCs, governance actors and other local firms in production networks”

[Almond 2011: 537]

Q: what is the space for such ‘micro-regimes’ within different kinds of NBS?
Q: how are they ‘articulated’ with other institutional levels?
Q: how do they act as a resource for MNCs to mobilise?
Q: who are relevant governance actors at subnational level with whom MNCs engage?
2. Heterogeneity of NBSs

• heterogeneity applies to models of HR/EP of MNCs from a given parent NBS

→ MNCs exhibit intra-model variation
e.g.
   US MNCs exert more HQ control over HR policy in subsidiaries than do
MNCs of other nationalities (survey dataset)
but US MNCs have wide range of scores → overlapping bell curves
N = 612 mean 3.66
2. Heterogeneity of NBSs

→ challenge to move beyond simplistic NBS depictions to understand intra-country variation

- of parent business system
- of host business system

need to investigate subnational variations in HR/EP accommodations
3. Refining the categorisation of NBSs

- greater understanding required of how MNCs engage with different kinds of NBS
- heuristic value of VoC framework but inadequacy of LME vs. CME distinction for characterising NBSs
  - significant differences between CMEs e.g. Germany & Japan
  - inadequate characterisations of wide range of NBSs not fitting LME/CME classification → proliferation of categories

‘Mediterranean’ NBS, Latin American HMEs (hierarchical market economies), eastern European DMEs (dependent market economies), etc.
3. Refining the categorisation of NBSs

• how do MNCs *interact* with each type?
  
  what *is the interplay* between host constraints & dominance effects in each?

  what *is the extent of institutional* ‘space’ in each?

  what *are the exploitable institutional resources in each for MNC competitiveness*?

• what dynamic of HR/EP emerges in each?
4. NBSs and power relations in MNCs

- MNCs practices cannot ‘be simply read off from a stylized account of national systems’ (Delbridge et al. 2011)
  - role of agency

- institutions made and remade through engagement of actors, incl. MNCs

- negotiation and cross-border organizational politics (‘micropolitics’) affect HR/EP in foreign subsidiaries
  - e.g. local management embedded in array of relationships incl. with unions & employee representatives
4. NBSs and power relations in MNCs

local institutional context provides power resources to MNC actors → influencing

- transfer of HR/EP across national-institutional borders
- how transferred practices are adapted to local institutional requirements
- how MNC embedded in local networks and ‘skills ecosystems’
- subsidiary’s role in wider MNC
4. NBSs and power relations in MNCs

• need to explore systematically

  relevant actors at different organisational levels?

  likely to differ depending on issue

  what are their interests?

  shifting alliances depending on issue

  what are their power resources and mode of
  operation?

  how do MNC actors mobilise institutional resources of the business system?

  what is the role of ‘ideological’ power resources, e.g. norms, values and cognitive
  frameworks in shaping action within the MNC?

  what are countervailing sources of power for workforce?

Can we use such an analysis to predict outcomes?

  e.g. in relation to transfer of practices, conflicts between workforce and MNC?
Conclusion

need to understand far better:
• the shifting relationship between national/subnational institutions and global circuits/ networks of production including MNC’s role beyond its own boundaries
• complex internal variety of institutional settings
• how structural constraints of host settings are influenced by *agency* of powerful actors like MNCs
  work of Crouch and others suggests constraints are more malleable and provisional than previously thought
• how micropolitics of MNC influences HR outcomes

methodological implications
first-order integration strategy
- fragmentation/integration of operations
- global product and technology mandates

second-order international business structures
- global product divisions, business functions

third-order international HR structures
- international HR policy bodies
- HR networking
- HR monitoring

HR outcomes substantive
- pay & performance systems
- employee representation

HR outcomes processual
HQ control of subsidiary policies
4. NBSs and power relations in MNCs

• extending power analysis beyond borders of the organisation

Hammer & others: how MNCs orchestrate global value chains within management functions including HR/ER

Implications for MNC as unit of analysis?

‘in a globalized setting, the firm as the unit of analysis has become outmoded as corporations have increasingly shifted to networked forms of organization’

[Delbridge, Hauptmeier & Sengupta]

an exaggeration? MNCs not *only* unit of analysis, but remain important

cf. existence of supranational institutions doesn’t make nation state outmoded as unit of analysis!
Power: the example of HR/EP transfer

- outcomes of transfer depend on relevant actors, interests & power resources, institutional ‘distance’ and dominance effects
  - full transfer with high ‘internalisation’
    - high HQ interest in transfer, low/med institutional distance, high dominance, high institutional space, high balance of HQ:subsidiary power resources
  - functional hybridisation, ‘metatransfer’
  - dysfunctional hybridisation
  - blocked transfer
  - pull diffusion (Meardi)
  - ceremonial/ritual compliance, low internalisation
  - reverse transfer
- increasing attention to non-managerial actors’ role in determining outcomes of transfer