Unravelling Home and Host Country Effects: An Investigation of the HR Policies of an American Multinational in Four European Countries

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Introduction

The issue of employment relations in the foreign operations of US-owned multinational corporations (MNCs) has attracted the attention of researchers for many years. The extensive literature has pointed to MNCs of American origin being more standardised, formalised and centralised in international policy making when compared with those of other nationalities (cf. Harzing 1999; Negandhi 1986; Young et al 1985; Yuen and Kee 1994). It has also indicated that US MNCs are particularly hostile to collective worker representation, and more likely to deploy HRM practices such as direct forms of employee involvement (cf. Dunning 1998; Enderwick 1985; for a review, see Edwards and Ferner 2002).

Within the industrial relations field, however, many such studies have lacked a clear theoretical framework. One approach to understanding the nature of employment relations in the foreign operations of US firms has been to compare them with either a sample of local firms or groups of MNCs from other countries, and to attribute residual differences to the 'American' influence (e.g. Buckley and Enderwick 1985; Innes and Morris 1995). While this 'residual approach' may be useful in establishing the distinctiveness of the industrial relations policies of American MNCs, it does not offer a way of explaining their behaviour. A different approach can be termed 'culturalist' in that the focus is primarily on the values and attitudes prevalent in the USA and the way that these shape the choices made by senior managers in determining employment practices. One variant of this approach is the use of Hofstede's (1980) dimensions of national cultures (e.g. Ngo et al 1998; Bae et al 1998). It is sometimes used in conjunction with the residual approach in that differences between groups of firms are ascribed to the influence of national cultures. However, this too does not provide an explanation for the home country influence since it simply begs a further question: why do particular sets of values and attitudes characterise a given country?

An alternative to such explanations is to conceptualise a national economy as a 'national business system', in which sets of interlocking structures and institutions in different spheres of economic activity combine to produce a nationally distinct way of organising economic activity (cf. Whitley 1992; 1999). The competencies of firms, as well as their economic behaviour, are thus seen as embedded within social, economic and political institutions at national level. In relation to MNCs, the business systems perspective leads to a focus on the ways in which institutions in the home country inform the behaviour of firms at the international level, and the way this may be modified to fit the institutional context of various host countries. This approach appears to provide a more promising basis than the cultural approach for explaining the home and host country influences that shape a multinational's approach to managing its workforce across borders, since it offers a way of understanding how prevalent values and attitudes become historically established, and potentially challenged over time.

If firms are embedded in national business systems, such that their strategic choices, including those in employment relations, are shaped by societal institutions, then it follows that MNCs should be seen as having ties to multiple countries, not only the system of the country from which they originate, but also those of the host societies in which they operate. In order to understand the dynamic interplay of these business system effects, it is therefore necessary to compare the behaviour of MNCs across different host country environments.

This paper is based on case study research into one large US MNC in the IT sector, code-named 'ITco'. In order to gain the fullest possible understanding of the dynamic interplay of the various 'embeddedness' effects, and how these relate to the wider decision-making process in a firm faced with rapid market change, fieldwork was undertaken in four host countries in Europe (Germany, Ireland, Spain and the UK), as well as at corporate headquarters in the USA and the European regional headquarters (see below for methodological details). This research should be interpreted as in-depth investigation into a 'critical case', in that it is a globalising firm, operating in increasingly unstable product markets, which because of the nature of its business, currently requires substantial numbers of workers in each country in order to service national markets. In examining the process of the management of human resources in this firm, and practice in the areas of collective industrial relations and pay and performance management, we show how the institutional configurations of the American business system have influenced its management style in employment relations, as well as how this has been adapted to operate in the business systems of the various host countries examined. The case illustrates the importance of adopting a dynamic conception of national business systems, and of being attentive to the multiple levels at which institutional forces influence management style in employment relations. Moreover, the changing structure of the business and its human resource management function, and the negotiation of outcomes at both subsidiary and European levels, strongly indicates that employment relations outcomes are not simply outputs of macro-level systemic factors (or indeed competitive factors), but are continually negotiated within the firm.

The paper is organised as follows. The first section outlines the specific interpretation of macro-level institutionalism used as the research framework for the paper. The following section discusses methodological issues, highlighting the value of the single 'critical case' approach adopted here, as well as specifying details of the empirical methodology. Some basic background data on the company is also provided. The findings of the research are divided into processual issues - taken here to mean the structure of the HR function, and the dynamic tension between centralisation and autonomy in the management of the firm – and the substantive issues of the management of collective industrial relations and pay and performance management. Finally, the discussion evaluates the relative weight and changing nature of embedded home and host country effects, within a context of the dynamic evolution of both home and host business systems, and links this macro-institutional approach with micro-level issues of control and authority.

Approaches to the analysis of employment relations in MNCs

This section outlines the institutionalist framework of analysis adopted in the paper. Before proceeding to this, however, it is worthwhile, given the continued predominance within the international HRM literature of 'culturalist' approaches, to explain why this paper does not follow this approach, and to outline our approach to culture.

This approach does not deny the potential impact of culture, in its broad sense, on HR outcomes. The 'cultural' predispositions of actors, particularly relatively powerful ones such as senior managers, socialised in different societies, may well have a significant impact on the way that MNCs operate. However, culturalist approaches are generally limited in explanatory power in that they take 'culture' as a given, and assume it has an effect on the choices taken by actors. In our view, in order to get to the roots of national distinctiveness it is necessary to assess where such 'cultural' predispositions emerge from, and to analyse, rather than assume, their impacts within the management of the MNC.

In fact, culture can be analysed within an institutionalist analysis. From an American neo-institutionalist perspective, for example, the cognitive and normative pillars of institutions (Di Maggio and Powell 1982) – referring, respectively, to widely shared social knowledge, and to the beliefs, assumptions and values held by the population – basically reflect the concept of 'culture' in different terms (for an application to MNCs, see Kostova and Roth 2002).

National business culture does not emerge from a simple aggregation of the individual preferences of the relevant population (Hofstede 1980) detached from the national institutional form of capitalism. Rather, individuals are embedded in a national societal system that shapes the nature of 'norms' in the employment relationship, and hence what are appropriate means of management. Given the power asymmetry within the employment relationship, the normative and cognitive understandings developed by employers and their managerial agents are likely to be significantly stronger influences on broad societal understandings of appropriateness than those of individual employees. Hence, *national* management culture is in itself shaped by the political economy of the relevant society.

A further complication is that culture does not merely exist at the national level. Of particular relevance here is the proposition that the cultural predispositions of MNC employees, and above all managers, are likely to be shaped by the MNC itself. While we may question the assumptions of organisational 'culture purists', who assume that values can be transmitted down the organisational hierarchy in a relatively straightforward manner (cf. for example, Deal and Kennedy 1982; Schein 1985; Hofstede 1991; see Collins 2000 for a critique), it must be acknowledged that firms generally, and perhaps MNCs particularly, do not govern their operations by a 'web of rules' alone, but also by the construction of a set of normative understandings as to what is appropriate or desirable behaviour. Not all individuals, even at senior management level, will buy into the thinking behind such corporate-level ideological constructions. Nevertheless, these constructions do act, in effect, as institutions, in that they cognitively and normatively shape the choices genuinely available to actors within the organisation.

In summary, the approach taken here does not deny the influence of culture. Our argument is that the preferences of key actors are shaped by cognitive and normative understandings emanating from distinct sets of institutions that condition the employment relationship. Consequently, when examining the choices available to MNCs in diverse societies, institutionalist approaches are likely to be of more utility than approaches that are limited to charting individual preferences without identifying their sources or their likely effect in shaping the scope of strategic choice.

Institutionalist approaches

In its simplest form, an institutionalist approach could focus on home and host country institutions and see the nature of employment relations within the foreign subsidiaries of MNCs as the result of calculation about how to balance these sets of influences. However, there are a number of factors that make the calculation of likely outcomes considerably more complex than a simple trade off between these two sets of factors. Edwards and Ferner (2002), for example, identify four influences on MNC behaviour, namely *country of origin effects*, *dominance effects, pressures for international integration,* and *host country effects*.

Country of origin effects refer to elements of the behaviour of MNCs which can be traced back to the characteristics of the national business system (NBS) from which the MNC originates; in other words, the interlocking relationships between societally constructed institutional forms in areas such as industrial relations, training and education, the welfare state, the nature of inter-firm and intra-firm coordination within the economy, the firm-level division of labour and of management roles, and the nature of corporate finance (Maurice et al 1986; Whitley 1992; 1999; Esping Andersen; Hall and Soskice 2001; Rubery 1994). There is controversy as to the extent to which such effects remain prevalent within globalising MNCs (for opposing views, see Hu 1992; Ohmae 1993). One strand of the literature claims that such 'transnational' corporations are no longer best viewed as hierarchies, with the home country headquarters at the apex and foreign operations as subordinate, but as networks of related affiliates (Nohria and Ghoshal 1997) or "heterarchies" (Hedlund), where managerial decision making is dispersed rather than concentrated, lateral linkages between subsidiaries are significant, and control is primarily exercised through normative integration (cf. Birkinshaw and Morrison 1995: 737).

Yet while many MNCs may operate internally as network organisations in the sense that decentralised networks connect among specific projects, creating patterns of shifting alliances and partnerships, based on the sharing of information (cf. Castells 2000: 11), very few fit Castell's stricter condition that "(B)y definition, a network has no centre" (*ibid*: 15), with dominance within the organisation shifting between groups according to their relative efficiency in absorbing and processing information. There are strong reasons why this situation is unlikely. Firstly, even the most globalised of MNCs are "national firms with international operations" (Hu 1992) in that they operate subsidiaries under a principal-agent relationship, with monitoring essential to achieve the goals of the corporation and satisfy the providers of capital. Significantly, the latter remain predominantly based in the country of origin (Doremus et al 1998) and control tends to be exerted by nationals of the home country; for example Ruigrok and van Tulder (1995) found that 25 of the 30 largest US MNCs had no foreign nationals on the board of directors. Moreover, it has been argued that the globalised nature of MNCs has been exaggerated, with activities, particularly strategic functions such as R&D, being disproportionately concentrated in the country of origin (Hirst and Thompson 1999; Pauly and Reich, 199?).

Turning to the specific nature of US country of origin effects on employment relations, research has repeatedly shown that US-owned MNCs are more likely than those from other countries to have relatively centralised and formalised systems of human resource and industrial relations management (cf. Ferner et al 2004). Effectively, US MNCs have tended to export the organisational forms and management methods that were established in the USA to serve continental-wide markets. They have thus introduced to other countries the multidivisional organisational form, with its division of management functions into distinct and highly specialised areas such as production, finance and personnel (Dunning 1998). Equally, the relative reluctance of US MNCs abroad to engage with systems of collective employee representation can be traced back to the particularly hostile relationship between capital and organised labour in the USA, as well as a more general opposition to state regulation of the employment relationship, both of which have strong socio-historical roots (cf. Jacoby 1997). It has also been argued that the strong market-based norms behind the employment relationship in the USA have led to US firms being keen to export systems of performance appraisal and performance-related pay (Muller 1999), and that the effects of the civil rights movement and anti-discrimination legislation in the USA have led US MNCs to adopt relatively strong formal policies on ‘diversity’, which are often exported overseas, such that the managers of foreign subsidiaries are assessed against diversity targets (Ferner 2003: 93).

The concept of *dominance effects* refers to the idea that dominant or hegemonic states are able to exert organisational, political and technological influences that invite dissemination and adoption around the global capitalist system. For instance, there is substantial evidence that in the post-war era, there were widespread state-sponsored and voluntary initiatives within subsidiaries of US MNCs to diffuse American managerial and production techniques in Western Europe (Dunning 1998; for further discussion see Clark 19xx on “governance”; Djelic 19xx on “exporting”; Carew 1987). At the level of the firm, dominance effects create an incentive on the part of actors in firms in countries that are not dominant to emulate the practices that they perceive to contribute to the success of firms in dominant countries. Conversely, firms that originate in dominant countries have an incentive to take advantage of what they see as the factors that give rise to the economic strength of the country of origin by ‘exporting’ key practices to their foreign subsidiaries.

Dominance effects are implicitly reflected in the international HRM literature via reference to both ‘ethnocentric’ and ‘geocentric’ (Perlmutter, 1969) approaches to international HRM. In the case of the former, the extensive literature concerned with the IR and HR practices in the foreign subsidiaries of American and Japanese MNCs was governed by the notion that we might expect both groups of firms to transfer many aspects of the home country system since they have acted as representatives of 'dominant' economic systems. In relation to the latter, a smaller body of work examines the implications of geocentric mindsets driving global integration through the diffusion and standardisation of HR practices that are not necessarily parent-driven. One strand of this work has considered the notion of 'reverse diffusion' in which practices originating in the foreign subsidiaries are incorporated into global HR policies (e.g. Edwards and Ferner, 2004).

International management specialists have made much of increased *pressures for international integration* within MNCs (Prahalad and Doz 1987; Ghoshal and Bartlett 1998; Adler and Ghadar 1990). This may be attributed to reduced cross-national differences in consumer tastes, the deregulation of product markets and the reduction of tariff barriers, making it more feasible for MNCs to achieve synergies between their subsidiaries (Edwards and Ferner 2002). Much of this literature posits that pressures for international integration of operations, and consequently of HR, are likely to be high where: other MNCs represent a large proportion of the customer base, leading to coordination of pricing, service and support worldwide; global competition is prevalent; firms have high fixed costs in R&D; production is capital and technologically intensive; under cost reduction strategies; and where there is a universal product (Prahalad and Doz 1987). Hence, the extent of these pressures will vary by sector and product market.

In addition to global integration, many MNCs face the pressure of presenting a unified face to regionally integrated markets, and consequently seek to achieve a degree of international integration within regions. Since these pressures are particularly strong within the European Union – given the freedom from formal barriers to trade, the harmonisation of competition rules, and some, albeit limited, supra-national development of industrial and social policy (cf. Marginson 2000) - we might expect the European HQ of a globalising US MNC to have assumed a greater degree of influence over employment relations, thus complicating the relationship between home and host countries.

Finally, *host business systems* vary in terms of how 'open' they are, making them more or less amenable to external management styles (cf. Whitley 2001). In other words, the scope for home country based 'innovation', taken here to mean practices that are unfamiliar in the host context, may be related to the degree and embeddedness of national regulation, such that 'innovation' in this sense may be easier in less actively regulated business and employment systems. However, as is increasingly recognised among American industrial relations academics investigating the 'high performance' paradigm, institutions may be resources as well as constraints, meaning that high value-added resources may well be located in high-skilled and highly-regulated economies. Host country effects do not only capture, as is sometimes implicitly assumed, the constraining influences of legislation or of national collective bargaining and representation structures, but also incorporate the societally-informed rationality of host country managers, as reflected in our earlier discussion on culture (see also Broad 1994, Wächter and Müller-Camen 2001).

The strength of host country effects does not only depend on the cohesiveness of its institutions. The degree to which national economies are dependent on foreign MNCs varies considerably from country to country, even within the EU. Where this level of dependence is high, one might expect foreign MNCs to have a substantial collective impact on the nature of the business system, as is the case, for example, in Ireland (Gunnigle et al 2003). Moreover, the impact of host country effects on a given MNC will depend on its degree of ‘locational flexibility’. Where the MNC can produce credible threats of re-location to more lightly-regulated or lower cost countries, or simply choose to operate in business systems which are of a similar nature to that of the home country, the impact of host country effects may be reduced. This degree of locational flexibility varies by product market, and wholesale relocation is much more difficult to achieve in the service sector generally, although as the case material will show, there is substantial and increasing room for manoeuvre at the margin.

Towards a dynamic, multi-level institutionalist analysis

The section above gives considerable emphasis to the notion that economic actors, and hence the HR and general business strategic decisions of firms are strongly embedded in national business systems (cf. Whitley 1992; 1999). Research starting from such premises has often been criticised for its inability to deal adequately with changes to national business systems themselves (Michon 1992; Almond and Rubery 2000). It is necessary, therefore, to recognise that national level institutions, and the national business systems of which they are a component part, alter over time, with powerful actors within the system contesting the nature of the system in order to pursue their own goals. It is beyond the scope of this paper to analyse how national business systems evolve. For the micro-level analysis here, however, it is necessary to be aware that national business systems do change, altering the rationality of actors within them. Indeed, one reason for undertaking micro-level qualitative research is to help establish to what extent apparent changes to national business systems, such as the widely documented development of the ‘shareholder value’ model of corporate finance in the USA, have on the rationality of actors and on choices made.

Equally, macro-institutionalist approaches risk attaching too much emphasis to extra-firm institutions, and too little to organisational politics at different levels within the firm. Hence, while the institutional configurations within which the wider firm is embedded are likely to structure the nature of employment relations across different units, actors at all levels of the organisation will always retain at least some scope to pursue aims and goals of their own. Even where actors at corporate level issue explicit guidelines or edicts, these may sometimes be circumvented. Lower level actors may also possess resources which afford them some power in their relationships with higher levels of management; the power to interpret the ‘host country effect’ is one of these. There is, of course, a wealth of evidence from the organisational sociology literature on the space that actors possess within institutional constraints. For example, in a classic study of the nature of bureaucracy in two French public sector organisations, Crozier (1964: 189) argues that even those actors in low positions within a hierarchy operate with a degree of autonomy:

> There is always some possibility of play within the framework delimited by the rules, and therefore dependence relations and bargaining are never completely suppressed. … (R)ules cannot take care of everything and management must rely on workers support and must therefore bargain for it.

Such processes of the negotiation of order are naturally rendered all the more complex in multi-layered international firms. In the case of outcomes within the foreign subsidiaries of MNCs, they cannot simply be read off from a broad understanding of host country business systems, but are the result of various actors, with different power resources, negotiating what the nature of such host country effects actually are.

Hence, the approach taken in the current research seeks to identify country of origin, dominance, integration and host country effects within one highly complex MNC, but avoids simply reading these off from a consideration of structural or institutional factors. We emphasise that each group of potential effects varies across time and space, both in response to external economic and macro-institutional change, and to the sub-micro strategies adopted by actors at various levels of the organisation. We also stress the inter-related nature of the four influences in the framework. For example, in small economies that are the recipients of considerable amounts of FDI from one particular country, as is the case with Ireland and American FDI, the country of origin effects may have influenced the host business system to such an extent that they have become subsumed into host country effects.

Methodology

The data analysed in the paper are drawn from a three-year case-study of a large US-based multinational in the IT sector (referred to as ITco), which has formed part of a broader programme of research into the HRM policies and practices of US MNCs within the EU. The key issue underpinning the research concerns the dynamics of the relationship between home country, host countries and globalising pressures in order to investigate whether MNCs with US origins can be said to be peculiarly ‘American’ in this respect. This research programme has involved collaboration between teams of researchers in the UK, Germany, Spain and Ireland, with the four teams working to common objectives and studying the same firms as far as possible.

The firm’s markets have changed considerably in recent years. Whereas some years ago the IT industry was dominated by hardware suppliers, the sector is now seen as broken up into sub-sectors, with most firms striving to find a niche in which they have a degree of monopolistic power. For instance, the manufacturing of micro-chips is dominated by Intel and the development of operating system software by Microsoft. Our case study company has a number of business divisions, including the manufacturing of a range of products, but the fastest growing division is IT services in which the firm maintains and upgrades the IT systems of other firms on a subcontracted basis.

The concentration on a single case study can be criticised. For instance, it can be argued that case studies are difficult to replicate and do not allow empirical generalisations to be made. However, such criticism can be countered by arguing that case studies allow analytical connections between social processes. This method can uncover patterns and practices that were previously undocumented but subsequently turn out to be widespread. Perhaps most fundamentally, single case studies can be ‘critical cases’ in that they provide particularly interesting conditions in which to explore a phenomenon (Edwards *et al*,. 1994: 9). For example, if a phenomenon is not found in ‘its most likely setting’ then it is unlikely to be found in other less conducive settings (e.g. Belanger et al., 1999) . A further crucial advantage of a single case study is that it allows resources to be concentrated in a particular firm, thereby extending the depth of the analysis and facilitating a greater range of concrete examples to be elaborated upon.

The background to ITco makes it a particularly interesting one in which to investigate the issues at the heart of this paper. In the US, ITco is a classic ‘welfare capitalist’ firm (Jacoby, 1997): there has been a distinctive and lasting influence from the founding family; historically, a strong internal labour market was linked to very high job security and very low turnover; pay is still seen as relatively good and the company pioneered a range of fringe benefits, such as sickness and holiday pay; and management exhibits an ideological antipathy to unions. While this welfare capitalist approach has been challenged in recent years by the internationalisation of product markets and the evolution of ~~the~~ financial markets, its heritage remains evident. Crucially, implementing such a management style internationally is likely to be considerably more difficult in the more regulated economies studied than in the UK and Ireland. Since the company has significant operations in every country in Europe, it is not the case that it has simply avoided those national systems which present particular institutional barriers to its preferred way of managing labour. The company can, therefore, be seen as a ‘critical case’ of exploring home country effects in quite different host country environments.

The host countries are interesting for the variety of labour market institutions they exhibit. Germany is the most highly regulated of the four, with the complementary role of unions and works councils clearly codified. This not only constrains a multinational’s approach to employee representation but also requires companies to negotiate the introduction of practices in a range of areas. Spain also has regulations concerning employee representation at firm level, but representative bodies tend to be weaker than in Germany both in terms of their formal powers and their influence in practice. The Spanish labour market more generally has undergone a phase of deregulation in recent years, particularly affecting the ease with which firms can lay off workers. The UK and Ireland are much more deregulated than the other two countries, with much weaker structures of employee representation, and therefore provide interesting contrasts. They are also major bases for US MNCs in Europe. The UK is the recipient of around a quarter of US FDI into Europe, while it is estimated that FDI stock from U.S. firms amounts to $3,000 per head of population in Ireland, as compared to $2,000 in Britain, $500 in Germany and France, and $200 in Spain (cf. the *Economist* 1997, OECD, 2000).

The research design allowed the national research teams to choose to examine the part of the company which has most significance within their country. For instance, in Ireland, manufacturing is by some way the biggest division in terms of employment and this is where fieldwork was conducted. In the UK, by contrast, the IT services division has grown markedly in recent years, so it was this division that was the focus of the study. While this approach does not enable us to compare identical operations across countries, it has the advantage that it enables us to examine issues of great significance in each country, and to relate these to features of the national business system in question. Moreover, given that ITco’s operations are highly stratified across countries in that the nature of the activities performed varies from country to country, comparing identical operations would be extremely difficult, sometimes impossible.

The particular focus of the fieldwork was on both processual and substantive issues. In relation to the former, the research considered the extent to which the international HR policies of ITco were embedded in the US business system, and the relative influence of, and relations between, corporate, European, divisional and national levels of management within the firm. There were two principal substantive issues: pay and performance management, and employee representation. We might expect the strength of local 'isomorphic' pressures – that is, the need for MNCs to adapt their practices so that they operate effectively in different countries – to vary across these two issues. Specifically, pay and performance management systems, particularly for managerial and professional staff, are likely to be less subject to local isomorphic pressures than the nature of employee representation. Moreover, both of these issues are key elements of the 'welfare capitalist' model that ITco typifies and are, therefore, issues over which we might expect the HQ to exert a significant degree of influence.

The paper draws on data from six countries in total. Fieldwork has taken place at the corporate HQ in the USA, at the European HQ and in each of the four main countries in which the research teams are based. We also draw on data from France – a country where a strong tradition of state regulation of the workplace presents significant constraints on management, at least in the areas of restructuring and formal collective representation – though the extent and depth of these data are not comparable to the four principal countries. For understandable practical reasons, most studies of MNCs have been focused in either the home country or in one particular host country. The former type of case study is not well placed to judge how international policies are implemented in practice; the latter, on the other hand, does not enable an evaluation to be made of how much of what is observed is specific to that particular country. Our focus on multiple levels and countries gets round these problems.

The primary method of gathering data has been the in-depth interview. Interviewing followed a common template across the various countries such as the locus and mechanisms of HR decision making, the organisation of the HR function locally and cross-nationally (including its link with business planning systems), and the detail of practices in the two substantive areas of employment practice identified above. This common approach did not prevent interviewers using their discretion in adding questions appropriate to the particular national context or to the particular type and level of respondent concerned. In total, the case study comprised 55?check? interviews.

The amount of data collected varied between countries. Nevertheless, the comparability of the data across these countries stems from the core interviews with senior HR staff in all of the four main countries. These were the interviews for which close collaboration between the research teams took place. In addition to these interviews, the national teams conducted additional research which varied according to access, resources and the extent of publicly information. Overall, the study of ITco provides extensive data with which to draw a cross-national comparison of a 'critical case' across quite different national systems. While it is of course only one company, and the extent of our data varied across countries, we are well positioned to try and 'unravel home and host country effects'.

Key findings

The findings from the case study are presented in two principal sections. The first examines the nature of central influence over the European subsidiaries through a consideration of the complex business structures in place and how these have changed over time. The second assesses the evidence relating to whether this is a distinctive embedded American influence over collective employment relations and the management of pay and performance.

HR Processes and Structure

One striking aspect of the coordination of HR policy across countries in ITco is the way in which the extent of central influence has shifted over time. Until the 1980s the company was characterised by a number of global policies issued by the corporate HQ which national managers were expected to implement. Some limited room was afforded for these to be adapted to the demands of the various national systems in which the firm operated, and country HR and other senior national managers were accountable to those at corporate level to this effect. During the late 1980s the firm moved away from this highly centralised approach, allowing more influence to national level management to develop policies that suited their local circumstances. However, this tendency was reversed in the early 1990s, and there has followed a period during which strong coordination of HR policies between countries has been re-established. This takes place within a matrix structure consisting of geographical regions (North America, Europe/Middle East/Africa, Asia Pacific, etc) and the product-based business units.

This re-establishment of strong central control has run alongside a change in the operating principles of the subsidiary HR function. ITco has moved from a classic MNC structure with national HR managers responsible for affairs in their subsidiary, to a regional European structure, with responsibilities divided into functions (compensation, recruitment, etc.) reporting to a European head. Hence, the region has become the predominant level in most areas of HR policy, with the exception being the employee relations function, which was kept at the national level given the inevitability of relations with collective labour in most continental European countries. The European HR Director is now seen by most of our respondents as having a much more influential role in policy development than hitherto. Alongside this, there has been a marked reduction in HR staff at national levels, particularly due to the introduction of a phone-based service centre operating from the UK, fielding basic HR-related enquiries from across Europe. Staff numbers in the Spanish HR function, for example, fell by 50 per cent immediately following the introduction of the service centre. It was also evident that national HR directors no longer have the influential positions they once did, though there was some variation in this respect; compared with their UK counterpart, the German and French HR Directors continued to play key roles in operating the complex and highly regulated systems of representation and bargaining in place in these two countries.

At divisional level, meanwhile, HR specialists have been re-labelled “Business Partners”, acting as internal consultants who operate in conjunction with line managers in one of the divisions, often with responsibility for a number of countries within that division. Consequently, it is difficult to characterise this group as being part of a national HR function.

Our interviews confirmed that corporate HQ had a strong preference for uniformity globally. One quote, from an Irish employee relations specialist, summarises a fairly common feeling across subsidiary managers; "The US would like everyone to do everything the same across the world. I think that's an American thing, not just an ITco thing". The Spanish respondents also felt that regionalisation was a new form of centralisation: "By now real power is in (European HQ). The local Country Manager works to assure that local efforts are in line to achieve the corporate and business divisions' strategies" (Finance Director, Spain). The centralising tendency in HR policy is perhaps best summarised by the Spanish HR Director.

> In HR still we have three diverse types of practices, the identical ones, the similar ones and the different ones; however the homogenisation tendency is very clear. We still have the three kinds of practice because we come from the opposite side (polycentric approach) and the inertia and local customs have an important influence. Those identical practices are the ones without any legal implications in Spain...It's just a matter of time before we'll only have identical and similar HR policies and practices

However, subsidiary managers do see some advantages to dealing with a European, rather than corporate, headquarters due to the greater level of appreciation of managers at the former level of intra-regional differences, allowing for greater flexibility, "because within Europe everything is so different, employment law, contracts (of employment). They (regional HQ) are a lot more used to having to flex things in (Europe). Yes they will have to justify to the States, but they understand easier" (employee relations specialist, Ireland).

There is also some evidence that national subsidiaries retain the capacity to develop strategies which are to some degree autonomous of corporate approaches. This can occur in the area of HR policy itself. For instance, within the German employment system, initial vocational training is of paramount importance. As budgets have become more important than headcounts in HR planning, the German subsidiary has to justify this investment in terms of profitability and expenses. One way to do this is to sell it as a local way to achieve the corporation's aim to build a highly qualified workforce; "we have to discuss very intensively every year within the scope of planning the vocational training, how to implement quantity and quality and how to defend the investment in the corporation" (German HR manager). More broadly, national subsidiary managers are aware of the possibility of re-location of some facilities, and attempt to develop country-specific strategies to defend and develop corporate investment in their host countries, often related to competitive advantage in terms of HR. For example, much of the employment growth in ITco and other US MNCs in Ireland has mainly been in the manufacturing area, the country being initially attractive as a location for FDI as having a relatively lightly regulated employment system, a favourable fiscal system, and low labour costs compared to its EU competitors. Recent economic growth in Ireland, wage inflation and labour shortages, and the expansion of the EU endangers this position. Irish management is attempting to address this problem:

> We are at the moment close to 60 percent manufacturing dependent. Our strategy is to get that down to maybe 30 percent over three or four years on the basis that the jobs they are doing now will not be sustainable or competitive in this environment. We have to find ways of moving up the food chain (Country Manager, Ireland)

Despite the oscillation of central influence over time, the growing influence of regions and divisions, and the moves by national level managers to retain an influential role within the company qualify the picture of central control in ITco, a distinctive influence from the corporate HQ on employment relations was still evident in the company, something that shows up in a number of respects. For example, while the precise design and operation of the service centre was left to regional managers, the model was based on an earlier innovation in the US. Moreover, the region was expected to work within the constraints of global policies in most areas, particularly performance management, while many regional HR managers worked closely with their corporate counterparts, particularly on issues that had clear international elements such as the management of international assignments. The influence of corporate HQ also shows up in the operation of policies in the two substantive areas of HR/IR considered in this paper.

Industrial Relations

The impact of the home country shows up very clearly in the area of employee representation. The welfare capitalist, American roots of the firm in Europe are evident through a strong preference for avoiding unions wherever possible. While this does not take the form of a central policy, the parent company's wishes are communicated unambiguously to managers in all of the countries we examined.

One historical example of the strength of feeling on this issue can be found in the UK subsidiary. During the 1970s, unions were pushing to recruit members and succeeded in using the quasi-statutory union recognition procedure that was in place at the time to force the issue. British managers campaigned hard against recognition, stressing the paternalistic side of the company; one of those involved in the managerial campaign reported that managers had told the workforce that "you're joining ITco, ITco look after you from cradle to grave". Another tactic was to stress that the existing company council did the job of representation effectively and there was no need for an 'outside' influence. These tactics worked, and workers voted by a large majority against union recognition. A senior manager who had been involved in the company's campaign described the "halo effect" that they had enjoyed for some time following this victory in the eyes of corporate HQ:

> So we were heroes to the States. Here was this system, this great system that was the creation of (the founding family), this was the system being tested. So we had letters of congratulation, "wonderful achievement", "shows the system works". It was a vindication that had never been attained before, because there had been no vote on the ITco system (retired UK HR Director)

Hence, the corporate industrial relations philosophy of ITco is clear. That this remains the case was underlined by our respondents. The following quotation from an HR Business Partner in Ireland, on dealing with grievances, is typical.

> It has happened (that a group of employees have come to discuss an issue collectively). We would diffuse the situation and deal with each one (of the employees) one-by-one, each person one-by-one. That's typical ITco practice. We don't deal with collectives.

The historic means of retaining non-union status, or of restricting collective influence in more institutionalised systems, remain to some extent present. Paying above market rates, open door policies and a good working environment were mentioned by a variety of respondents, and seen, particularly by Irish respondents, as being in place specifically to forestall attempts at union organisation. However, the picture is necessarily more complex than this. Most fundamentally, there are industrial relations systems in which simple union avoidance is not an option. Moreover, some of the basic tenets of sophisticated paternalism are hard to operate in changed circumstances, given a combination of more competitive product markets and increased shareholder pressures for short-term results.

A good illustration of these pressures is ITco's response to the German industrial relations system. Until the early 1990s, ITco was covered by the sectoral collective agreement of the metal industry. However, as the company was restructured in the early 1990s, new business units were formed for the growing service sector elements of the firm's business. In Germany, these business units were legally independent, and did not join the employers' association, although managers deny that the avoidance was a motive for the legal split. Works councilors forced management to negotiate a company-level agreement, although this was with a more moderate trade union based in the service sector. This agreement, which now covers the majority of ITco's German workforce, is unlike the company-based agreements in some larger German firms such as Volkswagen (Jurgens, 2002), in that it only specifies minimum rather than actual terms and conditions. The implication of this is that each formally independent business unit can negotiate its own terms and conditions with its works council. The most important substantive aspect of the company agreement was a general increase in the working week from 36 to 38 hours, with significant flexibility to impose longer hours. More recently, the service sector union has agreed to negotiate jointly with the more established metal working union within ITco. However, this has not been accepted by ITco management.

In Spain, while applying the terms of sectoral negotiation is compulsory, HR managers explained that they did not want to engage in any national or sectoral collective bargaining institutions and processes. They consider the collective agreements of compulsory application in their different legal entities as mere legislation to be fulfilled:

> This is unavoidable. Our approach is not to deal within the different collective bargaining processes. Your margin to manoeuvre there is very limited, at the end all companies share the same basic rules of the game. So why spend your time and resources there? Our strategy is to avoid the limits of the collective agreements by the introduction of our own practices and policies...Pay in the top quartile of the market, that is always more than the dictates of the collective agreement, is one of the best strategies (HR Director, Spain)

The approach of disengagement from sectoral bargaining is not universal, however, and decisions on how to tackle national bargaining systems seem to be devolved to the national level. For example, the French HR Director has a significant role in the negotiation of the sectoral agreement in metalworking. The contrast here with the German approach can probably be explained on two fronts: firstly, the impact of the sectoral agreement on firm-level practice is less marked in France than in Germany; second, unions in France are not primarily organised on a sectoral basis, firms of any size are inevitably covered by one or other sectoral agreement, and attempts to change which sector a company falls under provoke significant union resistance.

In addition to collective bargaining systems, German and Spanish managers also have to operate, at least in principle, with systems of workplace representation. Here, the approach taken varies with the strength of the institutions. ITco complies with the German co-determination system, and it is generally seen in a relatively positive light by German managers:

> One advantage of co-determination is certainly that issues are being discussed intensively and you give it quite some thought before putting it into practice. Sometimes it takes more time before you implement it, but if you put it into practice it works better. (German HR manager)

However, a senior works councilor suggested that centralisation and more short-term change within the corporation makes life more difficult for employee representatives:

> It has changed insofar that we bargained directly with the German management more often in the past, whereas today is (something missing here) has to be synchronised at least with (European HQ) or even with (corporate HQ) to bring harmonisation effects ... into accordance with these national requirements. The (working conditions) have become more difficult in the way that in the past we had sufficient time for discussion. This has been shortened drastically because in many countries managerial decisions can be executed directly and do not have to be negotiated with the works council.

In ITco Spain, however, where works councils are significantly weaker, the managerial approach is much less compliant. Where management and works councils fail to agree, managers sometimes decide to implement a change in any case, and wait to see whether the works council challenges the move in a labour court. In practice, this rarely happens, underlining the malleability of institutional forms of employee representation in ITco in Spain.

There is some evidence that national differences in negotiation and representation have had some substantive impact. For example, in Germany, a workforce reduction of 40 percent in the early 1990s was achieved without compulsory redundancies [*Phil…Ireland had a similar experience though smaller in scale where a particular product line was phased out and the people re-deployed to other Itco operations in Ireland..I can get you a quote if you need one*]. As with other companies in Germany, voluntary early retirement and redeployment was the preferred method, supported by the works council. As budgets were more important at ITco than headcount, an unpaid increase in weekly working hours as a result of the new company collective bargaining agreement was used by German managers to argue that half of the labour cost reduction requested had already been achieved.

Furthermore, Spanish, UK and Irish managers all indicated that the firm's previous policy of employment security is no longer in place (*Phil, I don't think this is strictly true….rather what came across from our interviews was the perception that Itco's commitment to job security had lessened over the years*) . The following quotation is typical.

> Since (the 1990s) it is not correct to talk of the old, traditional ITco culture. This corporate culture doesn't exist anymore. Jobs for life here? If the bottom-line goes really well, yes, jobs for life for the correct performers...if not everybody knows what happened in the past (HR Partner, Spain) – *not really clear*

Yet, according to the HR manager and the works councilor interviewed, ITco Germany still follows an employment security policy. The main change with the past is that a specific job position is no longer guaranteed. Various training programmes and initiatives have been deployed to increase the long-run flexibility of employees, alongside a clause in the company collective agreement which grants employees a right to training. As a result of redeployment combined with natural wastage, ITco did not have to dismiss employees in the latest round of cost savings.

Meanwhile, there is virtually no evidence of any form of collective employee representation or union presence in Ireland. The same statement was also true in the UK until recently, but the need to enter the outsourcing market has to some extent weakened the non-union ethos. This is partly because the operations ITco is taking over often have high union membership (interestingly, in Spain, where the same pattern emerged, this was one stated reason for splitting the legal identity of the various divisions). While this has not transformed the general picture of a predominantly non-union operation in the UK it has to some extent eroded it. As one respondent put it:

> What has happened of course is ITco UK is intent on staying non-union and what has happened of course since they've brought people in from other companies and they've brought in trade unions, and they've been willing to do that. *Now that would not have happened, certainly it could never have happened easily* ... (in the past). The company believed ... that people couldn't get a better deal with trade unions .... It didn't really want to encourage an independent force. Then suddenly this gets pushes to one side by market conditions, because it would be quite difficult to service a number of companies unless you took in their labour force, and their labour force was already trade unionised anyway (retired HR Director, UK)

The above quotation, indicating that ITco UK would previously have turned down business rather than work with unions, illustrates how strongly attached the UK subsidiary was to the corporate ideology. However, the current challenge to the foundations of the anti-union philosophy in the UK is more serious than a move towards market-led pragmatism in decisions about service provision. The outsourcing business, unlike ITco's previous core businesses, is highly competitive, and ITco does not have market dominance. Cost-cutting pressures are strong (in particular, the cutting of shift allowances has raised strong collective grievances), and the nature of work and skills is to a far greater extent industry-specific than firm-specific. The logic of the internal labour market, on which ITco's welfare capitalist model has been based, is much weakened, as has the capacity to offer above-market wages and offer substantial job security. This has the effects both of weakening the firm's preoccupation with union avoidance, and of weakening employees' commitment to the company, and strengthening their perceived need for union protection. Significantly, contracting in of employees onto ITco contracts inevitably impedes the operation of some HR practices, such as highly selective recruitment policies, and complicates the operation of the performance appraisal system.

In addition, the whole issue of transferred contracts is a significant source of grievance both for existing ITco employees, who perceive less competent employees being given many of the benefits of long-standing employees, and to many of the transferred employees, who perceive themselves as suffering from a lack of career opportunities in the wider organisation and an effective cap on wage increases.

However, at the same time as the company and employee bulwarks against unions are weakening in the outsourcing operations, another factor is weakening the structural basis of viable unionism there, namely the international mobility of outsourcing work. This is a relatively new phenomenon for ITco's service sector employees, and while

ITco is likely to require significant numbers of employees in each country for the foreseeable future, the threat of relocating work operates as a constraint on collective organisation and an implicit threat for employees wishing to unionise.

Pay and performance management

Whereas the corporate approach to industrial relations is better described as a philosophy than a policy, with adaptations to national necessities, the global approach to pay and performance management is an area with very tight central control. The over-riding aim of uniformity is evidenced by the fact that the corporation's policies in this area have been legally challenged in more than one European country.

The global policy in this area can be divided into several components. Firstly, in the area of job grading, ITco changed its system radically in the 1990s. Until then the corporation relied on a very detailed 'job post' based system, historically typical of larger US firms (Marsden 1999), that was administered by compensation managers. This included over 5,000 positions that were allocated to 24 salary grades. At that time a new system was introduced that relied on just three factors (skills, job scope and leadership) and 10 broad bands. Responsibility for assigning employees to bands was devolved to line managers, with national targets for the percentage of employees in each band. The UK respondents in particular emphasized the links between these broad bands and globally established "career paths" governing the internal labour market. The grading system operates more or less uniformly across our four countries, although there is some works council involvement in the allocation of individuals to bands in the German subsidiary.

The company's system of performance appraisal is uniform globally for all employees, and based on performance against agreed objectives under a number of broad foci, namely how the individual contributes to ITco's overall strategies, how the individual performs relative to defined goals, and how the team or group engages to achieve the goals or strategy. Managers across Europe agree that this system, which replaced a much more detailed performance matrix, was a European initiative, although opinions differ as to whether it originated in the UK or Germany. In any case, it is clear that the performance review process is seen as critically important in ITco, reflecting a strong performance-driven culture linked to performance metrics at individual, department/team and plant/unit level.

In terms of the determination of pay, the system is based on a forced distribution with defined percentages of the payroll increase for each category of performers. Managers are "actively required" to place only 10 to 15 per cent of their subordinates in the highest category 'A', 60 to 70 per cent in 'B', 10 to 28 per cent in 'C' and 2 to 5 per cent in 'D'. The highest performers receive 1.5 to 2 times the average salary increase, B employees the average, those in category C 0.6 times the average and those in 'D' must not receive any increase. The same appraisal process also partly determines the distribution of the average bonus. This can reach 10 per cent of annual salaries, is determined by profitability and turnover growth, and is shared according to the performance category in which an individual is placed.

This form of linking pay to performance was evident in all the countries. The company's principle that the lowest performers should not receive a salary increase is translated into practice relatively easily in some countries such as the UK and Ireland, in that there are no significant regulatory barriers to its operation. There was, however, some evidence that the practice of the forced distribution was not followed uniformly in the UK, with some line managers and units apparently disagreeing with the principle of 'forcing' and not applying the system.

In the German operations, operating a forced distribution with affects on pay requires considerable finessing of the industrial relations system. Indeed, for ITco Germany, the establishment of the pay and performance system, was a significant reason for leaving the system of sectoral bargaining: The metalworking agreement in practice determines about 90 per cent of merit increases, so that only 10 per cent is left for individual incentives. Another barrier to the company's pay and performance management system in Germany is that base pay is the subject of collective bargaining, which produces an across the board increase. However, following agreement on this with the union, the company agreed a 'wage matrix' with the works council which links pay to performance. For those employees exhibiting poor performance, the collectively agreed wage increase is consolidated into basic pay; however, as the total level of pay is generally above the minimum agreed in firm-level bargaining, the company is able to reduce additional forms of remuneration to ensure that poor performers do not gain.

Given the publicity surrounding the General Electric model of 'culling' the lowest performers in a forced distribution (ref) and the potential difficulties in applying such a system in some European employment systems, we explored whether there were consequences for the poorest performers beyond the issue of pay. This is potentially a problem in a European context because by definition a forced distribution does not necessarily identify employees who are failing to conform to the requirements of their job, but merely compares performance against other employees. In other words, forced distribution, when used to make decisions on employment security, is dependent on the principle of *employment at will*, which is not present in European employment systems.

A number of respondents tended to stress the efforts taken to ensure that poor performance was rectified. For instance, a senior German works councilor stated:

> ...there is a very small amount of employees every year who do not participate in the development of salaries. In these cases there are, and this is agreed upon, measures in order to lead those (under-performing employees) back to performance. And if they perform, they will participate in the next increase in salary. These are measures such as further training, coaching, transfer etc. And within this system you can make up a missed salary increase in a very short time

In the German case, there is a collective bargaining side-agreement which foresees training for employees who did not receive an increase. Equally, in the Irish operations where there is no collective employee influence, managers stressed efforts to rectify poor performance:

> I suppose if you took it that there's a likelihood that this 10 per cent population in the low, very low bracket, we would have an expectation of ourselves that we would turn 7 per cent of them around and have them performing at least the middle of the road by the end of any given year. (Business Partner, Ireland).

However, the implications for those with repeated poor performance were clear:

> The ones that don't move would be managed out. Now that would be a very small amount of people across the board (Business Partner, Ireland).
>
> I think if you got a four, the next thing would be your P45 (termination of employment form). I suppose in that situation, your manager would definitely be telling you before the event if you were going to be a four (Employee, Ireland).

In ITco Spain the consequences of being in the lowest part of the forced distribution are similar to those in Germany, with the significant difference that the Spanish subsidiary does not deal with unions in relation to this matter. If after extensive training the lowest performers are not able to change their marks over a maximum of two years, they are "invited" to leave the company, but receive a compensation which is usually over the legal minimum in order to avoid union conflict. The UK situation is similar to the Irish case. However, one important contingent factor is that while core employment in ITco Ireland has grown significantly recently, the ITco UK has been prone to restructuring and downsizing. It was acknowledged by managers that performance ratings were used to identify candidates for redundancy during these periods.

The latter policy is of uncertain legal validity in many European states, and has been challenged in the French labour court. A policy of quotas for employees deemed incompetent which is aimed at making job cuts and which circumvents the statutory procedures involved in economic redundancies, constitutes a misuse of an assessment procedure under French law. While the use of forced distributions to determine wage increases is common in France, its use to determine job competence is not legally valid as the system does not use an objective definition of what constitutes acceptable performance. This led to the policy being adapted to the French system.

Conclusion

The findings in the paper support the notion of a dynamic, multi-level version of institutionalist analysis as a way of understanding the management of labour across borders within MNCs: it is dynamic in that business systems evolve over time, altering the rationalities of actors embedded in these systems; and it is multi-level in that we emphasise the importance of the interaction between extra-firm institutions and intra-firm processes at a number of different levels. Thus we have shown that this is more than simply a story of a firm responding to a turbulent market environment; institutional pressures and intra-firm political processes are key elements in the way that MNCs operate. This interaction can be understood within the framework of 'four key influences' described above.

The first three of these worked together to lead the firm towards an internationally standardised approach to managing labour across borders, strongly influenced by American norms. Corporate strategy was clearly based on an attempt to build internationally integrated businesses with the capability to serve international customers, something that had knock-on effects in downstream functions like HR. A more specific driver of standardised HR policies was a desire to develop a cadre of internationally mobile staff. The nature of these internationally integrated policies is significantly influenced by the country of origin effect, something that shows up in a number of ways. The strong influence from the corporate centre is itself a trait of American MNCs, as is the tendency to make radical shifts in business strategy (Ferner et al., 2004; Hall and Soskice, 2001). The 'welfare capitalist' tradition is further evidence of American traits showing through at the international level, while the way in which this has been eroded by the pressures of globalisation and the push for 'shareholder value' is part of a wider pattern in the US business system (O'Sullivan, 2000). Perhaps the most striking evidence of a country-of-origin effect was the deep-rooted ideological antipathy to collectivism. While they are more difficult to measure, it is also plausible to argue that 'dominance effects' have played their part in shaping the company's approach. The reassertion of control from the HQ in the 1990s coincided with the renewal of the American 'dominance' or 'hegemony' after two decades in which the German and Japanese economies had appeared to be performing more strongly. More specifically, the IT sector became increasingly dominated by American firms in this period, thereby providing a supportive context for corporate policies that are modelled on home country operations.

The findings also demonstrate the way that these influences vary over time: generally speaking, the pressures towards building internationally integrated operations have grown in recent years; the strength of the country of origin effect has fluctuated markedly in ITco over the last three decades or so; and the nature of dominance effects also shifts with variations in comparative economic performance and also with prevailing economic orthodoxies. Thus the analysis supports a dynamic conception of how MNCs are influenced by economic conditions and institutional configurations.

Our analysis has also demonstrated that there are significant barriers to the combined push for uniform policies based mainly on home country lines. Host country effects have taken the form of the need to engage in systems of collective bargaining and accept workplace representation in Germany, France and Spain, and to be more tolerant towards representation in the UK. However, a central theme of the findings from all the countries has been the 'malleability' of host country systems. The tendency for managers in Spain to overrule the views of the workplace representatives and risk a legal challenge which rarely materialises is one illustration of this, while the opting out of the metalworking collective agreement in Germany so that the firm can deal with a more moderate union is another.

Evidently, institutional influences leave a degree of 'social space' that organisational actors can exploit. Institutional forces shape, but do not determine, the way that MNCs function. Since different groups of actors will look to advance different agendas and interests, the logical outcome is that organisational politics are a key feature of the way that international HR policies are formed and operationalised. As we have seen, organisational politics and institutional forces interact at a number of different levels: the nature of international institutions and the distinctiveness of the domestic business system are central influences over the orientation of senior managers; specialised knowledge of the key institutions that govern economic activity in a particular country represents one source of power that one group of managers can use to their advantage in dealing with groups in other countries; and within workplaces and business units, actors have some room for manoeuvre to operate corporate policies in ways that were not intended by the creators of the policies. Therefore, institutional pressures should be seen as operating at a number of different levels within MNCs, providing support for our notion of the need for a multi-level analysis.

Overall, we have developed an analytical framework that has national level institutions at its core, but one that is also sensitive to the way in which institutions evolve over time and to the way that they interact with the agency of organisational actors at a range of levels. This provides a richer understanding of how firms such as ITco manage their international workforces than accounts which adopt a predominantly static view of culture or those that rely solely on the market environment.

The case study data utilised in this paper are not without their limitations, of course, meaning that some important questions could not be addressed, three of which we discuss here. First, the case study covers four principal and one supplementary countries and, while these encompass quite different institutional frameworks, they are all developed market economies. This raises the question of what the situation is in the firm's operations in developing countries. It is possible that the scale of the cultural or institutional 'distance' between the US and, say, African countries means that there is less attempt to transfer practices to sites in these locations. Alternatively, the lack of any concerted attempt to push standardised practices to these locations may reflect the role that these sites play as low-cost production sites, with management seeing little incentive to transfer those practices deployed for workers in developing countries. A third possibility is that transfer does occur but that the adjustments and clashes with host business systems will be greater.

Second, by only looking at subsidiaries in Europe the data do not position us to address the question of how the roles of various regional levels of management differ. We have demonstrated that the European level has become an increasingly important axis within the firm, but is the same true of Asia Pacific for example? Might we expect the regional management structure in the Asia Pacific region to be more or less influential than its European counterpart? One possibility is that the peculiarities of the business systems in the region, and their differences from the American business system, make regional managers crucial intermediaries between the parent firm and the national markets in the region. Another possibility, however, is that the low-cost, and hence low status, nature of the operations in the region makes them dispensable, thereby putting management in a weak position.

Third, by adopting a single case study method we cannot address the potential role of corporate characteristics in mediating the influence of institutional pressures leading to variations between MNCs in how these effects are played out at firm and site level. It is inevitable that studies in MNCs in other sectors, of different vintage and size, pursuing different strategies, adopting different modes of entry and from different countries of origin would produce findings at variance with those presented here. Full discussions of this issue and the other two discussed above have to be left to future research.

Appendix: Interviews

The vast majority of the interviews were carried out by two or more members of the research team and some were conducted by members of different national teams. Indeed, the national research teams regularly exchanged information during the study. Interviews were carried out with a range of respondents: many of these were in the HR function; some were in other managerial functions, such as the head of a business unit; and some were non-managerial employees. The interviews were semi-structured, were carried out with company permission on site, were conducted in the respondents' native language and were fully transcribed and analysed using QSR N5 software.

The Interviews

Country	HR	Other Mgt	Employees	Total
UK	4	1	12	17
Ireland				17
Spain				6
Germany	2	0	3*	5
France	1			1
Euro HQ	7	-	-	7
Corporate HQ	4	-	-	4
Total				57

*employee representatives

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