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Making the Most of Diversity.
Social Interaction and Variation in Employment Practices in a
Multinational Company

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**Making the Most of Diversity.
Social Interaction and Variation in Employment Practices
in a Multinational Company**

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Venujem mojej rodine

Table of Contents

List of Figures	v
List of Abbreviations	vii
Acknowledgements	ix

Chapter 1

Introduction	1
1.1 Defining the multinational company and its context	4
1.2 Current debates on multinationals' employment practices	5
1.3 Research questions	8
1.4 The argument	9
1.5 Outline of chapters	10

Chapter 2

Paving the way to workplace employment practices: Theoretical perspectives on social interaction between multinationals and other actors	11
2.1 Theoretical approaches to company behavior	12
2.1.1 Microeconomic theory – rational choice approach	13
2.1.2 Discretionary behavior and negotiation	14
2.1.3 Structural contingency theory	15
2.1.4 Resource dependence theory	16
2.1.5 Summary and evaluation	17
2.2 Assumptions on behavior and social interaction	18
2.3 Micro-foundations of multinationals' behavior and social interaction in shaping employment practices	20
2.3.1 Actors and their attributes	20
2.3.2 Social interaction channels – analytical framework	23
2.3.3 Forms of social interaction	27
2.3.4 Effects on employment practices	29
2.4 Conclusions	32

Chapter 3

Social interaction in a multinational company's reality: Operationalization and research design	35
3.1 The case study of Electra	35
3.1.1 Electra and its subsidiaries in Western and Eastern Europe	38
3.1.2 Employment practices	41
3.2 Unit of analysis	42
3.3 Social interaction channels: an operationalization	43
3.3.1 Electra headquarters and subsidiaries	43
3.3.2 Interaction between Electra's sister subsidiaries	44
3.3.3 Electra and the local society	44

3.3.4	Management-workforce interaction in the subsidiaries	45
3.3.5	Electra and employee representatives	46
3.3.6	International trade union interaction and the European works council	48
3.4	Research methods	49
3.4.1	Qualitative comparative approach	49
3.4.2	Social interaction in a game-theoretical perspective	52
3.5	Conclusions	53

Chapter 4

Who rules the multinational company?

Corporate interests, headquarter-subsidiary interaction and effects on subsidiary behavior 55

4.1	Electra's past legacy and current challenges	56
4.1.1	Administrative heritage	56
4.1.2	Developments in organization, strategy and human resource management	59
4.2	Internal and external forces shaping Electra's organization and behavior	61
4.3	Interaction between headquarters and Electra factories	64
4.3.1	Production planning	65
4.3.2	Employment issues	67
4.4	Interaction between Electra's sister factories	72
4.5	Analysis of interaction within Electra	73
4.6	Conclusions	75

Chapter 5

Committed to being local?

Electra, the local society and hard employment practices in Western and Eastern European workplaces 77

5.1	Behind the gates: Electra factories and local conditions	77
5.2	Electra's social interaction with the local society	82
5.2.1	Labor market actors	82
5.2.2	Municipalities and local governments	84
5.2.3	Citizens, media and other local actors	86
5.3	Committed to being local?	88
5.4	Hard employment practices in local conditions: wages and collective bargaining	90
5.5	Hard employment practices in local conditions: employment flexibility	93
5.5.1	Numerical flexibility	94
5.5.2	External flexibility	95
5.5.3	Internal flexibility	97
5.5.4	Functional flexibility	99
5.5.5	Summary	100
5.6	Benefiting from local conditions: why variation in wages and flexibility?	102

5.7	Conclusions	104
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Chapter 6

Soft employment practices in Electra's Western and Eastern European workplaces		107
6.1	Human resource management and employment practices across Europe	107
6.2	Organization and work systems in Electra factories	109
6.3	Management-worker interaction in Electra factories	115
6.3.1	Formal and informal relations	115
6.3.2	Workplace communication	117
6.4	Motivation, worker empowerment and participation in Electra's decision-making	119
6.4.1	Evidence from the factories	119
6.4.2	Effects on productivity and performance	122
6.5	Social rewards and fringe benefits	124
6.6	Analyzing social interaction between Electra's management and the local workforce	127
6.6.1	Forms of workplace interaction	127
6.6.2	Electra's soft employment practices and local standards	129
6.7	Conclusions	130

Chapter 7

From bargaining to dancing: Workplace industrial relations and involvement of trade unions and works councils in Electra's employment practices		133
7.1	Organization and current trends in industrial relations: Electra and industrial relations systems in Western and Eastern Europe	134
7.1.1	Electra and country-level industrial relations systems	136
7.1.2	Workplace interaction between Electra, trade unions and works councils	140
7.2	Negotiating employment flexibility practices with local trade unions	145
7.3	Analyzing social interaction between Electra and workplace employee representatives	151
7.4	Conclusions	156

Chapter 8

Two faces of international trade union interaction and the European Works Council		159
8.1	International trade union cooperation within and beyond European Works Councils: overview of evidence	160
8.2	East-West trade union interaction in Europe: a country-level perspective	163
8.3	East-West trade union interaction in Electra: a company-level perspective	166

8.4	Institutionalized international interaction: Electra's European Works Council	170
8.4.1	Formal functioning: the management's extended hand?	171
8.4.2	Informal functioning: between friendships and antagonism	173
8.4.3	The European Works Council of Electra versus trade unions	174
8.5	Analysis: two faces of international interaction of trade unions	175
8.6	Conclusions	178
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Chapter 9		
Understanding the role of multinational companies and social interaction in variation in workplace employment practices		181
9.1	Dissertation theme and approach	181
9.2	Summary of research findings	184
9.3	Revisiting research questions	185
9.3.1	Where is the variation in employment practices?	186
9.3.2	Why does variation exist?	189
9.4	Unfolding social interaction in a multinational company: the case of Electra	193
9.4.1	Interaction forms	194
9.4.2	Complementarities in interaction forms and their sustainability for variation in employment practices	198
9.4.3	Externalities of the multinational company's behavior	201
9.5	Additional reflections on theory	202
9.6	Future research agenda	203
<hr/>		
Appendix: List of interviews		207
Bibliography		219
Samenvatting (Summary in Dutch)		233

List of Figures

Chapter 2

Figure 2.1	Theoretical approaches to company behavior	13
Figure 2.2	Analytical framework – channels of social interaction	24

Chapter 3

Figure 3.1	Structure of employment in Electra	36
Figure 3.2	Electra's organizational structure	37
Figure 3.3	Electra's television factories in Europe	39
Figure 3.4	Dimensions of Electra's interaction with unions and works councils	47
Figure 3.5	Interview structure	50

Chapter 5

Figure 5.1	Employment in Electra factories	78
Figure 5.2	Electra's local embeddedness	89
Figure 5.3	Numerical flexibility	94
Figure 5.4	External flexibility	95
Figure 5.5	Internal flexibility	97
Figure 5.6	Variation from local employment flexibility practices	101

Chapter 6

Figure 6.1	Work systems	109
Figure 6.2	Work systems in Electra factories	114
Figure 6.3	Performance appraisals and performance-related pay	120
Figure 6.4	Practices of employment participation	122
Figure 6.5	Social rewards and fringe benefits	126

Chapter 7

Figure 7.1	Industrial relations structure and Electra's practices in host countries	136
Figure 7.2	Trade unions and works councils in Electra factories	141
Figure 7.3	Evaluation of trade union involvement in employment issues	149
Figure 7.4	A non-regional divide in interaction	150
Figure 7.5	Interpretation of interaction: Electra Brugge	151
Figure 7.6	Interpretation of interaction: Electra Dreux	152
Figure 7.7	Interpretation of interaction: Electra Kwidzyn	153
Figure 7.8	Interpretation of interaction: Electra Székesfehérvár	154

Chapter 8

Figure 8.1	International trade union interaction	176
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Chapter 9

Figure 9.1	Variation in employment practices	186
Figure 9.2	Social interaction channels and forms	199

List of Abbreviations

ABVV	Algemeen Belgisch Vakverbond (General Belgian Federation of Trade Unions)
ACLVB	Algemene Centrale der Liberale Vakbonden van België (General Organization of Liberal Trade Unions of Belgium)
ACV	Algemeen Christelijk Vakverbond (Confederation of Christian Trade Unions in Belgium)
ASZSZ	Autonóm Szakszervezetek Szövetsége (Federation of Independent Trade Unions, Hungary)
BBTK	Bond der Bedienden, Technici en Kaders van België (Trade Union of White Collar and Technical Employees of Belgium)
BG	Business Group
BLMB	Vlaamse Dienst voor Arbeidsbemiddeling (Brugge Labor Market Board)
CEE	Central and Eastern Europe
CEO	Chief Executive Officer
CFDT	Confédération Française Démocratique du Travail (French Democratic Confederation of Labor)
CFTC	Confédération Française des Travailleurs Chrétiens (French Confederation of Christian Workers)
CFE – CGC	Confédération Française de l'Encadrement – Confédération Générale des Cadres (Confederation of Professional Trade Unions, France)
CGT	Confédération Générale du Travail (General Confederation of Labor, France)
CGT – FO	Confédération Générale du Travail - Force Ouvrière (General Confederation of Labor - Workers' Force, France)
CNV	Christelijk Nationaal Vakverbond (Christian National Trade Union Confederation, the Netherlands)
CRT	Cathode Ray Tube
EEF	European Electra Forum
EES	Employee Engagement Survey
EIRO	European Industrial Relations Observatory
EMEA	Europe, Middle East and Africa
EMF	European Metalworkers' Federation
EMS	Employee Motivation Survey
ESZT	Értelmiségi Szakszervezeti Tömörülés (Trade Union Federation of Intellectuals, Hungary)
EU	European Union
ETUC	European Trade Union Confederation
EWC	European Works Council
FNV	Federatie Nederlandse Vakbeweging (Federation of the Dutch Trade Union Movement)
FZZ	Forum Związków Zawodowych (Forum of Trade Unions, Poland)
HENT	Home Entertainment
HRM	Human Resource Management
ICFTU	International Confederation of Free Trade Unions
KLMB	Powiatowy Urząd Pracy (Kwidzyn Labor Market Board)
LIGA	Független Szakszervezetek Demokratikus Ligája (Democratic League of Independent Trade Unions, Hungary)

LBC – NVK	Landelijke Bedienden Centrale - Nationaal Verbond voor Kaderpersoneel (National Federation of White-Collar Workers, Belgium)
MEDU	Magyar Elektronikai Dolgozók Uniója (Trade Union of Hungarian Employees in Electronics)
MNC	Multinational Company
MOSZ	Munkástanácsok Országos Szövetsége (National Federation of Works Councils, Hungary)
MSZOSZ	Magyar Szakszervezetek Országos Szövetsége (National Confederation of Hungarian Trade Unions)
NO	National Organization
OPZZ	Ogólnopolskie Porozumienie Związków Zawodowych (All-Polish Federation of Trade Unions)
PD	Product Division
SCM	Supply Chain Management
SLMB	Munkaügyi Központ (Székesfehérvár Labor Market Board)
Solidarność	Niezależny Samorządny Związek Zawodowy Solidarność (Independent Trade Union Solidarity, Poland)
SZEF	Szakszervezetek Együttműködési Fóruma (Forum for Trade Union Cooperation, Hungary)
Vasas	Vasas Szakszervezeti Szövetség (Trade Union Organization of Metalworkers, Hungary)
TUAC	Trade Union Advisory Committee to the Organization for Economic Cooperation and Development (OECD)
VHP	Vakbond van Hoger Personeel (Trade Union of Higher Grade Personnel, the Netherlands)
WE	Western Europe

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Bonn, July 2007

Chapter 1

Introduction

The 1990s were a turbulent period for most people in former socialist countries in Central and Eastern Europe (CEE). Political and economic changes after the fall of state socialism had wide ranging consequences for the lives and careers of individuals. To capture the essence of these early transition years and conditions in Hungary, Pál Schiffer produced the documentary film, *Breaking Points (Törésvonalak, 1996)*. The film recalls the everyday struggles of the unemployed and their families, as well as the economic stagnation of the city of Székesfehérvár, which used to be one of Hungary's most industrialized cities. The conditions in this region, however, soon changed – when the Western multinational companies (MNCs) came.

After several MNCs settled in Székesfehérvár, the lives of many people changed due to new employment opportunities. Employment was rising again and Székesfehérvár was among the most rapidly developing industrial parks in the world. Soon it became clear that the success of the MNCs presence depended on the mutual interaction of the MNCs and the local workforce, trade unions, local employers, other MNCs, the local government, and the local society. The MNCs had to adapt to local conditions, labor market situations, and working habits in their new Hungarian location. At the same time, the firms started to significantly shape the local employment standards with a growing diversity of organizational practices and working conditions. In consequence, local people had to adapt to *Western* management styles and employment practices that were not common in Székesfehérvár before. Some MNCs offered above average working conditions. But others seemingly wanted to exploit cheap labor in Hungary without the intention of becoming attached to this particular location and concerned with local people's careers and personal wellbeing.

In general, the Székesfehérvár case is a success story for both the locals and the MNCs. After 15 years, the city is flourishing and unemployment dropped to 4.9 percent. The foreign-owned factories belong to highly efficient subsidiaries within multinational organizational structures. One can learn from this example that the responsiveness of the MNCs to particular local conditions, and the openness of local authorities and people to MNC practices, is central to economic success. In other words, interests of MNCs and locals, and the social interaction between transnational and local actors, certainly contribute to a functioning local economy.

There are many places and situations in Europe and in the world where MNC subsidiaries interact with local conditions and actors. How do MNCs manage the diversity of local conditions? Why behave similarly vis-à-vis the local actors, and why treat workers

differently in different host countries? Do differences in labor legislation and labor market conditions fully explain differences in MNCs' employment practices across countries? Do MNCs foster employment practices according to a universal strategy, or are they eager to maintain and further generate diverse practices in different countries? What factors inform their strategies? How do the relationships that arise between the MNCs and local employees, trade unions, local governments, and other actors influence universal company strategies and managerial behavior in employment issues? And finally, does MNC behavior and interaction with host-country organizations and individuals lead to a convergence in employment practices in different countries?

Answering some of the above questions is the aim of this dissertation. First, the study uncovers variation in workplace employment practices in four subsidiaries of a Dutch MNC in Western and Eastern Europe. Second, it questions the interest of the MNC to overcome or to maintain such variation and the factors that inform MNC behavior. Third, the dissertation evaluates whether and how social relations that the MNC develops with subsidiary workforce, trade unions, and other local actors produces cross-country convergence of employment practices.

An in-depth insight in company practices and interaction with local actors is not possible without a detailed qualitative study of a particular company. Whereas survey evidence can provide extensive information on existing practices and MNC organization, it is not sufficient to understand the company's internal functioning, the factors informing particular decisions, and the reasons why certain employment practices exist and how they are maintained. Therefore, the dissertation builds on qualitative case study evidence of a single MNC. This is the Dutch MNC, Electra¹, which is one of the pioneers of foreign employer presence in Székesfehérvár. Bartlett/Ghoshal (2002) characterized Electra as an MNC with decentralized, self-sufficient operations and a portfolio of independent businesses that aim to exploit local conditions. In line with its decentralized organizational structure, Electra has a long established responsiveness (in employment practices) to particular host country conditions. However, recent changes in business brought intensive coordination of production, research, development, and sales. Electra's subsidiaries are no longer independent of their headquarters. It is thus interesting to study whether the MNC maintains its locally embedded human resource management (HRM) and how the company's social interactions with host-country actors evolve under the pressure of convergence in business issues.

For a comparative study of Electra's employment practices I selected four subsidiaries producing televisions and home entertainment products in Western Europe (Brugge in Belgium and Dreux in France) and in CEE (Kwidzyn in Poland and Székesfehérvár in Hungary). The similarity of subsidiaries in products, production seasonality, and involvement of headquarters in employment issues – and at the same time their different locations – offered a suitable research design.

¹ The access to this company has been given under the condition of referring to the company's name by a pseudonym. I have therefore chosen to refer to the MNC by the pseudonym Electra. Unlike the MNC's name, the names of product divisions and places where headquarters and subsidiaries are located are real.

To understand Electra's behavior related to employment practices at the subsidiary level, it is necessary to follow the consistency of behavior at several organizational levels and the interaction with selected actors that are external to the company but do influence employment practices. Therefore, I study Electra's behavior and social interaction at several analytical levels: the corporate level, the intra-firm level (interaction between headquarters and subsidiaries and the transposing of corporate values and business interests into subsidiary behavior), the subsidiary level (interaction between subsidiary managers and workers, trade unions, and the local society), and the transnational level of social interaction of employee representatives (trade unions and the European Works Council - EWC).

The dissertation provides original and nuanced empirical evidence on two sets of Electra's employment practices in an East-West European context. *Hard* employment practices, namely wages and employment flexibility, relate to the management of labor costs. *Soft* employment practices refer to relations between workers and managers, their communication, and to workers' motivation and fringe benefits. These intend to build favorable working conditions and uncovering workers' creativity and commitment to the company within given labor costs and thus hard employment practices.

Evidence on hard and soft employment practices stretches beyond documenting their diffusion from headquarters and their adaptation to local conditions. Uncovering what employment practices Electra deploys across Western Europe (WE) and in CEE and what factors inform company decisions is relevant for our theoretical understanding of the role of micro-level agency in shaping or eventually harmonizing working conditions in the European Union (EU). Empirical knowledge of MNC strategies and behavior in this respect has potentially wide-ranging consequences for company success in global markets, for regional development in the EU, for the organization of interest representation on the side of employees, and for the quality of life of people working for MNCs.

The theoretical contribution of this dissertation is its attempt to understand how economic rationality in MNC behavior interacts with the company's values and its social and institutional environment. Assumed in mainstream theories of company behavior is the rationality of undertaken actions, producing company profits and efficient deployment of labor resources. The dissertation does not challenge rationality in MNC behavior but stresses its contextualization and endogeneity. I take a closer look at *how* rational MNC behavior takes place and how it is influenced by factors seemingly unrelated to business goals. In particular, I study company values, social relationships, and trust between the MNC and external actors.

The remaining sections of this chapter introduce the dissertation's subject in greater detail. First, I present basic definitions and contextual information on MNCs and Western and Eastern Europe. Next, I locate the dissertation's theoretical standpoint in the current literature on MNCs' employment practices and formulate research questions. The chapter concludes with outlining the main argument and the content of the subsequent chapters.

1.1 Defining the multinational company and its context

How does one define a multinational company? This question has produced a number of definitions. Companies whose operations cross national borders have been defined as transnational, international, multinational, and global. The simplest definition is that a MNC is a company controlling and managing subsidiaries in at least two countries (Caves 1995). These subsidiaries are linked by common ownership, a common pool of resources, and a common corporate strategy (Vernon/Wells 1981). Their strategy derives from combining ethnocentric, geocentric or polycentric interests in organization and behavior (Perlmutter 1969: 12). In this dissertation I use the term *multinational* company according to the above definition, despite the existence of more nuanced definitions. For example, Bartlett/Ghoshal (2002) define a multinational company as an organization consisting of decentralized and nationally self-sufficient subsidiaries, whereas more integrated organizational forms are labeled transnational, global, or international companies. My aim is not to identify which of these forms best describes Electra and therefore I use the term MNC without studying in greater detail the company's potential to become transnational, global, or international.

MNCs are sometimes held responsible for convergence in employment standards between different countries because of their transnational activities and their potential ability to challenge the existence of national practices and laws (Rubery/Grimshaw 2003; Berger/Dore 1996). However, the fact that MNCs are simultaneously present in several countries does not provide enough evidence to verify the MNC's role in driving convergence of employment practices. To evaluate the trend of convergence, it is necessary to study MNC behavior and employment practices over a period of time in different conditions. This dissertation does not offer a time analysis of employment practices, and therefore is not able to evaluate the actual process of employment practices becoming more similar or remaining different between Western Europe and CEE. Instead, I compare the current state of employment practices in four Electra subsidiaries and analyze the preconditions or prospects for their convergence or persistent variation.

Employment practices refer to the formal and informal organization of work in MNC subsidiaries; or, in other words to, practices involving the use of labor resources. Throughout the chapters, I use the terms employment practices, work practices, and human resource management (HRM) practices interchangeably. Employment practices are a broad category, and may vary not only between countries, but also between groups of workers. For example, administrative employees are likely to be motivated differently than manual workers. If manual workers work in shifts, their working hours vary more than the hours of administrative employees. Another example of differing practices is the career opportunities, which may also differ for workers working along the production line and employees in the field of management or product development. Thus, deployed employment practices should be attentive to such differences.

In the next chapters I selectively focus on employment practices of production workers, called also manual or blue-collar workers. These constitute the largest piece of

the labor force in Electra's factories. Production workers are central for the actual production process and the output of the studied factories. As opposed to knowledge workers whose work tasks are related to development, administration, and management, production workers use predominantly their manual skills.

The regions in which I investigate Electra's employment practices are Western Europe and CEE. MNCs have been successfully operating in CEE for over a decade. Many studies have investigated whether they export home-country organizational practices to CEE (Meardi 2006; Bohle/Greskovits 2004; Danis 2003; Whitley et al. 1997). Knowledge on MNC practices across West and East and the transposition of practices from one region to the other is relevant because Western Europe and CEE show distinct economic and institutional conditions. This is obvious in terms of differing business environments, unemployment levels, industrial relations, and the position of trade unions, established work patterns, and effective motivation practices (Kohl/Platzer 2004; Michailova 2003; Danis 2003; Meardi 2002; Sagie/Koslowsky 2000; Whitley et al. 1997). For example, a strong collective representation of worker interests and a collective spirit among Western workers is not as evident in CEE, where workplace competition and the use of performance-related pay are more common (Whitley et al. 1997). In CEE, probably as a result of economic hardship and unemployment since 1989, people value their jobs and are willing to accept lower pay and worse employment conditions than workers in Western workplaces (Kahancová 2006). Next, employers in CEE enjoy large autonomy in determining their employment practices (Meardi 2006; Bohle/Greskovits 2004; Whitley et al. 1997). Therefore, CEE is a region that is more liberal on company practices and a more market-driven institutional context compared to Western Europe. Of course differences exist also between countries *within* Western Europe and CEE, but these are not as apparent as the differences between the two regions (c.f. European Commission 2004; Visser 2001; Streeck 1997c). The empirical chapters reveal whether Electra is taking advantage of these differences, adapting to local standards, and thus contributing to a persistent variation between Western Europe and CEE in employment practices.

1.2 Current debates on multinationals' employment practices

How does the dissertation's theme complement or contest the existing debates on MNCs and convergence in employment practices? The most prominent debate in the existing literature is the debate on convergence of national systems of business and employment standards. The question is whether MNC activities throughout the world make these companies the agents of change in convergence of employment practices (Berger/Dore 1996). One stream of argument is that increased competition, technological advancement, and liberalization of trade and capital movements will lead to convergence in business organization structure and institutions in national political economies (Womack/Jones 1991; Kerr et al. 1962; Tinbergen 1959). An implication of this argument for individual companies is that they will seek *best practice* and attempt to diffuse it in different host

country conditions. Liberalization of trade and capital movements extend the playground for best practice seeking (Rubery/Grimshaw 2003).

The alternative stream of scholarship stresses persistent variation instead of convergence. The arguments are rooted in new institutional economics (North 1991) and in varieties of capitalism (Hall/Soskice 2001; Katz/Darbishire 2000; Hollingsworth/Boyer 1999; Albert 1993; Streeck 1992; Dore 1991). According to this literature, different institutional settings are able to provide efficient and optimal performance of economies. As an outcome, no convergence is expected, because MNCs will adapt to local standards instead of deploying best practices in varying conditions.

Within these two broad lines of thought, the literature explicitly focusing on MNCs studied the transfer and diffusion of business strategies, technology, and employment practices between MNC headquarters and subsidiaries in different host countries. Arguments range from convergence in management styles under the influence of the MNC's home country (Dickmann 2003; Harzing/Sorge 2003; Tüselmann/McDonald/Heise 2003; Ferner/Quintanilla 1998; Ferner 1997), adaptation of practices to local conditions reflecting on local societal effects (Bartlett/Ghoshal 2002; Maurice/Sorge 2000), or the development of a global approach to employment issues (Geppert/Williams/Matten 2003; Bartlett/Ghoshal 2002). To make a long story short, the large body of MNC literature can be clustered in three distinct ways of conceptualizing behavior relevant for employment practices and their cross-country convergence or variation.

First, MNCs are classified according to efforts in diffusing employment practices (and thus fostering convergence), or adapting them to local host-country conditions (and thus contributing to cross-country variation). MNCs are seen as innovators, adaptors, or reverse diffusers (Ferner/Varul 2000; Marginson 1992). In innovator MNCs, employment practices are diffused from the company's center to foreign subsidiaries. Adaptor MNCs are companies that prefer a decentralized approach to employment practices. Instead of diffusing common policies from the center they prefer adaptation to host-country conditions. Reverse diffusion takes place if employment practices originating in subsidiaries are transferred back to the MNC's home country settings (Tüselmann/McDonald/Heise 2001; Ferner/Varul 2000; Edwards 1998).

Second, the literature has questioned the reasons for diffusion or adaptation of employment practices. The focus has been on structural, institutional, political and cultural influences on the MNC (Maurice/Sorge 2000; Edwards/Rees/Collier 1999; Ferner/Quintanilla 1998). These shape the extent to which MNC employment practices will resemble corporate (or home-country), or local (host-country) traditions (Edwards/Rees/Collier 1999; Rosenzweig/Nohria 1994). Among institutional influences, the most frequently discussed are isomorphic pressures on MNC subsidiaries originating both in the corporate and in the local environment (Ferner/Quintanilla 1998; DiMaggio/Powell 1983). These include, among other influence, the home-country and host-country laws, business systems, and social norms. Structural factors that affect the subsidiaries' employment practices include the characteristics of the parent company, the degree of international production integration, the nature of international management

structures related to the sector in which an MNC operates, the method by which an MNC has grown, and the size and characteristics of host-country subsidiaries (Rosenzweig/Nohria 1994). Political processes that exist within MNCs also shape company behavior and attempts of convergence in employment practices. These are based, on the one hand, on tensions between the headquarters' power to ensure that the subsidiary engages in the implementation of best practices and thus convergence. On the other hand, the subsidiary's power resources allow blocking convergence or not complying with central corporate decisions (Edwards/Rees/Coller 1999).

Third, Boyer et al. (1998) make a distinction between diffusion outcomes and the principles and methods of diffusion. Implementing various combinations of methods and principles can lead to selective adaptation to local conditions, or in other words, to hybridization trajectories combining home-country and host-country practices (Meardi/Tóth 2006; Dörrenbächer 2002; Boyer et al. 1998).

The above debates on MNC behavior offer a variety of considerations relevant for employment practices in MNC subsidiaries. They consider both global and local influences, factors internal and external to the MNC, and factors differently affecting different employment practices. These debates lead to different predictions of MNC behavior in driving convergence or variation in employment practices.

The theoretical standpoint of this dissertation is not limited to testing which of the above theories best describes Electra's behavior and its role in convergence of employment practices. Instead, I aim to study exactly how employment practices vary across subsidiaries, what factors inform Electra's behavior beyond profit and efficiency, and how hard and soft employment practices in Electra subsidiaries are deployed as a consequence of Electra's behavior and social interaction with local workers, unions and other actors. In other words, this dissertation studies how employment practices result from the given variety of corporate and local influences; and the process behind designing, negotiating and deploying these practices in Western and Eastern European workplaces.

The shortcoming of existing studies is an implicit assumption of stable MNC interest in fostering diffusion of best practices and thus cross-country convergence, which can be facilitated or obstructed by host-country institutions. The literature has rarely questioned MNC interest in diffusing best practices or adapting to local conditions, or in other words, the company's preference for responding to or ignoring the diversity of local conditions in the host countries. To overcome this shortcoming, the approach taken in this dissertation is more open towards MNC interest and motivated to study factors that inform MNC interests and behavior. I stress that MNC interests are not universal and exogenous, but influenced by external conditions and thus varying across different countries. Besides Electra's economic interests, I study the influence of company values on behavior in shaping employment practices in Western and Eastern Europe.

Next to MNC interests and values, I examine external influences on Electra's behavior. I explore two ways in which external societal and institutional factors affect Electra's behavior and employment practices. First, the society imposes normative institutional constraints and creates a framework for actors' rational behavior (Scharpf

1997; Streeck 1997a). The MNC embeds itself in spaces created by legal rules in order to find the best way of functioning in diverse host countries (Maurice/Sorge 2000; Sellier 2000). The second effect is that the exposure of MNCs to other social actors leads to social interaction with exchange of values and emerging trust. This fuels interaction between the MNC and other actors even beyond the formal constraints and regulation. I study to what extent social relations between Electra and workers, trade unions, and the local society influence the company's decision and preference for convergence or variation in employment practices. The analysis of social interaction between the MNC and host-country actors and between different units of the MNC is therefore the most important element in the dissertation's theoretical approach.

1.3 Research questions

The motivation to understand MNC behavior and interaction with external actors in shaping workplace employment practices incites three research questions. The first research question specifies variation in Electra's workplace employment practices in different countries.

Research question 1: Which employment practices vary between Electra's subsidiaries in Western and Eastern Europe?

The second research question concerns the reasons why variation in employment practices exists. Among investigated explanatory factors, I pay attention to the interests of the MNC and other actors in fostering or preventing convergence of employment practices at the company-level. Except Electra, other studied actors include workers, trade unions, and the local society surrounding the subsidiaries in host countries.

Research question 2: Why does variation exist and which forces operate towards convergence, and towards variation? In particular, what is the role of the MNC and other actors in shaping convergence or variation in employment practices?

Besides the actor-oriented perspective of this research question, I pay attention to the potential explanatory relevance of broader corporate and local forces, which are reflected in actors' behavior and thus directly or indirectly operate towards or against convergence of employment practices. Corporate forces include corporate values and economic interests of the MNC and the influence of the MNC's country of origin on the company's organizational practices. Local forces concern predominantly local social, economic and institutional factors – e.g. labor market characteristics, legal regulation of employment practices, and also local work norms and standards.

The third and final research question aims at understanding the process through which actors' behavior influences employment practices. Answering this question uncovers a precise theoretical mechanism through which individual socio-economic actors shape employment practices and their variation at the workplace.

Research question 3: Through which forms of social interaction do MNCs and local actors influence employment practices in different subsidiaries and countries, and their convergence or variation?

This question stimulates an understanding of the dynamics of interaction between the MNC and local actors, their relations of power and trust. In theoretical terms, this question incorporates a deeper inquiry into the complexity of rational behavior of an MNC and its social embeddedness in a sociological sense. It encourages analyzing the influence of economic and non-economic forces (i.e. local conditions, corporate values, and interaction between several organizational levels of the MNC and between various actors) on the MNC's rational economic behavior derived from a profit drive and international competitiveness and efficiency. An answer to this research question reveals how and why the MNC involves local actors, particularly workers and trade unions, in its decision making on employment practices; and what importance the MNC attributes to social relations with local actors for convergence or variation in subsidiary employment practices.

1.4 The argument

The argument of the dissertation centers on the role of socio-economic actors – in particular, their values, interests and social interaction – in shaping convergence or variation in workplace employment practices. Empirical evidence supports the argument that the existing variation between Western and Eastern European MNC workplaces is not sufficiently explained by comparative economic conditions, differing labor laws, and social norms and work habits. Even when institutions allow for similar practices across countries (e.g. in organizing working time and employment flexibility), the MNC has opted for diversity in employment practices. This is because diversity better reflects company values and economic interests.

Evidence shows that the diversity of employment practices is designed unilaterally by the MNC or through social interaction with subsidiary workers and trade unions. In cases when the MNC's interests compete with local interests, the company takes unilateral decisions to determine its workplace employment practices. Alternatively, when the MNC interests are congruent with the interests of local actors, employment practices are developed by joint decisions. Thus, institutions are an important resource for actor's behavior, but ultimately it is the actors who make the most of diverse institutional spaces and consequently generate and maintain variation in employment practices.

1.5 Outline of chapters

The subsequent chapters start with outlining a theoretical framework in chapter two and a methodological standpoint in chapter three. The starting point for the theory is the heterogeneity of MNC interests, and the uncertainty of external conditions, which motivates the MNC to become involved in social interaction with host-country actors. Chapter three operationalizes the theoretical framework, in particular the interaction channels between the MNC and other actors. It also justifies the case selection and discusses the methodology for data collection and analysis.

The structure of social interaction channels is the analytical backbone of the empirical chapters. Chapters four to eight discuss evidence on employment practices, Electra's interests, and Electra's social interaction with local actors. The aim of these chapters is to gradually build up the argument for the consistency of Electra's behavior in fostering variation in subsidiary employment practices. Chapter four discusses Electra's corporate interests and social interaction between headquarters and subsidiaries in the attempt to balance business interests and corporate values. Chapter five investigates the company's local presence in the host countries. The focus is on Electra's engagement in the local society, its influence in local labor markets and the workplace employment practices in these conditions. Electra's utilization of local conditions is also evident in the interaction between management and workers and in soft employment practices. This is studied in chapter six.

Chapter seven documents the diversity of interaction forms in management-union interaction and studies its consequences for variation in employment flexibility practices. Differences exist in the actual way in which industrial relations matter. Maintaining that trade unions play a central role in Electra's employment practices at the workplaces, chapter eight examines the state of cross-border social interaction between trade unions and employee representatives in Western and Eastern Europe at three levels (national, company, EWC). I investigate how this interaction facilitates or constrains Electra's behavior in maintaining variation in workplace employment practices.

Finally, chapter nine integrates the findings from all four interaction channels discussed in the previous chapters. I revisit the dissertation's central research questions concerning the role of MNCs in shaping employment practices in workplaces in WE and CEE.

Chapter 2

Paving the way to workplace employment practices: Theoretical perspectives on social interaction between multinationals and other actors

Modern capitalist societies experience a change in how employment in firms is organized across a variety of countries, labor markets, and legal regulations. This is mainly related to an increased drive towards flexibility in employment conditions within companies due to various pressures, such as the strive for greater competitiveness in international markets, pressures of European integration, or as a strategy to cope with increased volatility of economies (Gallie et al. 1998: 152). Nevertheless, empirical evidence does not offer a coherent pattern as to whether these efforts lead to a similar outcome in employment practices, or whether variation persists due to specific national cultural and organizational aspects in which work practices are applied (Michailova 2002; Maurice/Sorge 2000; Berger/Dore 1996). It is important to identify local and transnational forces and actors that shape preconditions or prospects for cross-country convergence in employment practices, but also those that operate in the other direction and contribute to a persistent variation and its dynamics. MNCs are seen as very important actors for the transmission of new forms of employment organization and human resource practices across countries (Rubery/Grimshaw 2003:208) because of international power resources, the mobility of capital, and the ability to operate simultaneously in differing business systems, labor markets, and societies. Thus, it is crucial to understand, first, whether MNC behavior leads to convergence of workplace employment practices across countries; and second, what informs the decisions of MNCs in fostering convergence, or contributing to persistent variation in workplace practices.

This chapter elaborates a theoretical framework to study the role of MNCs in shaping employment practices and their cross-country variation. Building on existing sociological and organization theories, I adopt a set of assumptions on the companies' *social* behavior in institutionalizing employment practices. While formulating strategies and opting for a suitable behavior, MNCs encounter various actors and socio-institutional conditions that influence their interests, economic behavior, and adopted employment practices in the subsidiaries. The MNC is seen as a transnational actor with fundamental interests in profit and efficiency. At the same time the MNC is embedded in host-country labor markets and local social networks. Embeddedness refers to the social, cultural, political and cognitive structuring of the company's economic decisions. Embeddedness arises in the process of MNC interaction with host-country actors and conditions. Social interaction between the MNC and host-country actors relates not only to formal structures and negotiation between

the company and other actors, but also to informal relations, communication, and trust that may affect choices that might otherwise be regarded as *universally rational* (Smelser/Swedberg 2005; Fox 1974). In other words, social embeddedness of MNC behavior and social interaction with local actors may alter universal corporate strategies on employment issues (Beckert 2003; Uzzi 1996; Zukin/DiMaggio 1990). Following this logic, in this chapter's final part, I theorize the MNC's social interaction with other organizations and individuals and question how social interaction between MNCs and these actors shapes employment practices. The theoretical framework offers a guideline for the subsequent empirical chapters on MNC behavior and employment practices at the level of MNC subsidiaries.

2.1 Theoretical approaches to company behavior

I start to develop the theoretical framework by exploring key theories of company behavior, how they address the interplay between behavior and the environment in which the company operates, and the impact of this interplay on the development of employment practices. The theories that I discuss are broad theories of organization and not particularly related to MNCs. However, they are useful for gaining insight into possible theoretical ways of how companies are organized and how they structure their relationships with socio-economic actors in their environment.

The diversity of factors that influence whether a MNC diffuses certain practices across the whole organization, or adapts to local conditions are clustered in two main dimensions: factors internal to the company (corporate factors) and factors external to the company (societal or environmental factors). The interaction of these factors shapes the MNC's internal organization and behavior. According to the existing theory in organization studies (Grandori 1987) and economic sociology (Beckert 1996) the underlying *internal* dimension of firm behavior is the unity/heterogeneity of the organizational goals, whereas the dominant *societal* dimension is the degree of uncertainty that the company has to face in its social environment and towards external actors in this environment.

In the first dimension, the mainstream economic theory of organizations maintains that the company's interest is profit, and the structure and behavior that follow this interest are subordinated to the single profit objective (Grandori 1987: 25). In other words, the company can be perceived as a unitary actor whose behavior is a function of a single interest – the profit. However, assumptions about company preferences can be further expanded and may also incorporate – beyond profit – power or other objectives. In this case, the MNC is seen as an economic actor with multiple or heterogeneous interests whereas different weights can be assigned to the interests of various units within the organization (Grandori 1987: 55).

External societal conditions, such as product and labor markets, the legal environment, politics, social networks, and cultural understandings of company behavior across different countries, are the second dimension influencing MNC behavior. As these

factors are beyond the full control of the company, the degree of environmental uncertainty plays a major role for firm behavior. Uncertainty is a situation in which actors cannot anticipate the outcome of certain decisions, or cannot assign probabilities to the outcome (Beckert 1996: 804). Due to uncertainty, the company faces difficulties to ex ante determine its interests and formulate strategies assuring the fulfillment of these interests. For the MNC, environmental uncertainty rises with not having extensive information on host country labor markets, the functioning of formal and informal host country institutions, and local norms and traditions of work. Next, uncertainty for MNCs can also be seen in a more global perspective and it relates to developments on world markets, the company's ability to remain competitive or to maintain a positive reputation associated with products and with being a good employer. Finally, uncertainty is also relevant at the subsidiary level, in which employment practices are implemented. Due to the incompleteness of the employment contract and its implicit aspects (Marsden 2004; Marsden 1999: 8-11), MNCs face uncertainty in securing workforce commitment, achieving acceptance of employment practices by workers and trade unions and are in danger of misproduction, low efficiency, and finally in costs of monitoring work processes. To avoid uncertainty or to minimize it, MNCs are expected to learn the social norms in the subsidiaries' environments and foster social interaction with local actors in order to build trust, commitment, and a reciprocal exchange of resources (c.f. Beckert 1996).

Based on the unity/heterogeneity of MNC interests, and on how the MNC responds to and incorporates environmental uncertainty in its actions, we can distinguish between four key theoretical approaches to company behavior (see Figure 2.1). The sections below review the main arguments and assumptions of these theories.

Figure 2.1 Theoretical approaches to company behavior

		Uncertainty of the environment	
		Low	High
Unitary MNC interest	Yes	Microeconomic theory of behavior	Structural contingency theory
	No	Discretionary behavior and negotiation theory	Resource dependence theory

2.1.1 Microeconomic theory – rational choice approach

The dominant perspective on company behavior in the microeconomic and managerial literature has been the rational choice approach, which is based on the diffusion of best practices across the whole organization. Actors are assumed to be exclusively motivated by economic self-interest, which neglects the influence of external societal factors on

economic actions (Rubery/Grimshaw 2003; Phelan/Lewin 2000; Scharpf 1997: 20; Womack/Jones 1991; Grandori 1987). Each individual or organization is assumed to be purposive and goal oriented, having clearly structured preferences specified in advance, regardless of the concrete situations in which behavior takes place. In order to fulfill their interest, actors make calculations of costs and benefits of alternative actions (Turner 1991: 354).

In this perspective the MNC is a fully rational actor and its strategic behavior strives for a single goal – maximization of profitability. The theory assumes that the company operates in stable environments with a low degree of uncertainty, which allows a better determination of strategies, behavior, and finally the organization of company activities. Due to a high predictability of outcomes, managerial decisions are based on *ex ante* determined interest. It is not necessary to coordinate the company's endeavors with other actors in the same markets, industry, or society because there is no high uncertainty to be overcome. Interaction between the headquarters and subsidiaries can be seen as a principal-agent relationship. The MNC headquarters are expected to act as the principal of subsidiaries, attempting to disseminate best practices across organizational units located in different conditions. Decisions on the design and the deployment of these practices are taken unilaterally without coordinating efforts with employees, trade unions, other employers, or governments. As a result of rational company behavior, one should observe convergence in employment practices across different units of the firm regardless of their location. If the resulting employment practices do not resemble convergence across the MNC's organizational units, this is attributed to market imperfections, or to the resistance of local actors and institutions to MNC endeavors (Harzing/Sorge 2003; Rubery/Grimshaw 2003; Ortiz 1999).

2.1.2 Discretionary behavior and negotiation

Assuming a stable and predictable external environment, Grandori (1987) has argued that the company is a complex organization and cannot therefore be perceived as a unitary actor with a single goal of being profitable. The profit function of the firm is extended by other attributes, e.g., power over specific resources. Managers do not have a neutral attitude towards all company goals and different priorities develop within different units of the organization. This leads to differences in behavior of organizational units dealing with different tasks or located in different environments. Heterogeneity of company goals can lead to a constructive division of tasks between internal units of the organization. On the other hand, such strategy may lead to organizational failures or competing objectives within the company and consequently to an asymmetric internal power division.

In order to avoid organizational failure, internal coordination and negotiation between different units of the company should lead to such a division of tasks that all involved units respect and it functions as a prevention of internal competition. Still, different weights can be assigned to the various parties' preferences, which cause an asymmetrical dependence (Grandori 1987: 55). In the case of negotiated and coordinated division of preferences

within the company's departments/units the enduring internal power negotiations are limited, and the organization functions as a coalition of goals. For instance, the department of human resources aims at achieving a different goal than the production or sales department, or their order of goals is different, leading to discretionary behavior in given predictable conditions.

The main critique of the rational choice and discretionary behavior theories is that they assume a stable and predictable environment with a low degree of uncertainty, and that 'economic actors can even in highly contingent situations deduce their actions from a clear preference ranking and thereby maximize their utility' (Beckert 1996: 804). This assumption does not provide a convincing starting-point for a sociological analysis and understanding of actors' behavior and their impact on the development of employment practices for two reasons. First, these theories assume a stable environment, which is however unlikely in the complex reality with high uncertainty (Beckert 1996). Second, the discussed theories disregard the fact that companies are socially constructed actors and their behavior cannot be separated from the influence of the external environment (Cook 1977). As the environment consists of a variety of other actors with which the company may interact, the environment cannot be perceived as given and predictable, but is characterized by uncertainties related to changing preferences and contexts for other actors' behavior. These uncertainties can be overcome via actors' social interaction that renders economic action embedded in a social and institutional structure and influenced by factors that are non-economic in their nature (Granovetter 2005; 1992; 1985). The next two discussed theories acknowledge in greater detail the impact of the environment on MNC behavior.

2.1.3 Structural contingency theory

The structural contingency theory does acknowledge the interaction between the company and its environment; and maintains that under conditions of efficiency (single goal), the company's organizational structure and consequently its behavior is a function of both the MNC's strategy and its environment². Related to company strategy, different levels of predictability for concrete sub goals and tasks exist, and the company adapts its behavior accordingly. In case of a low task predictability and high uncertainty, it is most efficient for the MNC to adopt a flexible structure and to alter its behavior related to concrete situational structures. However, the existence of contingencies requires a well functioning internal coordination between different units of the organization. The single goal of the company enhances the need for internal coordination and power distribution. Organizational units operating in highly uncertain environments should have more power in order to control activities that are critical to the MNC's goal.

The structural contingency theory "has transformed the one best way of classical [microeconomic] theory (one optimal organization model for all situations) into many

² The narrative in this section is based on Grandori (1987), chapter one.

optimal models as a function of organizational context” (Grandori 1987: 5). According to this theory, we expect the MNC to adapt to different situations and local host country conditions and to search for functional equivalents in strategies and employment practices instead of diffusing best practices across different subsidiaries. Company behavior is rational with a single goal of profitability and efficiency, which is secured through flexible internal coordination of strategies and policy deployment, and through the company’s full control over its interests and the decision making process. What deserves criticism is the idea/assumption that the environmental influence on behavior is given, and the actors can adjust to the environment, but not change it. In other words, the theory does not account extensively for the interests and active role of socio-economic actors (including the MNC). These are seen as individuals or organizations responding to external contingencies.

2.1.4 Resource dependence theory

The resource dependence theory maintains that in order to understand the behavior of an organization one must understand the environment in which the organization is situated. The company’s continued existence and its success in fulfilling its goals depend both on the organization’s resources and the environment. The existence and success of the company are questioned in relation to the environment from which the MNC obtains its resources: if stable supplies of resources would be continually available, the environment’s uncertainty would be lower and hence company behavior and relations with external actors would be more predictable. What makes the company’s interaction with its environment more complex is the fact that environments can change, and the supply of resources becomes more or less scarce (Pfeffer/Salancik 1978: 3; Cook 1977). Therefore, the resource dependence theory places actors’ interests in the center and stresses the interdependence of actors that possess and control different resources in a highly uncertain environment. Changes in the environment are enacted via actors’ behavior and interactions.

To achieve its goals, the company develops power and capacity to influence other actors from which resources are acquired (Pfeffer 1992: 38). The resource dependence theory does not assume that the company takes full control of a variety of resources that all take part in a successful organizational performance. The company attempts to exchange resources with other actors, including employees and their labor endowment (Cook 1977; Heath 1971; Blau 1964). Using its power, the MNC strives to increase control over exchanged resources and its independence from other actors and the environment (Pfeffer 1992: 145). Therefore, actors’ structural power is central in acquiring control over desired resources, and power characterizes relationships that develop among socio-economic actors (Pfeffer 1981: 3).

MNCs in a resource dependence perspective are rational actors striving to achieve their goals, controlling and exchanging diverse resources, and aiming at an optimal combination of own and other resources. As the MNC operates simultaneously in different countries with different institutional conditions, internal resources can be used differently

in different conditions (adaptation to local conditions), similarly in all conditions (diffusion of best practice) or can be enriched via resource exchange and social interaction with local actors (innovative practices in local conditions) in order to obtain additional resources that make the company's overall performance more effective. For instance, the MNC needs the labor resources of the subsidiary's workforce, and the workforce needs the resources of the employer in order to maintain and create jobs. Social interaction and power relations between MNCs and local actors are an integral part of this relation.

2.1.5 Summary and evaluation

The above perspectives offer a useful insight on theorizing the complex situation of interdependence and interaction of companies and their environment, and the relevance of this interaction for the development, diffusion or adaptation of workplace employment practices to host-country and local conditions. Several factors that influence company behavior, encounters with other actors, and the shaping of employment practices can be identified. The first and most important is the acknowledgement of the active role of socio-economic actors – in this dissertation the MNCs – as initiators of change in institutions and workplace structures. MNCs are seen as actors with the capacity to cognitively *shape* the environment via their heterogeneous interests and social behavior. Further MNC-related factors are the organization and internal relations between headquarters and subsidiaries, power resources to influence other actors, and attempts to control key resources in an exchange process with other organizations and individuals in host-country environments.

The above theories are also helpful in adopting assumptions on the MNC's environment, namely, its uncertainty, and the situations under which uncertainty can be defeated by social interaction. MNC behavior from this perspective is an action taken relative to the company's variety of interests (e.g., profit, market power, technological leadership, reputation, societal legitimacy) as well as to the environment. The environment incorporates different resources, the use of which takes place via social interaction (influenced by power relations) between the MNC and other actors. Such interaction leads to enacted changes in the given environment, e.g., the development of employment practices in MNCs and their variation across subsidiaries. This dissertation studies such factors and especially the way in which they blend together in a coherent pattern of MNC behavior and social interaction, and shape employment practices at the workplace.

Non-economic and non-power related values and social norms are an additional factor relevant for MNC behavior. Their relevance is highlighted in sociological and anthropological literature on values, trust, and actors' social interaction. On the one hand, there are business norms that MNCs follow in their behavior. On the other hand, individuals in the MNC (e.g., managers) bring their own personal values and seek their accommodation within the company's values and among business norms. Therefore, beyond the investigation of economic behavior and power relations in a resource dependence perspective, I examine the influence of these values and social norms on MNC's rational behavior (Streeck 1997a; Hofstede 1981; Fox 1974).

In sum, in the exploratory process of how MNCs influence workplace employment practices, attention will be paid to interests, values, external conditions (institutions and social norms), and attributes of actors' social interaction that are related to the MNC's economic interests, but also to moral values and trust. The remainder of this chapter seeks to theorize the MNC's interaction with other actors as a form of actor-driven change or continuity in employment practices. As the first step, I adopt a set of assumptions.

2.2 Assumptions on behavior and social interaction

In light of the theories and relevant factors for MNC behavior discussed in the previous section, I draw on the work of Avdagic/Rhodes/Visser (2005: 14-15) and elaborate a set of assumptions. These assumptions have been developed for a framework on actors' strategic interaction in negotiating social pacts at national levels but are applicable to any behavior invoking such interaction; thus also to MNC behavior and the relationship with external actors.

- *Uncertainty and social interaction.* MNCs and other actors face a high degree of uncertainty in their environment: actors cannot anticipate the outcome of certain decisions, or cannot assign probabilities to the outcome (Beckert 1996: 804). Uncertainty can be reformulated as a situation of double contingency in which actors do not know what is best to do, and therefore their actions are reciprocally dependent on each other (Beckert 1996: 805). The mutual dependence of actors, in order to combat uncertainty, encourages social interaction (Beckert 1996). Social interaction fosters feelings of loyalty to joint agreements and/or informal institutions that are often enacted through social engagements beyond the confines of the business relationship (Krippner et al. 2004: 111). Thus, the first assumption is that uncertainty intensifies social interaction among actors.
- *Bounded rationality.* Actors do not possess all the information available in the complex reality and therefore cannot make fully rational decisions. This means that rational behavior is restricted by the actors' knowledge, perceptions, and their informational endowment; and if the actors possessed additional information, their decision may not be the same. Therefore, the second assumption is bounded rationality in MNC behavior: the company will not formulate its preferences and responses to its environment according to fully available rational and objective information but in accordance with its presently available knowledge and perception of the situation (Avdagic/Rhodes/Visser 2005: 14). The decision-making unfolds over time in a learning process. This also applies to other actors.
- *Non-unitary actors and the heterogeneity of interests.* Acknowledging multiple power resources and heterogeneous interests, I maintain that MNCs (as well as other corporate and collective actors) "consist of sections or constituencies with different and potentially conflicting interests and preferences. The degree and nature of [intra-firm] divisions are likely to have a direct impact on the strategies [of the firm], and an

indirect impact on the preferences and strategies of the other [actors]” (Avdagic/Rhodes/Visser 2005: 15). For example, the strategies of local trade unions vis-à-vis the MNC are assumed to be different when the MNC has a clear set of coherent interests throughout various subsidiaries, and when the MNC’s strategy is formulated or concretized predominantly at the subsidiary level.

- *Context-specific and endogenous interests.* The MNC’s preferred interests become context-specific and endogenous: they are shaped by available information in a given moment, space, condition, as well as by existing social interaction. The context-specificity of interests relates to situational structures in a given environment: for example, an MNC may have different interests or interest priorities in a highly regulated labor market when compared to more liberal conditions. Context-specific preferences relate to differences in company interest across host country conditions in which MNC subsidiaries are based. In sum, MNCs are not driven by the same interests in all of their locations.

The endogeneity of MNC interests relates to a learning process over time and to the path dependency of social interaction: when managers and union leaders have a long-term positive experience of trust-based cooperation, it is likely that this relationship will affect the interests of both actors. In formulating preferred actions, I assume the MNC to do so after learning the interests of other involved actors, and being familiar with the form of social interaction that has already taken place. The endogeneity of interests thus relates to social interaction over time. To sum up, I assume that the behavior of MNCs and other actors is contextualized, and interests are determined in concrete environments and in concrete interaction moments with other actors based on the kind of already-existing relationships. This does not mean that the MNCs (and other actors) do not have ex ante rational interests, however, the concrete meaning to such interests is given in concrete social interaction forms and is relative to the institutional, social, structural and cultural environment in which such interaction is placed and has been developing.

- *Perception of power.* Power is an inherent feature of imbalanced interaction if the actors are assumed not to have equal perceptions of the reciprocity of exchange and resource dependence (Heath 1971; Blau 1964). Various kinds of power resources are at actors’ disposal (Pfeffer 1992). The first kind is structural power based on organizational resources, managerial capacity, and location in an organizational structure (Pfeffer 1992: 163). Some departments are more important than others, and this kind of power is based on individual characteristics of managers and even more importantly on an ability to be in the right department at the right time (ibid). Second, actors may have legal power based on legally granted rights and obligations (Avdagic/Rhodes/Visser 2005). The MNC uses its legal power to influence employment practices to conform to legal regulations in different countries. Legal power is also important for other actors, because it legitimizes the interests of workers and trade unions towards the MNC. Third, and most important for the MNC, is its economic power. This allows a self-interested rational behavior in which the

company exploits its competitive position on global markets and is able to play different subsidiaries, host-countries and local actors against each other. Finally, power is based on values of ethical behavior. Such power relates to the ability of the MNC to convince other actors of the intentions of the company through values and trust, without using economic power. An outcome of behavior using value-based power is a common interest or shared values among actors whose economic interests were initially conflicting, e.g., the company and trade unions.

Acknowledging different kinds of power, I assume that the high variety of actors that shape employment practices in MNC subsidiaries precludes an equal distribution of power between these actors, and between the kinds of their power resources. The MNC can draw on international economic power resources, whereas in the case of local workers and trade unions the power resources are predominantly local or limited to the national level (van der Meer et al. 2004). What matters is not only the objective power that the MNC and local actors possess, but also the subjective perception of power by these actors (Avdagic/Rhodes/Visser 2005). Therefore, I assume a power asymmetry in social interaction between the MNC and local actors (Pfeffer 1992; Pfeffer 1981).

These assumptions guide the socio-economic analysis of MNC behavior and effects on variation in workplace employment practices. The most important theoretical challenge is to understand how the actor-related and environment-related factors link together under the adopted assumptions, and how they account for variation or convergence of workplace employment practices. The next section offers a framework for analysis.

2.3 Micro-foundations of multinationals' behavior and social interaction in shaping employment practices

The statement that actor-related and environment-related factors have to be acknowledged in studying MNC behavior does not yet offer analytical tools for further inquiry. Therefore, it is necessary to theorize in greater detail the relation between MNC behavior, institutional conditions, and social interaction in order to guide the empirical study. First, actors and the attributes of their behavior are identified. The second step is an identification of actors' mutual constellations, the structuring of their social interaction, and the forms that interaction may take under the integrated influence of interests, values, and institutional conditions. The final step is to elaborate how different patterns of social interaction relate to workplace employment practices and their cross-country variation or convergence.

2.3.1 Actors and their attributes

The most important actor whose behavior and role in convergence of employment practices I study is the MNC. Within the MNC, different organizational units or

departments are endowed with different power resources. Departments or persons that are at the boundary of the company's organizational structure and directly interact with external actors have greatest power and position within the organization (Pfeffer/Salancik 1978). In employment practices, this applies to human resource departments and/or managers, because they negotiate the terms of employment with employees and trade unions, and they also interact with external organizations in the labor market. No matter how important in external relations, within the company HRM strategies are often unilaterally informed by business strategies (Truss et al. 1997; Storey 1989). The HRM department may not belong to departments with strategic importance in MNCs where other departments (e.g., research and development, finance, business, and marketing) take the lead. Therefore, the role of HRM strategies and departments both within the MNC (in relation to business strategies), and towards external actors (in negotiating employment practices), has to be questioned in order to correctly interpret the overall MNC behavior in employment practices.

External socio-economic actors with whom the MNC directly or indirectly negotiates employment practices include subsidiary employees, trade unions and other employee representatives, and local labor market board representatives, government, municipalities, other employers and civil society actors. The latter group of actors does not directly take part in formulating MNC workplace employment practices, but is important for setting laws and norms of appropriate action in particular conditions. Understanding the MNC's relationship with these actors also helps to see the company's interests and behavior in broader social settings and to observe MNC commitment and embeddedness in local norms, employment practices, and social networks in the host countries.

Rational choice theories suggest that MNC interests center on rational economic action, most commonly related to profit aspirations (Scott 2000). The simplest way to identify profit-driven behavior is to associate managerial decisions with cost calculations and the use of cost-related arguments to back up managerial decisions. However, acknowledging the heterogeneity of company interests and factors influencing them, rational self-interested behavior cannot be isolated from internal moral values and orientations in the company (Scharpf 1997). Company values are broad tendencies to prefer certain states of affairs over others (Hofstede 1981) formed in a path-dependent administrative heritage of doing things in an organization (Bartlett/Ghoshal 2002). Values can therefore account, independently of the company's economic interests, for behavior acknowledging employee interests via adaptive employment practices, and/or via voluntary involvement of external actors in managerial decision-making. A resource dependence perspective on companies suggests that embedded behavior is associated with external control over company interests (Pfeffer/Salancik 1978: 40). This can be interpreted as socially embedded voluntary interest to involve other actors in MNC decisions. An alternative to this behavior is leaving employees out of the organization's boundaries and developing a more exploitative and market-like employment relationship and practices (Pfeffer 2006; Williamson 1975).

Next, actors' behavior and interactions are influenced by societal and institutional effects, including political, legal and institutional conditions, and social networks in which actors are embedded (Bandelj 2005; Dequech 2003; Scharpf 1997; Uzzi 1996). Thus, the MNC's economic rationality operates within customs, beliefs and existing social relations (Tilly/Tilly 1998: 18). In consequence, MNC behavior may or may not lead to profit maximization (Bandelj 2002). It does not mean that socially and institutionally embedded behavior is irrational; instead, such embeddedness recalls the assumption on contextualized interests and rational behavior. What may seem rational for one actor may not be the same for other actors; and what one actor perceives as its rational interest in one environment may be perceived differently by the same actor in other environments. MNCs possibly have different interests and employment strategies in lightly regulated labor markets and decentralized industrial relations systems than in highly regulated markets and coordinated bargaining systems.

I stress two ways in which societal and institutional factors affect MNC behavior and social interaction with external actors. First, the society imposes normative institutional constraints and creates a framework for actors' rational behavior (Scharpf 1997; Streeck 1997a). The MNC embeds itself in these institutional spaces in order to find the optimal way of functioning in diverse conditions (Maurice/Sorge 2000; Sellier 2000). The second effect is that the exposure of MNCs to other social actors leads to an exchange of values and emerging trust, which fuels social interaction even beyond imposed constraints and formal spaces. Social interaction taking place in daily informal settings fosters feelings of trust and loyalty of actors to joint agreements and/or informal institutions. Such agreements are often enacted through social engagements beyond the confines of the formal institutional framework (Krippner et al. 2004). Based on social relations, actors make voluntary commitments that are maintained for reasons of legitimacy, uncertainty, or hidden costs in case of non-compliance. Social relations thus serve as a voluntary self-reinforcing mechanism through which actors' interest, behavior, and interaction are shaped. By generating trust and commitment to new arrangements and new informal institutions (Fox 1974), actors' social interaction may lead to incremental institutional change at the micro-level. Applied to MNCs and workplace employment practices, such change would mean a convergence in employment practices between originally different settings as a consequence of actors' interaction, regardless of legal provisions, institutional conditions, and the MNC's profit interest.

The final attributes related to actors' behavior are power and trust in social interaction. The understanding of power is not limited to a structural and organizational understanding such as the position of a particular department within the MNC (Pfeffer 1981), but relates to actors' broader capacity to achieve desired goals (Avdagic/Rhodes/Visser 2005). Power integrates structural and organizational resources with institutional resources and the MNC's own perceptions of power towards other actors. Power is dynamic and reflects company interests relative to the interests of other actors in social interaction. Different actors perceive the social climate in their company differently (Regini 1994); therefore, it is appropriate to leave the subjective evaluation of power to the

actors themselves because they assess the situation relative to their local environment. How this principle applies to empirical data collection is discussed in the next chapter. To illustrate, I offer an example of power perceptions between trade unions in Western Europe and CEE. Even if a Polish trade union's position is much weaker than the Belgian union's, still the Polish union may consider itself powerful, because the benchmark is not the Belgian situation, but the situation in locally based companies in Poland.

Trust, or confidence that the other party will not suspect the actions promised, and will adhere to rules of reciprocity even in circumstances in which it might be advantageous to defect, can emerge in social interaction between actors of both equal and unequal power (Streeck 1997a: 202; Fox 1974: 71). Trust governs social exchange and lacks a specifically defined reciprocity or obligations that stipulate exact quantities of resources to be exchanged. Social interaction based on trust thus involves favors to other actors with a general expectation of future returns; but the exact nature of these returns is not specified in advance (Fox 1974: 71). Although the employment relationship is to a large extent regulated by formalized institutions like labor law and a written employment contract, trust is important in everyday interactions between workers, managers and trade unions, as it may facilitate the MNC's rational interests (e.g., via better productivity), behavior beyond the formal rules, or an institutionalization of employment practices regardless of formal rules.

In sum, the above attributes are important for understanding why actors do what they do in particular environments, how their actions take place, and how their interactions influence employment practices. I study these attributes in several channels of social interaction between the MNC and local actors. These are elaborated next.

2.3.2 Social interaction channels – analytical framework

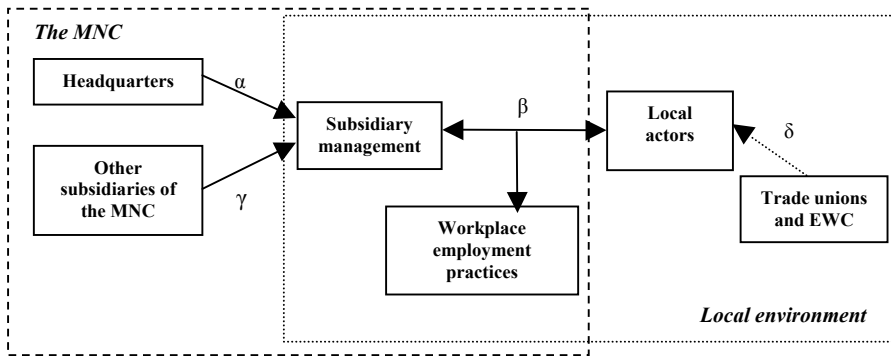
Social interaction is defined as “a situation where the behavior of one actor is consciously shaped by, and influences the behavior of, another actor, and vice versa” (Turner 1988: 13-14). Actors entering into relations with other actors bring their own expectations but also offer returns to others (Blau 1964). Therefore, social interaction is also understood as “voluntary actions of individuals motivated by the returns they are expected to bring and typically do in fact bring from others” (Fox 1974: 71; Blau 1964). Interaction between actors forms exchange relations, with differences in power relations and resource dependence (Cook 1977).

The social interaction that I study covers formal and informal, and focused and unfocused interactions (Goffman 2001). I do not limit the empirical inquiry to formal structures between the MNC and external actors, but also explore the daily interaction and communication between individuals (Whitley 1999). Focused interaction refers to physical encounters between managers, workers, union leaders, and others. Involved actors devote their attention to a particular conversation, negotiation, or exchange of information and ideas. Unfocused interaction consists of interpersonal relations that result solely by virtue of persons being in one another's presence (Goffman 2001). Applied to an MNC,

unfocused interaction exists between individuals working for the same company and being influenced by the same company values and interests, or between managers and union leaders that are brought to work in the same building in a particular MNC subsidiary. Focused and unfocused interactions are complementary, because the studied actors simultaneously develop both kinds of interactive relationships.

The analytical framework, structuring MNC behavior and social interaction into several channels, is schematized in Figure 2. This framework depicts interaction channels and their external environments that are assumed to have a significant direct influence on workplace employment practices. From the MNC's perspective, the framework reflects a distinction between internal and external social interaction. The former is related to the heterogeneity of MNC interests and refers to intra-firm coordination between various organizational units. The latter refers to the MNC's relationship with external actors in host country environments.

Figure 2.2 Analytical framework – channels of social interaction



Channels of social interaction:

α: interaction between the MNC's headquarters and managements in foreign subsidiaries

γ: interaction between the MNC's sister subsidiaries located in different countries

β: β₁: interaction between the subsidiary's management and workers (workplace HRM)

β₂: interaction between the subsidiary's management and local trade unions (workplace industrial relations)

β₃: interaction between the subsidiary's management and works councils

β₄: interaction between the subsidiary's management and the local society (government, labor market, citizens, organizations, media)

δ: δ₁: international interaction of trade unions at the national and company level

δ₂: EWC of the MNC

The arrows in Figure 2.2 indicate the direction of the exchange of resources and the flow of values, interests, and operationalized policies relevant to decisions concerning workplace employment practices. The Figure also allows a distinction between several

analytical levels: the corporate level (corporate MNC interests and values), intra-firm level (the α and γ channels – interaction between headquarters and subsidiaries and the transposing of corporate values and business interests into subsidiary behavior), subsidiary level (the β channel – social interaction between subsidiary managers and workers, trade unions, and the local society), and the transnational level of social interaction of employee representatives (the δ channel – international networking of trade unions and the EWC in order to influence MNC behavior beyond the subsidiary level). The distinction of these analytical levels is relevant for a game-theoretical method of interpreting social interaction (see chapter three). In channels α and γ , involved actors belong to the same organization, and thus their interests are not independent of each other, and they may not opt out from interaction. Channels β and δ resemble an equal interaction relationship between independent actors with the possibility to opt out or defeat from interaction. For the latter interaction, a game-theoretical analysis is suitable.

The *α channel* depicts formal and informal interaction and exchange of resources and values between MNC headquarters and subsidiary management. This interaction concentrates on an optimal combination of corporate and local resources and their ideal deployment in line with corporate and local MNC interests. I pay close attention to interaction in strategic and operational employment matters, because these are central in shaping employment practices and their cross-subsidiary and cross-country variation. The extent of headquarters' involvement in operational subsidiary-level matters depends on the company's view on most effective resources. Accordingly, the MNC can centralize its HRM and attempt to deploy the same practices throughout subsidiaries, or opt for an adaptation of employment practices to subsidiaries' local conditions.

Within the MNC I also study social interaction between several comparable sister subsidiaries (*γ channel*). Interaction between subsidiaries in the same organizational unit but in different host countries may improve commitment to corporate values and interests, a better implementation of corporate resources, and the diffusion of best employment practices across different countries and subsidiaries. A healthy competition based on economic power of sister subsidiaries may lead to an identification with and diffusion of best employment practices (regardless of the host country context) and enhance the MNC's overall profitability.

Next to MNC headquarters, the subsidiary is also a crucial actor in shaping employment practices in local host-country contexts. Recalling the relevance of departments that are on the boundary of an organization, it is the subsidiary management that engages with local actors and becomes integrated in the local social network of employers and social partners (Kristensen/Zeitlin 2005). The involvement in such networks helps the subsidiary to internalize the institutional and social characteristics of the host country, to become responsive to local conditions, and to adjust workplace employment practices to local norms. Ties developed with local actors, and the existing formal and informal institutions, legal regulation, and locally standard employment practices constitute a contextual framework for MNC behavior in local conditions. In the subsidiary's context, I study several relationships that have a direct or indirect influence on

employment practices (β channel). First, I focus on the interaction between the MNC subsidiary and actors directly concerned with employment practices that are legally empowered to negotiate or to be informed and consulted about employment practices. These include the MNC's workforce and employee representatives. Interaction between the management and workforce (channel β_1) is best studied via analyzing the subsidiary's HRM. Next to workers, MNC negotiates employment practices with trade unions and subsidiary works councils. Interaction between the MNC and local trade unions (β_2) varies across countries and industrial relations systems. Company and workplace industrial relations are the dominant negotiating level in liberal market economies where firms search for their own flexibility, prefer individual bargaining, and do not tend to organize (Thelen 2001). Workplace management-union interaction is also central in countries with weak, fragmented or decentralized trade union movements, such as those in some CEE countries (Marginson/Mearidi 2006; Mearidi 2006; Schulten 2005; Kohl/Platzer 2004; Mearidi 2002). By contrast, sectoral collective bargaining is the dominant level for interaction between employers and employees in coordinated market economies in continental Western Europe (Schulten 2005; Thelen 2001). Acknowledging these levels, it is relevant to track the consistency of MNC behavior in social interaction with unions and to identify the level with largest impact on workplace employment practices in my own case study. In contrast to interaction between the MNC and trade unions, the relationship between the MNC and works councils (β_3) is exclusively workplace or company related and is relevant in countries with a legal stipulation of works council activity.

Interaction between the MNC and local actors also includes the MNC's relationship with the local society (β_4). In broad terms, local society includes all other actors (except workers and unions) that form the subsidiary's social network in local conditions. Interaction with the local government, municipality, labor market board, media, schools or non-governmental organizations does not necessarily involve a straightforward negotiation of MNC's employment practices, but does have a significant impact on the MNC's embedding in the local society, commitments made to workers as local citizens, the power of employers in the local context, and local labor market characteristics as a consequence of MNC presence.

The most commonly studied interaction between MNCs and host country actors has been the relations with host-country governments (Bandelj 2002). For workplace employment practices the role of the government is indirect and channeled through labor law, other legal regulations, and legally granted powers to employers, workers, unions and works councils. Therefore, I do not study interaction between the MNC and host country government, but treat the government's impact as an integral part of the local institutional context.

The final social interaction channel studied in this dissertation is the cross-border relationship between trade unions and works councils (δ channel). I distinguish between international interaction of trade unions (δ_1), and the EWC (δ_2). Although these channels do not have a direct impact on workplace employment practices in MNC subsidiaries, they are relevant in power relations between the MNC and representatives of employee interests

across various countries. Two effects are expected as a consequence of this interaction. First, legally informed and institutionalized interaction in the form of EWC can facilitate cross-border collective bargaining and a harmonization of employment practices in different countries (Waddington 2006; Marginson 1992; Levinson 1972). This implies a constraining institutional effect on MNC's interests and at least a formally diminished power asymmetry between the MNC and employee representatives underpinned by the EU law. Second, international trade union interaction can strengthen bargaining positions of unions vis-à-vis MNCs in national settings even if a formalized European or international bargaining structure has not yet emerged (Arrowsmith/Marginson 2006).

Workplace employment practices are seen as resulting from social interaction in these channels. The more similar the content of headquarter-subsidiary interaction (α) with the MNC's interaction with local actors (β), the higher the chance that employment practices are an outcome of headquarters' influence and the MNC's corporate interests. Differences in content between headquarters-subsidiary and subsidiary-local actors' interaction suggest embeddedness of subsidiary interests in local conditions.

2.3.3 Forms of social interaction

After structuring social interaction in several channels, a closer look at the forms in which interaction happens is essential. Different interaction forms have different effects on convergence or variation in employment practices. To capture the variety of possible interaction forms, I rely on the existing literature that has conceptualized four interaction forms (CPB 1997). These forms include interaction by control, competition, value-based cooperation, and interactive bargaining. Each reflects the actors' interests and power relations, and has different effects on variation or convergence in employment practices.

- *Control* entails economic or legal power of an actor to make decisions and impose these on others (CPB 1997: 57). In MNCs, headquarter control over subsidiary actions is the most common form of interaction via control (Harzing 1999). Headquarters set targets in line with corporate economic interests and closely monitor their implementation, diffuse centralized policies across subsidiaries, or control subsidiary actions by socialization – by appointing expatriate managers with the aim to foster strict implementation of corporate policies (ibid.). Control means asymmetry in actors' power endowment, with headquarters having large economic power over the subsidiary. Control is associated with enforcement of corporate interests, exclusion of large costs to protect against opportunism of subsidiaries and a limited need to consult or negotiate subsidiary practices with other actors except headquarters. It also means an extensive dependence of the subsidiary on headquarters' corporate resources. Control may invoke behavior in which the subsidiary attempts to increase the relevance of local resources in comparison to resources provided by headquarters.
- *Competition* entails rivalry between actors striving for resources that not all can obtain (CPB 1997: 56). Actors are equally endowed with power and therefore one of them

cannot impose interest on the other actors. Competing actors are willing to compromise over issues of common interest at the price of threats and large concessions. Within a company, competition can be observed between actors at the same level of hierarchy, and those not directly and extensively dependent on each other's resources, e.g., between sister subsidiaries, or between management and employee representatives. Competition can lead to an identification of universal best employment practices and their efficient allocation. However, in competition actors are not committed to the interest of others and only pursue their own rational interest. This leads to decreased trust and less commitment to mutual agreements, and prevents social and value-oriented behavior tailored to a particular context.

- *Cooperation based on shared values and norms* refers to the social interaction that develops on the basis of a congruent set of preferences between involved actors (CPB 1997: 57). Actors are strongly motivated and committed to sharing values and to achieving a common interest, which may or may not be in conflict with the profit aspirations of the MNC. Complying with shared values decreases opportunistic behavior. Power in this interaction is based on actors' moral values about appropriate behavior. Value-based cooperation is vulnerable to quick destruction when actors start to prefer individual rational egoism. Therefore, actors' trust, voluntary commitment and self-enforcement without external norms are central for maintaining this form of social interaction (c.f. Greif 2006; Greif/Milgrom/Weingast 1995). Those involved in social interaction based on shared values believe that a joint decision about optimal use of resources is better than competing for one's own rational interests. As a result, everyone is better off compared to interaction with less compromise and a greater power difference. Value-based cooperation may be observed in the interaction of MNC headquarters and subsidiaries when the deployment of HRM or business policies is filtered through the organization's culture and administrative heritage, or in the interaction of subsidiaries with complementary activities striving to cooperate for a joint corporate purpose. Cooperation is also applicable to international trade union networking, for instance, related to the diffusion of international solidarity. Actors with differing economic interests (e.g., the MNC and local workers and unions) can also develop values-based cooperation, i.e., referring to fair ethical behavior and socially responsible employment practices.
- *Interactive bargaining* explicates consultation between actors with different interests (CPB 1997: 58). Actors are informed about and responsive to each other's interests regardless of their power relations. They are motivated to stay alert, innovative, and exploit existing opportunities in order to achieve their goals and obtain desired resources. In contrast to competition, actors' bargaining leads to compromises, concessions and satisfactory outcomes of interaction (Cappelli 1985). Interactive bargaining has a distributive and an integrative element (c.f. Avdagic/Visser/Rhodes 2005; Walton/McKersie 1965). Distributive bargaining implies compromises and trade offs between actors regarding the overall distribution of benefits from agreed behavior and practices. In this case, interaction may incorporate greater power differences and

larger compromises in order to facilitate a zero-sum game for involved actors. In integrative bargaining, actors strive for a positive-sum outcome making everyone better off. Compromises are reached with fewer difficulties than in distributive bargaining, and the perceived power distance between the actors may not be as relevant as in the case of distributive bargaining. Management-union bargaining or headquarter-subsidiary negotiations on workplace employment practices are good examples of social interaction via interactive bargaining. The extent of distributive and integrative bargaining needs to be studied empirically; because it is likely that they cannot be as clearly separated as in the theory.

The distinction in forms of social interaction is constructive for analyzing the direction in which actors' social interaction takes employment practices; which values, interests and strategies the MNC and trade unions opt for; and whether these lead to convergence of employment practices or their persistent cross-country variation. In the subsequent empirical chapters I evaluate whether the interactions between the MNC, unions, and others are best described in terms of control, competition, value-based cooperation, or interactive bargaining. Several forms of interaction can simultaneously characterize the social interaction between the MNC and other actors. As the strength of different forms may vary, I aim to identify the dominant interaction form for each studied interaction channel (Kahancová/van der Meer 2006).

2.3.4 Effects on employment practices

The most important question related to actors' social interaction forms is how they influence employment practices, namely, whether particular interaction forms in particular interaction channels support variation in workplace practices or lead to their convergence across countries. Convergence is understood as a process in which employment practices are more likely to become similar across different countries and MNC subsidiaries, whereas variation means that convergence is unlikely and the differing workplace employment practices are likely to remain unchanged or will develop in a direction other than convergence.

None of the discussed forms of social interaction is straightforwardly associated with convergence or variation in employment practices. The outcome depends on the concrete attributes of actors (interests and values), attributes of their interaction (power relations, trust, external conditions), and the interaction channel in which a particular interaction form occurs. Convergence or variation is an outcome of interaction in several interaction channels, which are mutually dependent and informed. Therefore, it is not meaningful to discuss the effects of each interaction form on convergence of employment practices individually in each channel. Below I selectively discuss alternative outcomes to which these interaction forms are most likely to lead; and associate them with expectations for the empirical analysis.

Social interaction by control may lead both to convergence and variation in cross-country employment practices. If the MNC interest is exploiting various host-country conditions, control of headquarters over subsidiaries in channel α may prevent convergence. In this case, headquarters control the implementation of employment practices with the goal to adapt them to local conditions in the most optimal way (Ferner/Varul 2000; Marginson 1992). An alternative outcome is that control will lead to convergence of employment practices. Convergence occurs when the MNC is convinced that a diffusion of universally applicable employment practices will work best for the company; and when headquarters enjoy great power to secure the implementation of such practices across various subsidiaries. Headquarter control assures internal consistency and the execution of organizational plans. Control may take the form of direct personal or bureaucratic domination, or the form of indirect control of subsidiary output via networks and socialization through delegation of expatriate managers to subsidiaries (Harzing 2000; Harzing 1999; Rosenzweig/Nohria 1994; Youssef 1975). Effective headquarter control implies that local actors with whom the MNC interacts in channel β lack power resources to influence MNC action, otherwise the response of workers and unions would prevent the MNC from diffusing best practices (Tóth 2004; Ortiz 2002).

Competition may lead either to convergence, or to the continuation of cross-country variation of employment practices. Competition may dominate interaction between sister subsidiaries (channel γ) within a broad framework of headquarter control in channel α , e.g., via technology, distribution of investments, monitoring of profitability. In this case, each subsidiary will attempt to compete with others for resources and profit; and in this process headquarters or the subsidiaries themselves may identify the most effective employment practices that are consequently implemented across subsidiaries in different countries. This is an example of how competition leads to converging employment practices³. However, if sister subsidiaries deploy equally effective employment practices relative to local conditions, are not willing to learn or imitate practices from other subsidiaries, and headquarters are not fostering convergence, then internal competition in channel γ does not lead to convergence. Lacking headquarter coordination, employment practices in each subsidiary evolve independently and are likely to be embedded in relevant local conditions. Another example of how competition does not lead to convergence is when the MNC's interests in convergence [variation] compete with the interests of local actors, mainly trade unions, in variation [convergence] in channel β . Local actors may be powerful enough to prevent the MNC from diffusing best practices and fostering convergence in workplace employment practices. Although theoretically feasible, this outcome is empirically unlikely due to the assumed power asymmetry between the MNC and locals.

Value-oriented cooperation results in convergence of employment practices if the MNC and other actors (channel β) believe that it is best to shape employment practices in the direction of convergence across countries, as far as national legal regulations allow.

³ This holds when there is great power asymmetry between the MNC and local actors, and a weak influence of local institutions and societal factors.

Alternatively, it is possible that the MNC is responsive to local conditions and interested in adaptation of employment practices to local laws, norms and host country standards. When the workers, unions, and other host-country actors share this view and prefer the MNC to adapt to local conditions, employment practices will remain different across countries and subsidiaries. Actors will foster variation in employment practices under the influence of shared values, enabling institutional conditions, and their own self-enforcing belief that variation is the desired outcome.

Whether interactive bargaining will lead to convergence in employment practices depends on actors' preferences for distributional or integrative bargaining, and on their power relations. Convergence is conditional to the way in which the MNC confronts its interests with interests of unions and others (channel β), and to what extent each actor is willing to give up some priorities and accept concessions. Bargaining leads to convergence [variation] in employment practices if all actors in the relationship are convinced that this is the best integrative outcome for everyone – including the MNC, workers in different countries, and unions. Before actors agree on an outcome and act accordingly, they moderate their original interests and are involved in an exchange of ideas and resources, and become familiar with and responsive to each others' interests. This is different from cooperation based on shared values where actors agree with certain outcomes following their personal feelings and values, even without extensive bargaining.

In sum, these possibilities of interaction indicate different actor-driven sources of cross-country convergence or variation in workplace employment practices. Their common feature is that they all acknowledge the relevance of actors' interests, social interaction, and institutional conditions for employment practices. They differ in the expectations of which actor's interest, power and values – and in what way – will influence the social interaction and consequently the employment practices. Integrating the outlined possibilities with evidence on convergence in the existing literature, these alternative expectations guide my empirical research. However, expectations may also be formulated in a more integrative fashion, not referring to particular interaction channels but to overall patterns of convergence and variation and the role of MNCs therein.

First, according to the standard convergence thesis, convergence in cross-country workplace employment practices can be actively driven by the MNCs (c.f. Rubery/Grimshaw 2003; Berger/Dore 1996; Boyer 1996). This means that headquarters, using their economic power, control all actions of subsidiaries and foster cross-country convergence to best employment practices regardless of institutional conditions and actors' social relations. Second, and in contrast to the first, the MNC can actively foster adaptation of employment practices to host country standards and thus reinforce the existing cross-country variation. In this case, the company will assign higher relevance to social interaction with local actors and the local social and institutional embeddedness of its interests than in the first case. Third, it is possible that the institutional infrastructure in the host countries poses constraints on MNC behavior; and local actors are more powerful than the MNC and able to prevent MNC-driven convergence. For example, responses of local unions hinder the MNC in the dissemination of best practices (Tóth 2004; Ortiz

2002; Ortiz 1999). Finally, one has to acknowledge a situation in which actors' behavior and interaction at the micro-level is not decisive, and the fact that whether employment practices will continue to vary across subsidiaries and countries is accountable to the stability of existing institutional settings in a macro-level perspective, e.g., national legal systems, EU regulation, interests and lobbying by groups of organizations at the national and European levels.

The above paragraphs present a selective outline of how actors' social interaction forms affect convergence and variation in workplace employment practices. I do not formulate detailed hypotheses, but use the presented theory as a framework to interpret empirical evidence. Throughout chapters four through eight I uncover the dominant form of interaction in each interaction channel; and in chapter nine I revisit this theoretical framework to discuss how the attributes of actors' behavior, empirically documented interaction forms in each channel, and the relevant institutional contexts interlink in a coherent behavior pattern and influence trends in workplace employment practices.

2.4 Conclusions

In this chapter I have put forward a theoretical framework to study MNC behavior, social interaction, and its effects on employment practices. In broad terms, the chapter theorizes how social interaction and activities of individual actors in the social context may belong to the most important foci of micro-level institutional change and innovation (Eisenstadt 1971: 37).

The presented theory stresses the role of social interaction among actors in given institutional and social conditions. The values, economic interests, and power of the studied actors are among most the important attributes of behavior and social interaction. Social interaction helps the actors to cope with the uncertainty that is inherent in the surrounding environment. The theory also offers an insight into the complexity of actors' goals (different organizational levels of the company) and the exchange of relevant resources between the MNC and its environment. Based on the MNC's and other actors' values, interests, power relations, and institutional conditions, social interaction is structured in several interaction channels between the MNC and actors in host-country environments (workers, unions, and the local society). Interaction is expected to occur in the form of control, competition, cooperation based on shared values, and interactive bargaining. Each of these forms has different implications for variation or convergence of workplace employment practices in MNC subsidiaries.

In paying attention to actors' behavior and social interaction, and the enabling, constraining, and shaping effects of given (but variable) institutional structures and norms across different countries, the proposed theory not only builds on resource dependence but also on the framework of actor-centered institutionalism (Scharpf 1997). What distinguishes the described theory from actor-centered institutionalism is that it goes beyond studying the normative influence of institutions on actors' rational economic behavior. Attention is paid to actors' voluntary commitment to institutions and informal

norms that arise in their social interaction. Social interaction may lead to voluntary commitments and stimulate contextualized and socially embedded behavior, which gives concrete meanings to rationality as perceived by the actors. The next chapter operationalizes this framework in the case study of the MNC, Electra; and discusses how the subsequent empirical chapters examine interaction between MNC headquarters and subsidiaries, between the MNC's sister factories, between the MNC's subsidiary managements and local workers, trade unions, and the local society, and the international interaction between trade unions and EWC representatives.

Chapter 3

Social interaction in a multinational company's reality: Operationalization and research design

An East-West European comparison of MNC behavior is best studied in an in-depth case study of a company with comparable subsidiaries in both regions. The Dutch MNC, Electra, is such a case. I have therefore selected this company for closer scrutiny. This chapter's aim is to offer a simple way of making sense of the theoretical framework and structuring of Electra's social interaction channels that acquire concrete meanings only when connected with real situations and evidence on social interaction and employment practices.

I start with justifying case study research and introducing Electra, its organizational structure, and the Western and Eastern European subsidiaries. The second section offers a thorough operationalization of each social interaction channel between Electra's headquarters, subsidiaries, and local actors. The final section offers insight into the process of data collection and discusses the methods deployed for the analysis of the collected evidence.

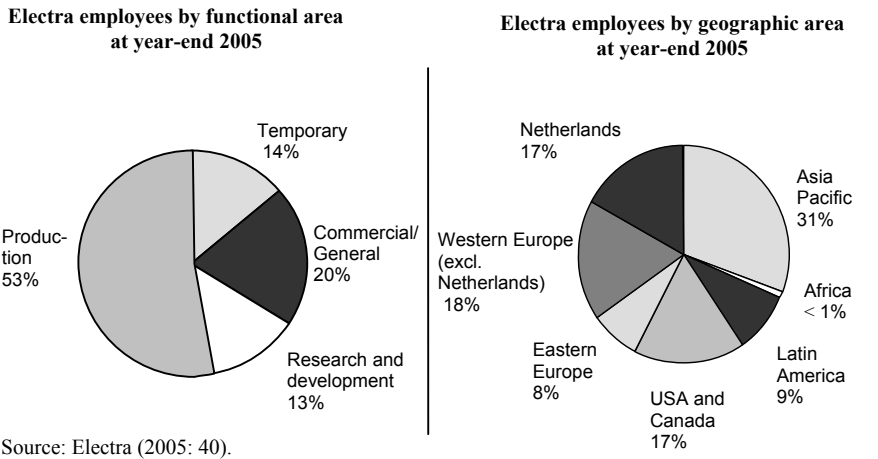
3.1 The case study of Electra

A variety of literature on MNC employment practices has been discussed in the first chapter. Despite offering precious evidence on MNC practices in Western and Eastern Europe, the interests and behavior of actors behind particular practices are rarely questioned. In fact, it is unclear what mechanisms and local actors are at play when MNCs implement their practices in several foreign subsidiaries. This fact has motivated me to design the research in the form of an in-depth comparative case study instead of relying on survey evidence on MNC practices. The case study method is suitable for the study of employment practices and MNC behavior, because it permits a holistic analysis of a set of interrelated phenomena within controlled settings (Truss et al. 1997; Boxall 1993; Dyer 1984). I study employment practices and related MNC behavior in a single MNC, with four comparable subsidiaries in Western and Eastern Europe. The unit of analysis is the subsidiary (workplace) and the relationships in social interaction channels, as structured in Figure 2.2 in the previous chapter.

The company to be studied is Electra, a leading Dutch MNC in electronics, lighting, and medical equipment. Electra was established in the late 19th century as a small family light bulb business. Through production growth, consumer success and international expansion, Electra became the top European electronics producer. In the past, Electra was

a decentralized company with a portfolio of independent businesses that aimed at exploiting local conditions (Bartlett/Ghoshal 2002). However, the past 20 years suggest a shift in the company’s organization in a new direction. The current objective of Electra is to “create one [Electra] – a focused, market driven company geared to delivering sustained profitable growth” (Electra 2005). In other words, the dissatisfaction with the earlier market performance of several product groups has brought forward a move to an integrated structure with strengthened ties between formerly independent organizational units. A number of core competencies, including HRM, information technologies and finance services, are now centralized at the corporate level (van der Meer et al. 2004). The restructuring periods falling under the *Operation Centurion* in the early 1990s and *Towards One Electra* program in the past five years involved the outsourcing of some product divisions, mergers or reorganizations of others, and a number of dismissals. 403,000 employees worked for Electra worldwide in 1974 (Dronkers 1975), but their number declined to 188,643 in 2001⁴ and 159,266 in 2005 (Electra 2005). In 2005 the MNC’s employment declined in all regions of the world with the exception of Eastern Europe and Asia Pacific where employment continued to rise (Electra 2005: 41). In 2005 51 percent of all Electra employees worked in production, and European countries maintained an important position in Electra’s regional employment distribution (see Figure 3.1)

Figure 3.1 Structure of employment in Electra

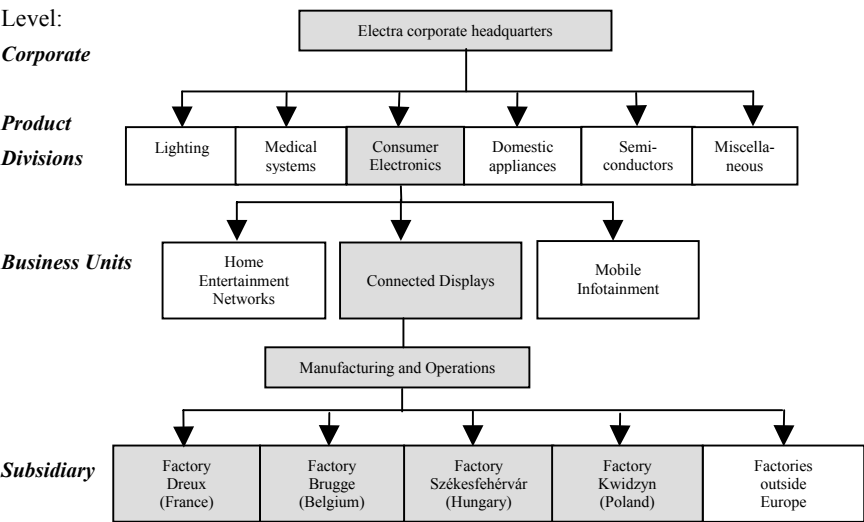


The recent strategic shift has had extensive consequences for subsidiaries, especially those with a long history of relatively independent national operation. Currently, their competencies are limited by two factors. The first is being part of large regional structures

⁴ Full-time equivalent employees.

such as EMEA (regional organization and headquarters for Europe, Middle East and Africa). The second factor is being part of a top-down hierarchical functional structure of product divisions with headquarter-controlled and centrally coordinated decision making (see Electra’s organizational structure in Figure 3.2). Thus, what makes Electra an interesting research case is the firm’s recent history with its gradual move away from a traditionally decentralized organization to a more integrated structure with centralization of strategic decisions, key resources, and knowledge. What did these developments brought for Electra’s employment strategy that has earlier been most adaptive to differing national laws and country specificities? The strategic moves in business did not surmount the dilemma between Electra’s rational interest in centralizing core business decisions and its administrative heritage of local responsiveness (Bartlett/Ghoshal 2002). On the one hand, headquarters control the decision making to improve efficiency and profits. On the other hand, the company continues to maintain its traditional decentralization in HRM. This is one of the company’s corporate interests. It builds on the corporate value of being responsive to different people’s interests and the cultural characteristics of different host countries. Thus, a decentralized HRM cannot be easily defeated by a changed corporate strategy.

Figure 3.2 Electra’s organizational structure



Source: scheme by the author; informed by company documents, charts, and interviews

Electra is currently divided into six product divisions that bring together business groups/units of similar product character (see Figure 3.2). For closer investigation, I selected the product division (PD) *Consumer Electronics* and its business group (BG) *Connected Displays* with four European production sites. Until the 1990s, this division occupied the lion’s share of Electra’s profits (Cohen 1996). In the past decade Electra

realized the extensive vulnerability of this division to competitors from Asia. Currently, Consumer Electronics is – with 15,537 employees (2005 figure) – one of the smallest and most cost driven product divisions within Electra. The PD continues in an earlier trend of slightly declining sales and employment (Electra 2003). Although the division's performance improved and stabilized after a downturn in the late 1990s, in 2005 employment further declined due to the divestment of Electra OEM Monitors to subcontractors in China and Taiwan (Electra 2005: 40). In contrast to other product divisions, manufacturing sites of Consumer Electronics have gradually disappeared from the Netherlands and from other Western European and North American countries to countries with lower wages and better possibilities for the MNC's global competitiveness. Research and development divisions of this PD as well as its headquarters are still based in Eindhoven. Development of high-end televisions for the European markets takes place in Brugge in Belgium.

The intensified cost drive in managerial decisions inspires my research interest in the effects of cost-driven company interests, potentially in conflict with a decentralized HRM, on workplace employment practices. A further justification of studying the selected PD and BG is that the organization offers a feasible research design with two Western and two Eastern European subsidiaries that make comparable products and have comparable relations with headquarters.

3.1.1 Electra and its subsidiaries in Western and Eastern Europe

The four subsidiaries studied in detail in the next chapters are the last manufacturing sites of Electra's Consumer Electronics division in Europe that are in Electra's ownership and produce Electra brand products. These factories develop and assemble televisions and home entertainment products predominantly for the European market. Although their production is not identical, these factories are well comparable (see Figure 3.3). The BG coordinates production across these sites and channels corporate policies to the factories. This straightforward vertical organization of Electra (see Figure 3.2) offers a feasible research design of most similar subsidiaries in quite different institutional conditions.

Dreux (France) and Brugge (Belgium) are the *old* industrial sites in Western Europe. In past years these factories experienced significant reorganizations of production and employment, including coaching of new factories in CEE. A focus on progressive technologies was the only survival option for Western factories, as they could not sustain their cost competitiveness in the production of mainstream televisions. At the same time, they enjoy a good logistical location because the bulk of their production targets the Western European markets. Brugge, once a successful mass producer, evolved into a demand introduction center with extensive product development activities and the small-scale manufacturing of high-end, technologically advanced products (plasma and LCD televisions). Dreux is the only remaining mass assembly center of Electra's Consumer Electronics division in Western Europe. This factory increasingly specializes its production in flat screen technologies.

Figure 3.3 Electra's television factories in Europe

Factory and host country	Established	Products	Position within Electra	Total employment in high-season (production workers)*
Brugge (BE)	1950s (brownfield)	Flat televisions	Development/initial assembly of new televisions models, high value added	1,301 (401)
Dreux (FR)	1972 (brownfield)	Flat televisions	Mass assembly, new technologies	800 (600)
Kwidzyn (PL)	1991 (greenfield)	Mainstream televisions Flat and mainstream televisions, monitors, home entertainment	Mass assembly, older technologies	984 (872)
Székesfehérvár (HU)	1991 (greenfield)		Mass assembly, mixed technologies	2,392 (2,200)

* Including temporary and agency workers. 2003 data for Brugge and Kwidzyn, 2004 data for Székesfehérvár, 2005 data for Dreux.

Source: Electra internal documents and interviews.

In contrast to Brugge and Dreux, the Kwidzyn and Székesfehérvár factories started as small industrial sites in CEE in 1991, and evolved into mass production centers with outstanding performance during the past decade. According to Electra's managers the success of CEE factories lies not merely in their cost competitiveness, but mainly in the flexible, motivated and committed local workforce. New technologically advanced products are slowly penetrating into the production plans of Székesfehérvár, whereas Kwidzyn, until recently the best performing Electra TV factory in the world, was outsourced to an American company shortly after data collection for this dissertation was completed. This outsourcing accounts to the approaching end of mainstream TV technologies' life cycle and Electra's orientation on new technologies. The factory, however, continues to produce Electra brand televisions under the same organizational structure and same employment practices. The data analyzed in this dissertation cover the period when Kwidzyn was in full ownership of Electra.

Unlike their similarity in production assembly and corporate structural influences, the selected factories are located in two regions with distinct institutional conditions. These conditions are a source of diversity in employment practices and industrial relations (Harzing/Sorge 2003; Frenkel 1994; Dore 1991). CEE presents a more liberal and market-driven institutional context for company practices (Meardi 2006; Bohle/Greskovits 2004; Danis 2003; Whitley et al. 1997). This implies different structures and networks of actors when compared to coordinated economies in continental Western Europe (Martin 2006; Thelen 2001; Whitley 1999). The distinctiveness of the two regions is particularly obvious in the difference in their unemployment levels, the position of trade unions, the established work patterns, and the effective motivation practices (Kohl/Platzer 2004; Martin/Cristescu-Martin 2004; Michailova 2003; Danis 2003; Meardi 2002; Sagie/Koslowsky 2000;

Whitley et al. 1997). In countries of continental WE, including Belgium and France, employment issues are heavily regulated, whereas in CEE the legal regulation is less extensive and leaves significant room for individual employers to determine their employment practices. Despite increasing legal regulation and the enactment of new labor laws (Bluhm 2006), the legal enforcement and sanction mechanisms are not strongly institutionalized, and therefore employers enjoy great autonomy in determining their employment practices (Meardi 2006; Bohle/Greskovits 2004; Whitley et al. 1997). The next difference is that long-term employment with fixed working hours and good working conditions has become the landmark of Western Europe in the post-war period (Bosch 2004; Dickens 2004; Powell 2003). These conditions are changing now, but are still more obvious in the West than in the CEE countries where workplace competition and performance-related pay are more commonly used (Sagie/Koslowsky 2000; Whitley et al. 1997). CEE experienced a regime change and a transition to a market economy. In this period, after 1989, unemployment has significantly grown. As a consequence, people value their jobs and are willing to accept lower pay and worse employment conditions than workers in Western workplaces (Kahancová 2006).

A similar East-West distinction applies to the regulation of industrial relations. Industrial relations are important because they represent one of the central interaction channels between the studied MNC and host-country employee representatives. Industrial relations systems have undergone long-term development in Western Europe and resulted in mature systems with relatively centralized collective bargaining, strong trade unions, and extensive legal regulation of trade union rights and functions (Thelen 2001). The strength of unions and sources of union power differ between Belgium and France, but in general these trade unions have great capacities for action and interest representation. By contrast, trade unions in Poland and Hungary are fragmented and organizationally weak; and this hinders their influence on national public policy and their negotiating position and centralization of collective bargaining with large employers including MNCs (Meardi 2006; Avdagic 2005). The legal underpinning of trade union rights and the unions' role in the society is less extensive when compared to Western Europe. Only Poland has adopted particular laws on trade unions. However, in reality, these laws are not enforced and the position and power of trade unions are dependent on the conduciveness of particular conditions to bargaining and the type of employer with whom unions interact (Kahancová 2003). If bargaining takes place at all, it is predominantly at the company or even workplace level, with mixed evidence on cooperation and conflict in workplace relations and the marginalization of unions (Frege 2000). In Western Europe bargaining occurs predominantly at the sectoral level (Schulten 2005). There are also differences within both regions, but in this dissertation I focus on internal similarities and highlight the inter-regional, rather than intra-regional differences.

3.1.2 Employment practices

Having described the basic characteristics of Electra and the conditions in which its factories operate, in this section I discuss the employment practices that are being compared and whose cross-country variation is questioned. Employment practices are understood as employment terms and conditions applicable to production workers in Electra's subsidiaries. I focus predominantly on production workers because they constitute the largest share of the studied factories' workforce⁵ and are directly associated with the factories' main economic activity – assembly of television sets.

I investigate employment practices loosely organized in two groups. The first group, *hard* employment practices, relates to labor costs and employment flexibility. Their relevance is emphasized by MNCs and economists, because these practices assure a successful market performance of the company (Rubery/Grimshaw 2003: 6). At the same time, these practices are a relevant aspect of the formal employment contract. The studied hard employment practices include production workers' working time organization, headcount changes, presence of temporary workers, functional flexibility, and wages⁶. I pay attention to the legal regulation of these hard employment practices, to Electra's interests in this regard, to the actual practices currently existing in the factories, and the social interaction related to their institutionalization.

The second group of employment practices studied is the *soft* practices that derive from company values, social relations between managers and workers, and from implicit aspects of the employment contract. Attention to improved company performance is no longer limited to the most effective labor cost management, but involves an interest in developing committed and highly performing employees (Dobbin 2005; Jacoby 2005). In relation to this, the relevance of employment practices that foster creativity and teamwork and reward personal initiative has been growing (Nolan/O'Donnell 2003; Dessler 1999). Advancing organizational practices beyond labor cost control, modern HRM advertises practices that motivate employees and look after their social welfare in order to stimulate commitment to company goals. Within soft employment practices, I examine motivation, worker empowerment and participation, and fringe benefits that Electra grants to workers in Western Europe and CEE and that aim at promoting workers' wellbeing both on the job (involvement in decision making and right of information) and in their private lives (social services, recognition, fringe benefits).

There are several advantages of studying the selected employment practices. First, these practices are relevant for both Electra's interests as well as for factory workers and trade unions. Second, trade unions are extensively involved in coordinating working time,

⁵ In Brugge production workers are in minority, but the large development section of this site has its own separate organizational structure. Within the assembly factory, production workers are in majority and therefore a comparison of their employment practices with the other three factories is feasible and justified.

⁶ The comparison of wages and wage policies in Electra's factories is not as detailed as the analysis of employment flexibility practices. The reason is one the one hand an uneasy access to workplace information about wages. One the other hand, wages are most market-driven employment practices, and the influence of Electra and other actors is more limited than on employment flexibility practices.

recruitment, as well as selected aspects of work organization (mainly performance-related pay) and fringe benefits. Workplace industrial relations are thus a particularly important interaction channel for the institutionalization of those employment practices that legally require collective bargaining or those on which trade unions have influence for other reasons. Third, working time, recruitment and dismissals are subject to legal regulation in all studied countries, which allows controlling for macro-level institutional settings in these practices across Belgium, France, Poland and Hungary. By contrast, work organization and fringe benefits are, at least partly, excluded from legal regulation, and a macro-level influence on them is negligible. This leaves extensive room for Electra and its workers and unions to determine these practices within the company and independently of broader institutional constraints. Finally, the selection of the described employment practices depicts another advantage: whereas Electra's headquarters do have some direct influence on parts of work organization and working time, other aspects in these employment practices are fully in the hands of subsidiary managements. Comparing employment practices in which the MNC has a greater and a weaker influence – due to legal regulation and the involvement of local actors – renders a suitable research design to evaluate overall MNC behavior.

3.2 Unit of analysis

The unit of analysis of my study is the MNC workplace or subsidiary in Western and Eastern Europe. I examine the processes through which employment practices at the workplace arise; and the forces shaping convergence or variation in these practices across WE and CEE.

Independent influences on MNC behavior include interests, corporate strategies, resources, and company values that are part of a broader organizational culture and administrative heritage. From the point of view of host-country conditions, an obvious and important independent variable is the local institutional context. Institutional conditions in studied host countries facilitate Electra's behavior and social interaction with workers, unions, and the local society. I particularly refer to the formal legal regulation of employment practices and to employment standards and informal institutions in the local labor markets, such as employment practices, industrial relations, management styles and workers' work habits that exist in other locally based firms and can be considered as typical of the local environment. Local standards are a benchmark against which Electra's behavior and its interaction with other actors is evaluated.

The mechanism investigated in this dissertation is not limited to the relationship between independent variables and MNC behavior and social interaction as the dependent variables. This study is also about the forces shaping workplace employment practices and their variation or convergence. The mechanism I wish to explore and understand is therefore best described in two stages. The first stage is understanding social interaction between the MNC and other actors. This is influenced by company interests, values, and institutional conditions on MNC behavior, actor constellations and social interaction

structured in interaction channels α , β , γ and δ . The second stage centers on understanding the effects of this interaction on the variation or convergence of employment practices between Western and Eastern European workplaces.

3.3 Social interaction channels: an operationalization

Recalling the structure of social interaction channels between Electra and other actors, I now discuss the studied aspects of social interaction in each interaction channel between Electra's headquarters and factory managements (channel α); between sister factories in WE and CEE (channel γ); between factory management and local workers (β_1), trade unions (β_2), works councils (β_3), and the local society (β_4); and between trade unions and employee representatives located in Western Europe and CEE (channel δ). Throughout the empirical chapters I gradually investigate each social interaction channel along the lines described here.

3.3.1 Electra headquarters and subsidiaries

I selectively focus on formal and informal interaction in HRM, industrial relations, and production issues, because these directly or indirectly relate to workplace employment practices in Electra's subsidiaries. Questioning the centralization of HR policies and decisions or the autonomy of factory managers in this respect, the transfer of policies from headquarters to subsidiary managements, the form, frequency and characteristic of existing contacts, and the power relations between Electra's headquarters and the TV factories – these are central issues studied in headquarter-subsidiary interaction (channel α). Next, I acknowledge Electra's values and structural and institutional influences on firm behavior as a starting point to evaluate the company's interest in particular employment practices across the West and East. Headquarter-subsidiary interaction is studied in chapter four.

Structural and institutional influences enable or constrain internal organizational consistency and homogeneous MNC behavior across different organizational levels (Rosenzweig/Nohria 1994; Meyer/Rowan 1977). Internal structural influences relate to the business cycle, (re)organization to secure market competitiveness, changes in technology and costs, and thus changes in headquarter-subsidiary coordination based on these. Internal institutional influences include company values and administrative heritage, or the path-dependent capability of doing things in a particular MNC (Bartlett/Ghoshal 2002). At the corporate level, the influence of administrative heritage on Electra's interests and behavior is analyzed with respect to two seemingly contradicting interests – the shareholder value, and corporate social responsibility which increases the company's external stakeholder-oriented legitimacy (Edwards et al. 2006; Diller 1999). Channeling corporate interests to subsidiaries, values and the administrative heritage are expected to shape the style and frequency of communication, commitment of headquarters and factory managers to corporate values, and trust and informality between managers at various organizational

levels. This way corporate interest shapes Electra's willingness to engage in social interaction with local actors in decisions concerning employment practices.

The external influences on headquarter-factory interaction that I study in chapter four relate on the one hand to structural market conditions, developments in demand, product life cycles and competition. On the other hand, Electra's behavior is under great influence of external institutional factors, namely the effects of home-country and host-country institutions (Myloni/Harzing/Mirza 2004; Noorderhaven/Harzing 2003; Ferner 1997). These are described as rival, or isomorphic, pressures on MNC subsidiaries (Rubery/Grimshaw 2003; Ferner/Quintanilla 1998; Rosenzweig/Nohria 1994; DiMaggio/Powell 1983). Different isomorphisms (corporate, cross-national, local, and global inter-corporate)⁷ imply different forms of MNC behavior and social interaction at the subsidiary level (Ferner/Quintanilla 1998; DiMaggio/Powell 1983); therefore, I identify which isomorphic pressures have the greatest influence on Electra's behavior.

3.3.2 Interaction between Electra's sister subsidiaries

Beyond the interaction channeled by headquarters, Electra's television factories may also develop direct contacts with each other (channel γ). The factories may directly coordinate their employment practices, exchange ideas on best practices, and thus influence their cross-subsidiary variation. Whether and how this happens, what contacts exists between these sister factories, in what form and frequency, and what their consequences for employment practices are, is studied in chapter four.

For studying interaction in channel γ I use the same framework as applied to interaction between Electra's headquarters and factories. This means I consider cross-factory transmission of Electra values, structural and institutional influences on management's behavior, and interest in exchanging resources with other factories and imitating their practices.

3.3.3 Electra and the local society

A successful attempt at implementing employment practices in Electra's factories cannot be separated from the local context in the host countries (Michailova 2002; Maurice/Sorge 2000). The local context refers to particular geographical, institutional, political and social

⁷ Corporate isomorphism indicates strong corporate control over subsidiaries, little responsiveness to home-country and to local conditions, and an interest in convergence of employment practices (Rosenzweig/Nohria 1994; DiMaggio/Powell 1983). *Cross-national* or *home-country isomorphism* is evident if a number of MNC's home-country practices penetrate in the practices of foreign subsidiaries (Ferner 1997). In *global (inter-corporate) isomorphism* the MNC is subjected to isomorphic pressures from key competitors in international markets. This is a response to apparently successful organizations with a possibility of emergent corporate cultures distinct from both home and host country environments (Ferner/Quintanilla 1998: 713). *Local isomorphism* encourages taking advantage from a diversity of local conditions, searching for locally specific solutions, and subsidiary engagement with local actors. By adapting to local conditions, the MNC fosters persistent variation in employment practices because of searching for local effectiveness, coping with local uncertainty or because of conformity with host country legal rules.

settings, and is part of a national host-country institutional space, including labor markets, norms, employment and business practices, industrial relations systems, and legal regulation. Electra's interaction with the local society is not the core of the argument on company behavior and social interaction in shaping employment practices. But it helps to implant the argument in a broader context of the complex relations between the MNC and the host-country societies. The first part of chapter five addresses these issues empirically.

Social interaction between Electra and the local society (channel β_4) is not limited to the rule of law and norms for MNC practices. It also involves Electra's integration in a local network of companies, interaction with local authorities, media and other external actors that I refer to as local society. Electra's relationship with the local society thus covers the MNC's reputation and accommodation of its subsidiaries in a particular city, region, and host-country. More concretely, the interaction includes public relations and activities like sponsoring interaction with municipalities and local labor market authorities, employers, healthcare institutions, schools and media.

I question how Electra benefits from the local society, and how the subsidiary activities and their local image contribute to the local society's development and wellbeing. Evidence on perceptions of local media and governmental and labor market authorities on whether Electra contributes to the enhancement of the local economy and society, or whether the company's behavior is exploitative and imposes corporate interests and values on the local society, reveal information on MNC behavior and commitment beyond the gates of the factories. Electra is likely to develop a stronger sense of local identity, connections with elites, and engagement in the local society's life in a small community where the investor is more visible (Domański 2004).

3.3.4 Management – workforce interaction in the subsidiaries

Social interaction between Electra and workers in the factories (channel β_1) takes place within and beyond a formalized employment relationship. I associate the employment relationship and therefore management-workforce interaction with HRM. HRM is defined as the science and the practice that deals with the nature of the employment relationship and all related decisions and actions (Kaufman 2004; Ferris/Rosen/Barnum 1995). In its operationalization I distinguish between *hard* and *soft* HRM, which have been used to categorize approaches to managing people by putting emphasis on the *human*, or on the *resource* (Kaufman 2004; Armstrong 2003; Truss et al. 1997).

Hard HRM implies an interactive relationship based on the management of labor costs, leading to particular wage policies and employment flexibility practices. It stresses the quantitative, calculative and business-strategic aspects of managing the headcount resource in a rational way (Truss, et al. 1997; Legge 1995; Storey 1992). The goal is to invent and maintain an optimal structure of employment organization within given cost constraints and to increase company profitability. Hard HRM is studied in chapter five.

Soft HRM is an interactive process between managers and workers that leads to the soft employment practices specified earlier. Soft HRM embraces values, motivation,

creativity, empowerment and self-regulated worker behavior rather than outright managerial control (Nolan/O'Donnell 2003; Truss et al. 1997; Storey 1992). The aim is to encourage worker responsibility for company performance, and increase workers' job satisfaction and personal wellbeing. In chapter six I study the following dimensions of soft HRM: the social structuring of work systems (Whitley 1999), formal and informal management styles and communication in Electra factories, employee participation in managerial decision making, and behavior related to fringe benefits.

First, work systems are distinctive patterns of interconnected characteristics of task organization and control, workplace relations between social groups, and employment practices and policies (Whitley 1999). Work systems in Electra factories interact with the local institutional environment. Some institutions are more conducive to some types of work systems than others, and therefore local conditions are relevant in determining whether and why a particular work system exists in a particular factory and not in others (Rubery/Grimshaw 2003; Whitley 1999).

Second, management styles and communication practices are helpful in understanding the formal and informal social relations at the workplace that develop within institutionalized work systems. Informal (personal, face-to-face) relations are often more important than formal aspects of an employment contract; and a formally similar employment contract may yield different forms of interaction in different local conditions. I stress the values that shape individual managers' attitudes towards workers, power relations, and the ways in which control over workers' resources is acquired. These practices help to build commitment to workplace rules and procedural justice and uncover Electra's willingness to share information, encouragement of worker empowerment, and responsiveness to workers' needs beyond merely exercising control, exploiting their labor capacities, and aiming at minimum labor costs (Deery/Iverson 2005).

Third, I study employee participation that aims at joint decision-making, trust, and power sharing between management and workers, in order to benefit from workers' resources and skills to improve company performance and profitability (Deery/Iverson 2005; Heller et al. 1998). Finally, fringe benefits and social rewards that Electra grants to workers are an important dimension of soft employment practices and thus also to soft HRM.

3.3.5 Electra and local employee representatives

Besides interaction with workers, Electra's interaction with trade unions and works councils in the studied factories is the most important interaction channel between Electra and the local actors with a direct influence on employment practices. Interaction with unions (channels β_2) and works councils (channel β_3) differs from social interaction with workers in that it often includes tough bargaining procedures and encounters of conflicting interests concentrated in specific points of interaction at subsidiary, company, sectoral, regional or national levels. MNC interests can incorporate local responsiveness in industrial relations institutions across different countries, which will influence the form of

interaction with local unions and works councils. Alternatively, Electra may avoid bargaining with unions and pursue unilaterally determined strategies if institutional constraints and a particular power constellation allow this kind of behavior. Whether unions and works councils do have a say in issues of high importance for Electra, whether their influence is purposely marginalized by management, and in what form interaction takes place, is studied in chapter seven. I evaluate management-union and management-works council interaction according to both actors' interests as well as the external obligation to negotiate with employee representatives.

Three dimensions to Electra's interaction with local unions and works councils are particularly important (see Figure 3.4). The analysis of these dimensions brings insight into the actual interaction form and the extent of union and works council involvement in determining Electra's employment practices. The power of Electra's factory managements and of trade unions and works councils to influence these interaction dimensions varies greatly. Legally stipulated union involvement and consultation and bargaining are beyond the control of Electra and trade unions. The MNC can influence interaction related to profit maximization to a greater extent than the legal dimension. Interaction derived from values and power is largely in the hands of subsidiary managers and employee representatives.

First, an obligation to consult and negotiate employment practices or at least to inform employee representatives originates in national legal regulation that differs across countries. Legal regulation can be perceived both as a constraint and an enabling framework for adopting employment practices. Law in WE countries is more detailed and strict about union involvement, whereas in CEE the law leaves more space for the employer to decide whether to coordinate employment practices with trade unions. This implies that unions and works councils have legally differing power resources and are differently involved in Electra's factory decisions in WE and in CEE.

Figure 3.4 Electra's interaction with unions and works councils

Legal dimension	Economic dimension	Value and power dimension
Obligations to inform and consult unions/works councils in concrete matters	Involvement of unions/works councils with a prospect of calculated economic benefits to the subsidiary that are known and specified ex ante	Willingness to negotiate employment practices with unions/works councils within or above the legally required framework based on values of factory managers, trust, informal relations Unions' own power to permeate in decisions on employment practices if not legally stipulated ⁸

Second, some authors emphasize economic reasons for interaction between the MNC and trade unions (Deery/Iverson 2005; Rubinstein 2000; Ichniowski 1986; Katz/Kochan/Weber 1985; Katz/Kochan/Gobeille 1983; Schuster 1983). Management-union interaction concerning employment practices will develop when mutual economic

⁸ Union power is to a great extent based on legal regulation, but also on the willingness of an employer to treat the union as a partner (especially in countries with little legal regulation of union involvement).

gains are expected, and the costs of sharing the MNC's decision-making with trade unions or works councils do not exceed the expected benefits of enhanced performance.

Finally, the extent to which calculations of interaction costs and benefits are deployed beyond formally institutionalized collective bargaining rounds is not clear. Due to the frequency of interaction between managers and employee representatives in Electra's factories it is likely that they are familiar with each other's feelings and goals, and their economic interaction is constructed through and by social interaction (Edelman 2004; DiMaggio/Powell 1991). The value and power dimension of interaction helps to better understand why and in what aspects industrial relations and the involvement of unions and works councils in shaping employment practices differ across Electra factories even if the law and actors' economic interest would allow for similar interaction forms leading to similar employment practices.

3.3.6 International trade union interaction and the European works council

The final social interaction channel to be discussed does not directly involve Electra but is very important for company actions in a transnational context. Just like the MNC, its employee representatives in different countries and subsidiaries may attempt to coordinate their endeavors in a cross-border context and from this position influence MNC behavior and employment practices. This applies to trade union networks and cooperation within Electra's subsidiaries in Western Europe and in CEE (channel δ_1), and Electra's EWC (channel δ_2). When the MNC attempts to maintain a variation of employment practices across WE and CEE, unions and the EWC may oppose this strategy, which then causes a response on the side of the company. Alternatively, Electra may use the EWC or the union network to facilitate rationally funded company strategies, be it convergence or variation in employment practices, or to negotiate principles of corporate social responsibility (Edwards et al. 2006). The outcome depends on the capacity of unions and the EWC to stand as an independent interaction partner of the MNC at the transnational level, and power relations with the MNC.

Transnational union interaction through national trade union confederations in different countries provides evidence on overall union strategies and their dissemination to sectoral, regional, and company union representatives within Electra. Formal and informal contacts and networks of union delegates in Electra factories are more closely related to the factories' employment practices than national confederations, because workplace unions are at the same time in direct interactive relationship with Electra's management and with union representatives abroad. Studying interaction between representatives from WE and CEE in Electra's EWC helps to assess the interests of unions for or against convergence of employment practices.

In transnational union interaction I evaluate attitudes of union leaders and concrete evidence on how unions attempt to support or oppose Electra's goals in a transnational context and via which actions. I also assess attitudes of responsible Electra managers towards transnational union coordination, and Electra's attempts to influence such union

endeavors. In the EWC, I pay attention to its independence from Electra management, the nature of agreements concluded, and the usefulness of EWC sessions for trade union and works council actions in the studied factories. I study communication styles between representatives and the cooperation between the EWC and trade unions (Lecher/Rüb 1999). In the assessment of these aspects I rely on a categorization of EWCs into polycentric, ethnocentric and geocentric bodies (Marginson 2000; Levinson 1972). International union and EWC interaction is studied in chapter eight.

3.4 Research methods

The empirical investigation of outlined interaction channels necessitated a qualitative comparative research approach. In order to capture the true nature of interaction, including informal relations and trust, one cannot just rely on formally written reports and documents. In this section I elaborate the selected research methods for data collection and data analysis.

3.4.1 Qualitative comparative approach

The most feasible method to collect necessary information in Electra was face-to-face interviewing. Based on a checklist of required information I identified key informants and interview questions. I interviewed Electra managers and personnel officers working in HR departments in the TV factories, host country headquarters, BG headquarters and product division headquarters; works council representatives, EWC representatives, and trade union representatives at factory, company, sectoral, regional and national levels. Whenever it was possible, I also interviewed representatives of the local society (local labor market boards and/or local municipality in host-cities). Thus, my findings are based on first-hand information and experience of respondents.

To secure the validity and comparability of collected information, I followed the principles below. First, I learned the organizational structure of Electra and identified at which level of the organization I should focus and found key interview respondents. The firm's straightforward hierarchy allowed interviewing managers in the same function in all factories. Similarly, I traced the organization of trade unions and interviewed persons at several comparable levels of the hierarchy in each host country to obtain a detailed perspective on Electra's interaction with local actors and on union strategies. Second, I raised the same questions to managers in the same function in all host countries and Electra factories. This principle also applies to interview respondents on the side of employee representatives. Third, I raised the same questions to respondents representing potentially conflicting interests, e.g., the factory's HR manager and trade union leader. This proved to maintain the objectivity of collected information and avoided bias in the analysis of data collected only from respondents representing MNC interests. Fourth, each interview has been transcribed in full, and in most cases transcriptions have been sent back

to respondents to obtain feedback or corrections. Finally, I initiated face-to-face discussions with key informants⁹ to obtain their feedback on my findings.

For the sake of clarity and structure in qualitative research, I distinguished four groups of respondents (see Figure 3.5). The first group consists of representatives of Electra’s headquarters. Questionnaires and interviews with this group of respondents are marked with the sign *HQ*. Interviews marked *HQ-U* refer to trade union representatives at Electra headquarters, and the EWC representative of Electra’s home country, the Netherlands. The second group includes Electra’s managers and personnel officers in the factories. Interviews in this group are referred to as *M* (*F-M* for Dreux France, *B-M* for Brugge Belgium, *P-M* for Kwidzyn Poland and *H-M* for Székesfehérvár Hungary)¹⁰. The third group, referred to as *U*, includes local trade union and works council representatives in Electra factories and the host-cities (*B-U*, *P-U*, *H-U*)¹¹. The fourth group includes respondents external to the factories, marked *E* (*F-E*, *B-E*, *P-E*, *H-E*): representatives of higher-level trade union organizations, municipalities and other local authorities, labor market boards and Electra’s national organization HRM representatives in each host country.

Figure 3.5 shows how many interviews were conducted in each group and each host country. The number of interviews differs across different groups and host countries, because not all interviews were applicable to all factories and respondents. At a later stage of data collection some questionnaires were merged in order to optimize the time that many respondents (mainly managers) committed to the interviews. Once I gathered considerable information, particularly on corporate-wide issues, it was possible to reduce the length of questionnaires.

Figure 3.5 Interview structure

Electra headquarters and trade unions (HQ)	Factory managements (M)	Factory trade unions and works councils (U)	External respondents (E)
HQ (4 interviews)	F-M (8 interviews)	F-U n/a	F-E (3 interviews)
HQ-U (2 interviews)	B-M (16 interviews)	B-U (9 interviews)	B-E (7 interviews)
	P-M (21 interviews)	P-U (7 interviews)	P-E (7 interviews)
	H-M (16 interviews)	H-U (9 interviews)	H-E (5 interviews)

Access to Electra was initially acquired by directly contacting key informants in Kwidzyn and at Electra’s headquarters. The HRM manager of the BG Connected Displays facilitated access to Székesfehérvár and Dreux and assisted in obtaining missing data and employment statistics from the factories. I started the interview process in the winter of

⁹ The HR manager in Székesfehérvár, the manufacturing manager in Kwidzyn, and the HR manager of BG Connected Displays

¹⁰ In two countries, I conducted pilot interviews with managers, marked *P*. These are included in the *M* group.

¹¹ It was not possible to interview trade union representatives in Dreux, therefore no F-U interviews are available. In cases where workplace works council representatives were interviewed, these interviews are marked *W* but are included in the *U* group of interviews.

2004 with introductory interviews in the Netherlands (HQ-U). Between March and May 2004 I conducted all interviews in Electra in Kwidzyn and other cities in Poland where some of my respondents were located (Warszawa, Gdańsk, Piła). In June and July 2004 I interviewed Electra managers and trade union and EWC representatives at the headquarter level in the Netherlands (in Amsterdam, Eindhoven, Weert and Deurne). September and October 2004 were devoted to data collection in Belgium – in the Brugge factory and in Turnhout and Brussels where the respondents resided. I spent November and December 2004 in Hungary conducting interviews at Electra's Székesfehérvár factory. Supplementary interviews with union leaders took place in Győr, Veszprém and Budapest. I returned to Székesfehérvár in March 2005 to conduct five remaining interviews. Finally, I travelled to France in October 2005 to conduct the final set of interviews in Dreux and at Electra's French headquarters in Suresnes. In total, I conducted 114 interviews. Each interview lasted an average of 60 to 90 minutes, depending on the availability of the respondent and his/her personal interest in my research. In a minority of cases, interviews were shorter (about 45 minutes) because of respondents' other obligations. In other cases, the interviews took up to three hours. A detailed specification of all interviews, dates, respondent functions, and interview titles are included in the Appendix.

All interviews, except two telephone interviews, were face-to-face. I conducted the interviews myself; for two interviews in France I hired an assistant to translate between French and English. In the majority of occasions I met with the respondents in their offices during working hours. In one case, the interview took place in a public cafe and in another case in a private apartment. In general, the atmosphere of all interviews was informal. The fact that I stayed in Kwidzyn, Brugge and Székesfehérvár for several weeks contributed to the increasing trust of the respondents towards my work and led to more open and honest responses in the interviews. Beyond interviews, I made useful observations during lunches with managers, personnel officers, and a union representative; and during excursions through production halls¹². Invaluable observations on the informal interaction between the factory's general manager and the trade union leader were made during a sports competition and social event for Electra's employees in Kwidzyn in which I participated in May 2004. Participation in a workshop of the trade union ACV Metaal in Elewijt-Zemst (Belgium) in February 2005 was another constructive opportunity to observe the formal and informal interaction of trade union leaders and Electra's EWC representatives from Western and Eastern Europe.

In the cases where I received respondents' approval, I tape recorded the interviews. Only six interviews out of 114 were not recorded: in two telephone interviews it was technically impossible to record; and in four cases the respondents did not wish to record what they say. In France, this was due to the respondent's insecurity with speaking English. In Hungary, the respondent did not want the interview to be recorded due to internal conflicts between the union and the works council that she was referring to during the interview. The language of the interviews varied according to the respondents' abilities

¹² The officers from HRM and production departments in Kwidzyn and Székesfehérvár have taken me on a detailed guided tour through production halls. I was observing people's work at assembly and packaging lines.

to speak fluent English. In principle, the majority of M interviews were conducted in English, and the majority of other interviews in the local language. All recorded interviews have been transcribed in the original interview language. I transcribed the majority of interviews myself, and I hired research assistants to transcribe part of the Hungarian interviews and all of the interviews in Polish, Dutch and French.

For reasons of feasibility, the time frame of collected data corresponds with the actual experience of interview respondents in their current function. Many respondents have held their current position for several years and therefore had an extensive overview and experience. If this time frame was not applicable, I investigated the time period of the past five years, because in this period employment systems in Electra's CEE factories were already stable and institutionalized, and coordination with headquarters and with Western factories has been more stable than in early 1990s. I found it most feasible to make comparisons during a period of stabilized employment systems and factory organization in WE and CEE factories.

Besides interviews, I collected and studied company documents, policies, audits, annual reports, sustainability reports, employment statistics, and articles from local media in the host countries. The most useful documents were Electra's internal business excellence audit reports completed in each factory, findings from Employee Engagement Surveys (EES), and corporate documents such as Annual reports and Sustainability reports available through Electra's website.

The main method for data analysis was content analysis of transcribed interview texts and document analysis of company reports and media articles. I have coded all interview texts to identify typical signs of corporate and locally specific interests and employment practices and behavior driven by economic interest and by local norms and laws. I evaluated and interpreted the data according to the particular local conditions to which they apply.

3.4.2 Social interaction in a game-theoretical perspective

A supplementary method for data analysis was feasible in two interaction channels (management-union interaction in Electra subsidiaries – channel β_2 , and the international interaction of trade unions and employee representatives – channel δ). I used a game-theory interpretation of actors' constellation and social interaction forms, because it best captures the relative opportunities and constraints that Electra and unions have in each host country and factory situation. Interaction is presented in the form of payoff matrices representing power constellations of involved actors, and the payoffs they assign to and obtain from certain behavior relative to the other party's behavior and to the institutional environment in which interaction takes place. I distinguish between the cooperative and tough behavior that Electra and the unions can opt for. Opting for *cooperation* means being inclined to compromise on employment practices with the actor with whom interaction takes place. Depending on the priority that actors assign to cooperation, this kind of behavior characterizes either value-based cooperation, or interactive bargaining, as

a form of social interaction. Analogously, in *tough* behavior the actors are more eager to struggle for their initial goals and do not resign or compromise easily. A tough strategy is associated with interaction taking place either in the form of control or competition. Tough behavior can also describe interaction in the form of interactive bargaining, especially when bargaining has a distributive character and actors cannot easily agree on a joint solution.

Depending on the local conditions and the actors' selected behavior relative to the behavior chosen by the coordination partner, different interaction forms bring different payoffs to Electra and to the unions. The payoffs listed in the matrices are derived from empirical data and are numbered zero to three for each actor. The choice of numbers is based on convenience, and the only relevant aspect of this selection is its ordinal structure (3 the most acceptable option, 0 the least acceptable option). A combination of individual payoffs for both Electra and the unions in each factory then allows an evaluation of the most convenient and sustainable form of social interaction for each actor, relative to the other actor's interests and local specificities. The real game played – the one from which none of the actors attempts to deviate under the existing conditions and strategies of the other actor – is the Nash Equilibrium, the steady state when both actors opt for the same square of the matrix and both are satisfied with their choice (Osborne/Rubinstein 1994). The sustainable mode of interaction is not a one-time game, but the result of a long-term management-union interaction and international trade union interaction. In each case the reference to local conditions is crucial: even if one finds interaction by interactive bargaining, this means different power relations and informal social relations and trust in each studied situation and interaction channel.

A game-theory analysis is impractical for interaction channels α , γ , β_1 and β_4 . In the case of α and γ , this is because of the mutual dependence of interests and values between headquarters and subsidiary managements. The subsidiary's role is bound to the MNC's corporate goals and interests, without the possibility to easily remove itself from this position. In the case of β_4 , the reason is the continuous character of the interaction between managers and workers in the factory. In concrete points of interaction related to employment practices, worker interest is represented by trade unions; and for management-union interaction the game-theory methodology is feasible and applied. Finally, the channel β_4 provides background information on Electra's accommodation to the local society, and is not central for shaping employment practices. Therefore, this interaction channel has been analyzed in a conventional way without a game-theory methodology.

3.5 Conclusions

The goal of this chapter was to operationalize the theoretical framework for social interaction, and to justify the case selection and methodology for data collection and analysis. The selection to study the behavior of the Dutch MNC Electra and its TV factories in Western and Eastern Europe offers a research design of the most similar cases

in the most different institutional conditions. Employment practices that are being compared across these TV factories embrace, on the one hand, hard HRM practices related to the management of labor costs (wages and employment flexibility) and, on the other hand, soft HRM practices derived from company values, social relations between managers and workers, and implicit aspects of the employment contract (employee motivation, work organization, daily shop floor relationships, employee participation, and fringe benefits).

Each interaction channel that influences Electra's local behavior and employment practices has been operationalized, building on existing evidence and theory concerning central aspects of each relationship. The analysis of these channels requires evidence obtained via face-to-face interviews across all organizational levels of Electra and employee representatives. Additional data were obtained from company documents, statistics, and local media in each studied host country. A qualitative comparative approach assures an objective data analysis, with a game-theory interpretation applied to the interactions between Electra's factory managers and trade unions and works councils, and to the international interaction of trade unions and the EWC.

I now depart from theoretical and methodological accounts and start presenting and analyzing empirical evidence on Electra's behavior in each of the interaction channels. Interaction between Electra's headquarters and factory managements, and the diffusion of the company's interests throughout the organization, opens the empirical part of the dissertation in the next chapter.

Who rules the multinational company? Corporate interests, headquarter-subsidiary interaction and effects on subsidiary behavior

Corporate interests of the MNC, diffused from headquarters and through other subsidiaries to the workplace, construct a powerful influence on the behavior of subsidiary management and employment practices. The diffusion of corporate interests occurs via social interaction between headquarters and subsidiaries (channel α) and between sister subsidiaries (channel γ). The aim of interaction is to secure the compliance of all parts of the organization with corporate goals and strategies.

This chapter investigates Electra's corporate interests and interaction in both channels, as well as the effects on managerial behavior in the factories. Evidence shows that Electra's corporate interests encompass, on the one hand, control and centralization of production strategy and, on the other hand, decentralization in HRM. Variation in headquarter control exists also in HRM practices of different groups of employees according to their relevance for Electra. Uncovering the complementarities and tensions between such interests and in headquarter behavior helps to evaluate the overall coherence of behavior in employment practices. It also allows assessing whether Electra's behavior is based on decisions that are unilateral, centralized, or negotiated within the organization or with external actors. It is expected that opening up Electra's decision making to external actors in matters affecting successful performance implies different interaction forms, power relations, trust between the MNC and external actors, and a different allocation of firm's resources than in a case where the MNC attempts to limit the influence of external actors to issues of marginal importance.

In the first part I describe Electra's values, administrative heritage, business and HRM strategies and recent reorganizations. The second part discusses how corporate interests are transmitted to subsidiaries, via which forms of social interaction, and what they mean for subsidiary managers who are, at least geographically, distant from headquarters. The third part evaluates interaction between headquarters and subsidiaries and between sister subsidiaries and formulates an argument for Electra's corporate behavior, its effects on subsidiary behavior towards local actors, and on workplace employment practices.

4.1 Electra's past legacy and current challenges

In its history, Electra experienced periods of economic prosperity but also periods of economic downturn. Production growth and expansion in the Netherlands and abroad alternated with reorganizations driven by changing markets demands, increased international competition and need for improved efficiency. Brothers Gerard and Anton¹³ established the first Electra manufacturing site in 1891 in Eindhoven in the south of the Netherlands¹⁴. This agricultural region attracted a range of industries because of its convenient geographic location at the crossroads of business routes and available labor force. Electra offered jobs mainly to marginalized low-paid groups such as women and young workers. In 1909 the share of women in Electra's workforce reached 67.9 percent. Then it gradually decreased to about 30 percent in the 1930s as the complexity of products grew and the demand for skilled workers – overwhelmingly male – increased (Stoop 1992: 45). In 2005 37.7 percent of Electra's worldwide employees were women. The share of women in executive positions is five percent (Electra 2005: 40).

Since its establishment, Electra contributed to the modernization and economic growth of the Eindhoven region. In 1930, about 50 percent of the region's population was economically dependent on the company. The Great Depression brought widespread dismissals to Electra; not only because of the economic crisis, but also due to an exploration of possibilities for international expansion (Stoop 1992). After the 1930s the company again experienced rapid growth in output and employment. This lasted until the 1970s when international competition rose to new dimensions and Electra faced economic hardship. Since the 1980s, the company underwent several major reorganizations and a long restructuring process in response to changing markets and intensified competition. At the end of this process stands a *new* Electra in terms of strategic orientation, but still the *old* one in terms of corporate values. During its 115 years of history, Electra has developed internal values that build up its corporate administrative heritage. This heritage shapes organizational capabilities, business processes, the role of subsidiaries, and interaction with employees, suppliers, and other actors. On the one hand, values originate in Electra's cultural embeddedness and power struggles in the Eindhoven region and in the Netherlands¹⁵. On the other hand, they are enriched by the influence of leaders and the MNC's international experience (Bartlett/Ghoshal 2002).

4.1.1 Administrative heritage

Administrative heritage is a company's tradition of doing things and organizing business according to its configuration of assets and capabilities built over decades, distribution of managerial responsibilities, and an ongoing set of relationships that endure long after any

¹³ For reasons of confidentiality, I list only the first names of important persons in Electra's history.

¹⁴ The narrative in this paragraph is based on Stoop (1992).

¹⁵ Cultural embeddedness refers to the role of shared collective understandings in shaping economic strategies and goals (Dequech 2003; Zukin/DiMaggio 1990).

structural change (Bartlett/Ghoshal 2002: 37-38). It is built on long-term experience, internalized values and charismatic leadership. MNCs develop values that are, on the one hand, related to behavior, and on the other hand, to organization. First, behavioral or substantive values incorporate general entrepreneurial effort, commitment to fair interaction with shareholders and stakeholders, and to competition and market procedures. Second, procedural values that relate to organization are important for the company's functioning, because they are more specific and cannot be easily changed. Procedural values are best described as the accepted belief in the firm about the internal allocation of key resources, the organizational level at which certain processes are best dealt with, and the best way of managing certain processes. I do not provide a historical account on the evolution of Electra's values and administrative heritage, but based on available literature I discuss selected procedural values that have become the cornerstone of Electra's administrative heritage and continue to shape the MNC's interests and behavior in the international and local context up to the present.

Electra's adjustment to local conditions and the community in Eindhoven in the first half of the 20th century laid the cornerstone for the formation of corporate values. The company represented powerful European family capitalism and was a crucial employer in the region. This status pulled the firm into ongoing power struggles with local religious authorities and the Catholic ideas that lived among workers and citizens. Several strikes in the 1910s and 1920s were a result of this battle for power in which both the firm and local religious authorities attempted to gain the support of influential groups in the local society (Stoop 1992: 43). As an outcome of learning to co-exist with each other, Electra became a stable part of the Eindhoven community and later even joined forces with religious authorities in an attempt to combat a new force, the organized labor movement. Partially in response to external pressures – the labor movement, the local Catholic elite and the Great Depression in the 1930s – Electra developed its own social policy to help employees to cope with the economic crisis and refused to recognize trade unions (Stoop 1992). The personnel policy included healthcare provisions, housing, pension plans, social services, establishment of a personnel department in 1917, introduction of the eight-hour working day in 1918, and an agreement to respect Catholic holidays. These developments are the origin of Electra's paternalist values towards workers and responsiveness to their diverse needs. Although the original reason why these values developed were functional to Electra's power initiatives to combat trade unions and the church, the commitment to paternalism and responsiveness to local differences continued to persist after the Second World War when conditions changed and earlier conditions ceased to exist. Electra's care for workers persists after trade unions have been long recognized as the preferred bargaining partners to works councils. Collective agreements for production workers have been signed since 1949 (van der Meer 2000; Visser 1995).

This personnel and social policy was not only the outcome of external pressures, but also the consequence of charismatic leadership. Next to absorbing cultural and religious values from its environment, the personality of Electra's leaders contributed to the formation of a corporate administrative heritage. The literature most commonly refers to

Frits, the son of Electra's founder Anton, as the key initiator of the early personnel and social policy. Frits joined the company in 1930 as an industrial engineer and was appointed managing director in 1939 (Electra 2006b). During his first visit to the United States (1931) he was shocked by the deep social scars and poverty that the Great Depression had left. After returning to the Netherlands, he declared that he would do everything within his power to avoid a recurrence of such misery (Electra 2006b). He believed that large companies must replace the short-term goal of maximum profit with the long-term goal of continuity, which gives increased security to employees, providers of capital, and suppliers (Electra 2005).

Next, a typical characteristic of Electra's heritage is the enduring management practice of balancing technical and commercial interests in key decisions (Bartlett/Ghoshal 2002: 46). This can be traced back to the firm's founders – a technologically oriented engineer and a talented salesman. The technical-commercial duality was institutionalized in Electra's dual-headed management for over 90 years. In the 1980s the duality had been abolished, but competition between technical and commercial groups is still present in the company's struggle to move away from technical orientation to market orientation, and in the dual organizational structure. This means that product division organizations are responsible for technology and manufacturing and regional and national headquarters are increasingly sales-oriented.

An international consequence of Electra's responsiveness to external conditions that may differ across countries is a traditionally decentralized multinational organization with a loosely linked network of self-sufficient national subsidiaries. Electra's local responsiveness became its main competitive advantage in the postwar period. This organizational structure originates in Electra's early expansions from Eindhoven to other rural parts of the Netherlands and to other countries. The Great Depression and the fear of German confiscation during World War II motivated Electra to open foreign subsidiaries as legally independent companies and to search for new markets and better production possibilities (Electra 2006b; Bartlett/Ghoshal 2002). Under the enduring influence of family ownership, foreign subsidiaries were managed by trusted appointees with an extensive understanding of Electra technology, commercial objectives and overall strategy (Bartlett/Ghoshal 2002). In the 1970s and 1980s this structure faced enormous pressures to reorganize after the MNC's business started to decline and a search for global efficiency via economies of scale and a better integration of subsidiaries became strategic priority (Bartlett/Ghoshal 2002; van der Meer 2000). However, the value of local responsiveness, distribution of managerial responsibilities and the ongoing set of internal relationships endure long after structural changes and cannot be easily overcome. The tension between the continuity of administrative heritage and the changed business strategy is observed also in Electra's current organization and HRM, as discussed below.

To sum up, Electra's administrative heritage accounts for a decentralized organizational structure, which is responsive to differences between countries, regions and employees. This structure is supplemented by paternalistic HRM and the duality between technical and market-oriented aspects in strategy and organization. These corporate

characteristics are central in understanding past and current developments in Electra's organization, business strategy and employment practices.

4.1.2 Developments in organization, strategy and human resource management

Since the 1930s, Electra has been gradually expanding its product portfolio and its foreign operations, searching for new markets, benefiting from factor price differences, and diversifying sources of production (Bartlett/Ghoshal 2002). The company increased the number of product divisions, developed its research and development, and became a market leader in a number of innovations, patents, and products. It was the first European company to open a subsidiary in Taiwan in 1965. Business strategy was managed from Eindhoven, but national organizations had extensive autonomy to coordinate activities in each host country. Electra's competitiveness was based predominantly on responsiveness to consumer demands and production possibilities in different parts of the world. As the international competition in late 1970s intensified, Electra's multinational strategy was no longer sustainable and the company had to rethink its organization to achieve a new target – global efficiency and economies of scale – and at the same time maintain its multinational flexibility. Efforts to increase headquarter control and to centralize product development and production failed because of the deeply entrenched heritage of strategic and operational decentralization (Bartlett/Ghoshal 2002: 61). National organizations struggled to maintain their power and position within the MNC.

After the restructuring in the 1980s and 1990s, Electra had strictly reconsidered its worldwide assets and resources, implemented structural changes, and improved internal coordination by assigning new roles to subsidiaries. The restructuring can be divided in three broad phases. Starting with the 1972 Yellow Booklet, headquarters analyzed the existing situation and strategic possibilities for improvement in light of increased competition mainly from Japanese companies. After a series of unsuccessful launches of new products such as the V2000 video recorder and reorganizations that only brought small improvements in the 1980s, the second major restructuring phase brought success and Electra's revival. *Operation Centurion* in the first half of 1990s was the largest reorganization and reconsideration of resources and comparative advantages in Electra's history (Electra 2006a). Its major aspect was a decrease in the number of product divisions, strengthened coordination between these divisions, focus on core interests and capabilities, and a shift in power from national organizations to product divisions. This restructuring continued until the end of the 1990s, when the corporate campaign *Transforming into One Electra* was launched to streamline and better coordinate selected practices by standardizing processes and introducing a shared way of working in the areas of information technologies, HRM, finance and purchasing (Electra 2002). This campaign was a method of cost control but also the vehicle for fundamental and sustainable change in the operation of the MNC. It is based on a simpler organization, greater transparency, clearly defined accountabilities, and an improved horizontal and vertical integration of subsidiaries under headquarter control (ibid.). Close coordination and control that

transcend the traditional multinational organisational structure are fostered mainly in core business activities, but also in support activities including the HRM of high-level internationally mobile knowledge workers and managers. Knowledge workers are highly educated employees working predominantly in research, development and planning activities. Electra claims knowledge workers are a key asset; and the expansion of the already existing internal labor market for these workers and for top managers is the MNC's priority in HRM issues.

In line with the goals of the restructuring campaign, Electra began to concentrate production activities in countries that had the least cost for each activity's primary input factor (Bartlett/Ghoshal 2002: 99). This meant expansions of small operations in Singapore, Taiwan, and Eastern Europe, and a closure of a number of production sites in Western Europe and the United States. Electra's remaining television factories in Europe came under the close control of BG Connected Displays and were liberated from the command of national organizations. The newly established subsidiaries in CEE did not inherit the legacy of control by national organizations; and their interaction with the BG always played a more important role for subsidiary behavior than their contacts with national Electra organizations. National organizations became increasingly sales oriented and developed a new role in issues that were to be coordinated locally and tailored to differing market demands, e.g., logistics, marketing, training of employees, and in some countries, bargaining over wages and employment conditions.

Interestingly, Electra's reorganizations left HRM strategies towards production workers largely untouched. In 1974, Electra's Dutch HRM manager described the company's HRM strategy as follows:

"In our experience, national management initiative is the best way of ensuring the flexibility and adaptability necessary in widely varying circumstances. This particularly holds true for personnel and industrial relations policies, which have to follow national legislation [...] and to fit into the national labor market situation and industrial relations structure and climate as well as take into account national characteristics and preferences. Therefore, although social policies primarily take shape on a national basis, there is a concerned personnel and industrial relations service at the home office in Eindhoven, which aims at a certain consensus about the underlying basic considerations, acts as a clearinghouse of knowledge and experiences, and provides advice and assistance to the national organizations, but which has no executive power¹⁶."

Thirty years have passed since this statement, but Electra's HRM strategy has not undergone major changes. HRM is the area in which Electra is most strongly committed to its administrative heritage of local responsiveness and employee paternalism. One

¹⁶ Dronkers (1975: 166).

development within HRM, however, deserves attention: there is a growing discrepancy between centralization and coordination of HRM of highest-level knowledge workers and managers on the one hand and lower administrative employees and production workers in the factories on the other hand. In the former, the control of corporate headquarters and of product divisions has grown and company-wide principles have been adopted in job classification, compensation and benefits, management development, and training. In the latter, HRM has taken the direction of even greater decentralization than before. The decline in the role of national organizations has, to an extent, been traded for corporate, product division and business group control; but only in selective strategic issues. In other issues, the factories were left with an even larger autonomy to determine their HRM processes and employment practices than in the earlier years.

In sum, in some of its strategies Electra grew out of its administrative heritage of decentralized organization and local responsiveness, and succeeded in strengthening internal coordination and control. In other issues, Electra has maintained its decentralized HRM and responsiveness. This applies mainly to the management of employees below a certain level in the corporate job classification scheme. Although Electra claims these employees (mainly production workers) are not strategically important to the firm, in fact they are important because they secure subsidiary performance, output, and productivity. In chapters five through seven I gradually highlight a number of differences in employment practices among Electra's factories that survived reorganizations or emerged in reorganizations but are in line with the firm's belief that in HRM it is most effective to allocate managerial resources at the level of subsidiaries and to delegate responsibility to subsidiary managers.

4.2 Internal and external forces shaping Electra's organization and behavior

Next to administrative heritage, there are several structural and institutional forces that influence Electra's corporate behavior. The most important of these forces are the company's business strategy and external isomorphic pressures. Two patterns in which these forces influence Electra's behavior are observed. First, internal structure, the adopted shareholder value, and pressures from the external market environment pull the company in the direction of coordinated and centralized decision making. This implies a shift in Electra's interest from autonomous subsidiary behavior to corporate control and diffusion of best employment practices. Second, Electra's administrative heritage and local isomorphism operate in the other direction and imply that Electra should continue its decentralizing behavior, responsiveness to local conditions in its HRM, and commitment to stakeholder interest. It is questionable to what extent these two forces are complementary or mutually exclusive, and how they amalgamate in a sustainable corporate and local behavior and headquarter-subsidiary interaction.

Developments in Electra's business strategy are closely related to the company's external competitive environment, available new technologies, changing consumer tastes and the overall economic conjuncture. Electra is extremely vulnerable to variations in economic demand (van der Meer 2000). The expansion of Asian producers since the 1970s, a gradual liberalization of trade, and improved logistic possibilities increased the competition in consumer electronics. Electra responded to these market conditions with reconsiderations of its business strategy, reorganizations, and changes in technology, innovation, lowering costs and shortening product life cycles. Headquarters increased control over subsidiary performance; and coordination between previously independent organizational units is now strengthened in complying with a joint priority – efficiency and profit.

In institutional terms, the above pattern corresponds with corporate isomorphism; or in other words institutional pressures to strive for international conformity via strengthened coordination, internal control and the diffusion of best practices within Electra (Ferner/Quintanilla 1998). Alternatively to corporate isomorphism, cross-national isomorphism implies Electra's effort to diffuse home country strategies, organization and HRM practices from the Netherlands to foreign subsidiaries. However, Electra's embeddedness in the Dutch business and employment system is not as strong as corporate isomorphism. In the 2002 corporate restructuring, the position of Dutch Electra organization became part of a larger regional structure including Europe, Middle East and Africa (EMEA). This has an effect on the centralization of strategic issues in line with Electra's corporate goals of global efficiency. The union representatives of Electra in the Netherlands perceive the situation as follows:

“Today, Netherlands is not considered a region anymore, but just a country within the region of EMEA. Decisions are taken for the region as a whole, and the region is very far away from us. The influence of the Netherlands within Electra has decreased significantly¹⁷.”

Electra does not attempt to diffuse its Dutch practices abroad and rather develops an organizational model that is typical for the firm and not its home country. Nor does Electra attempt to imitate the best practices of its core international competitors (Bartlett/Ghoshal 2002). Still, Electra's headquarter-level managers, and also Dutch employee representatives, stress the existence of Dutch influence on Electra's decision-making and headquarter-subsidiary interaction (e.g., long discussions and consensus-based decisions are perceived as a typical characteristic of the Dutch culture)¹⁸, but not in strategic behavior and organization. Therefore, I argue that corporate isomorphism best describes the institutional pressures on Electra's corporate structure and behavior.

The drive towards global efficiency and profit has also penetrated Electra's internal values and brought an adoption of shareholder value. The firm had already started to list its

¹⁷ Interview FNV representative and Electra's central works council representative in the Netherlands, 23.6.2003.

¹⁸ Interview HR manager, Electra Consumer Electronics, 23.7.2004.

shares at the Amsterdam Stock Exchange by 1912 (Cohen 1996). Currently shares are listed in Amsterdam and at the New York Stock Exchange. Shareholder value is among the most important goals stated in Electra's General Business Principles and is frequently stressed in corporate reports¹⁹. In each report the company addresses its shareholders and declares its commitment to improving economic performance and increasing shareholder value. Electra strives to maintain a satisfactory return on equity, ongoing growth in revenues across product divisions and sustainable dividend payment to shareholders (Bickerton 2004). This is based on strict cost control and coordination of strategic resources throughout all organizational levels (concerning research, development, production and marketing strategies).

The above forces influence Electra's organization and behavior in the direction of strict control, hierarchies, power concentration at headquarters, and the diffusion of best practices across subsidiaries. The second set of forces, emerging from Electra's administrative heritage and local isomorphism, operates in the other direction. Electra pronounces its interest in the persistence of decentralized HRM decision making, commitment to stakeholders, and most importantly, responsibility towards employees (Electra 2005). Corporate reports frequently refer to the legacy of Electra's founders who "never lost sight of their employees or the community they came from" (Electra 2005: 10). Since 2002 Electra has produced an annual Sustainability Report that documents developments in corporate social responsibility and environmental responsibility²⁰.

The existence of elaborated statements on employee commitment and annual sustainability reports referring to Electra values, however, do not mean decentralized decision making, responsiveness to local conditions and social embeddedness in host-country conditions. Such reports can well fit the picture of a rational profit-driven company that aims to enhance its societal legitimacy and reputation without a real commitment to these values. In the following chapters I provide evidence and an analysis of Electra's behavior towards employees, and whether these actions fit the declared values. To foreshadow the findings, Electra did maintain its interest in decentralized decision making in employment issues and industrial relations; but it is neither based on corporate sustainability reports and slogans, nor on close control of headquarters. What matters are the values that penetrated the subsidiaries and give concrete meaning to corporate interests in particular host country conditions. In this respect, the real effect of corporate the sustainability reports is insignificant, and their influence on managerial behavior cannot be traced due to lacking operationalization of the declared slogans for subsidiary managers' behavior.

The external institutional influence that matters most for Electra's organization and behavior is its local isomorphism. It is the countervailing force to corporate isomorphism, encouraging subsidiaries to behave like other employers in the host-country environment

¹⁹ Annual Reports, Quarterly Reports, Sustainability Reports.

²⁰ Out of six institutionalized General Business Principles, the first one refers to general commitment, second principle to shareholder commitment, and third principle to employee commitment (Schipper 2003). In 2003 Electra was ranked number one sustainable company in the Dow Jones Sustainability Index in its sector (Electra 2004a).

(Ferner/Quintanilla 1998). Local isomorphism applies to employment practices, especially related to employees below the subsidiaries' top management.

In sum, two countervailing forces shape Electra's corporate behavior in developing workplace employment practices. These are the MNC's search for global efficiency via internal coordination and control; and a long-term administrative heritage of local responsiveness via decentralized decision-making. The question is, which set of forces is more important, and how did Electra manage to sustain its HRM strategy under the existing pressures? Evidence shows that strengthened ties between product divisions, BGs and the factories, and the decline in power and responsibilities of national headquarters in host countries, did not lead to increased headquarter control of subsidiary employment practices. In contrast, it facilitated their further decentralization. Issues previously coordinated in the host countries (especially in Western Europe) are now decided at the factory level. This is not the result of Electra's inability to centralize decisions, but the MNC's continuous belief that the subsidiary level is best for managing local resources and employment issues in different countries.

In search of global efficiency, Electra has, on the one hand, further strengthened its local responsiveness and the continuity of its internal values, and on the other hand improved its rational profit-driven behavior and shareholder value. In an attempt to integrate these contradicting patterns and to satisfy both shareholders and employees, Electra continuously looks for balance in its commitment to both groups. Shareholder value acquired corporate-level priority, but did not lead to strengthened control and internal coordination of all issues. As long as the broader framework of rational behavior induced by sharp international competition allows, the company has maintained its embeddedness in host countries and autonomy of subsidiaries in employment issues. Based on this evaluation I conclude that Electra's shareholder value and employee commitment are not mutually exclusive but co-exist at various organizational levels. Whereas shareholder value is most important in corporate-level strategy, responsiveness in HRM is channeled from headquarters to subsidiaries without detailed guidelines on how to manage the subsidiaries' workers. In the next section I analyze in greater detail what kind of social interaction between headquarters and subsidiaries exists in these particular organizational settings, and what content has dominated interaction in employment and business issues.

4.3 Interaction between headquarters and Electra factories

Recalling the research design from the previous chapter, I focus on interaction between Electra's headquarters in the Netherlands and the TV factories in Brugge (Belgium), Dreux (France), Kwidzyn (Poland) and Székesfehérvár (Hungary). Brugge is the development center for high-end plasma and LCD televisions; Dreux is their main European assembly site. Székesfehérvár is becoming the central production site for several product groups, including televisions, home entertainment, and flat monitors. Kwidzyn is the most important European production center for mainstream cathode ray tube (CRT)

televisions²¹. All factories produce televisions, but the value added between flat screens and CRT televisions in their production differs. Subsidiary managers perceive that despite discrepancies in value added, all factories are important for Electra's corporate business²². The BG Connected Displays closely coordinates the business strategy, production planning and supply chain management across these factories. In HRM, direct headquarter influence is limited to top managers in the highest subsidiary positions within the existing corporate job classification scheme. HRM concerning employees below the level of the factory's general manager is fully in the hands of local management.

4.3.1 Production planning

Building on Electra's organizational structure (Figure 3.1 in chapter three), the most important organizational level that influences the management of production in the factories is the BG Connected Displays that is subordinate to the Consumer Electronics PD. The consistency in policies between the BG and the PD allows the next paragraphs to focus exclusively on coordination between the BG and the subsidiaries. The sales-oriented regional headquarters and national organizations in the host countries play a marginal role in overseeing factory production.

In the framework of the overall corporate strategy, the BG's interest centers on the managing of production making, instead of production making itself. Production takes place in Electra's own factories and in contracted manufacturer sites unless there is a good reason to keep production within Electra. In the words of an industrial strategy manager,

"...high-end products contain a lot of intellectual property, so those things we are not too much in a hurry to give to another manufacturer and teach them everything we know about those products. We keep those in house²³."

The decision to produce TV sets in Electra's own factories in Europe confirms the strategic importance of these factories, and thus a close eye of the BG on their performance. The BG's impact is most intensive in coordinating the supply chain management (SCM). SCM involves purchasing inputs from suppliers, planning production volumes, and an elaborate production plan based on expected sales. Monthly meetings bring together SCM managers from factories, BG managers, and representatives of Electra's European sales and marketing department. After assessing each factory's capacity, the team of SCM managers, with the close involvement of the BG, allocates television sets to be produced in each factory²⁴. Prior to the monthly SCM meeting, internal meetings take place in each factory to construct a quantity and quality target of production as well as production volumes that each factory is able to produce. The

²¹ Interview Industrial Strategy Manager, Electra BG Connected Displays, Eindhoven 29.6.2004.

²² Interview General Manager, Electra Kwidzyn, 5.5.2004; Manufacturing Manager, Electra Dreux, 18.10.2005.

²³ Interview Industrial Strategy Manager, Electra BG Connected Displays, Eindhoven 29.6.2004.

²⁴ Interview Supply Chain Manager, Electra Kwidzyn, 22.3.2004.

factories' production managers are closely involved in the internal planning meeting, but not in the decision on production allocation. The BG controls this, and the factories only provide inputs for a centralized decision. Interactive bargaining between the factories and the headquarters over production allocation is possible but limited to the extent that some factories have underutilized capacities whereas others cannot cope with the assigned production load. The overall goal is to design a highly efficient production plan for each factory.

The process of coordinating SCM and production planning is similar across all studied factories. Interviewed manufacturing and SCM managers perceive this process in the same way, which confirms that centralized production planning is universally applied to all TV factories. Headquarters coordinate the allocation of production, but not its implementation. The factories do not determine their strategic production plan, only its implementation. Production managers in each factory receive the plan and locally operationalize production targets for each working day and production shift²⁵. The factories must comply with their commitments, in case of inability to meet the planned production target, extended working hours and weekend work is introduced to fulfil the plan.

Besides SCM coordination, the factories' general managers and manufacturing managers are in frequent informal contact with the BG. The frequency and style of interaction between factory managers and headquarters is comparable and independent of the geographical location of the factories and their position within the corporate organization. Interaction takes place via e-mails, phone calls and teleconferences, and a formal monthly financial report on factory performance. The general manager from Brugge is more involved in BG matters than managers from other sites, because this manager is a member of the BG management team.

The above evidence complies with the described corporate strategy of centralizing strategic decisions at the level of headquarters. Based on rational reasoning within the overall business strategy, the BG is the best level of Electra's organization to allocate production resources and to coordinate them. Coordination between the BG and factories is best described as extensive control, in which headquarters exceed their role of being a formal authority and are personally involved in precise production planning. The power of headquarters to determine factory actions in production greatly exceeds the power and influence that local managers have in coordinating production targets. The type and (in)formality of interaction between managers at headquarters and in the factories has no influence on coordination in production planning, but enforcement mechanisms and extensive trust assure that subsidiary managers will implement the centrally decided production plan. These findings yield an argument that Electra's headquarters exercise close control of strategic production planning in the factories. The control is fully rational and not influenced by non-economic factors such as managers' personal preferences and locally specific interests.

²⁵ Interview Manufacturing Manager, Electra Dreux, 18.10.2005.

Close coordination of production planning by headquarters can create competition across factories, because each production site strives for an improved role within the MNC's organization. Electra factories do compete for production allocation and aim at the best possible utilization of their resources. However, this is limited by the factories' strategic role:

"... in a multinational there is always competition between different locations and different sites, be it development activities or manufacturing being allocated somewhere. But [each] site has a specific role, meaning that competition on volume production is not there²⁶."

Manufacturing managers in all four factories share a similar perception on cross-factory competition and maintain that competition – if it exists at all – is healthy and operates towards a common interest at the BG level. The strict hand of the BG does not leave room for extensive market-like competition between the factories, because their function in the production roadmap of the BG is given and can only be changed by a centralized corporate decision. This increases the factories' dependence on headquarter decisions and confirms that control is the dominant mode of headquarter-subsidiary interaction in production and business matters. As already noted, close headquarter control only applies to strategic planning, and the factories have a relatively large degree of autonomy in the implementation of their production plans and the selection of related employment practices.

4.3.2 Employment issues

In contrast to close control over business strategy and production planning, employee-related matters are quite independent from the headquarters²⁷. Within this general approach to the management of people, a discrepancy exists between the involvement of headquarters in HRM of top managers and expatriates, and of other employees. Headquarter involvement in the former is more extensive, but does not reach the extensive control documented in production planning. Commitment to guidelines received from headquarters exists, but these guidelines are often without precise instructions for implementation²⁸.

"If we talk about competence management, these are general guidelines that we are getting and nobody so far imposes it on me that this is the way I should work. There is still quite some freedom to design for ourselves how we would like to apply it²⁹."

²⁶ Interview General Manager, Electra Brugge, 26.10.2004.

²⁷ Interview General Manager, Electra Brugge, 26.10.2004.

²⁸ Few exceptions in which corporately diffused HRM is more specific are discussed further on.

²⁹ Interview HRM Manager, Electra Kwidzyn, 30.3.2004.

“There are some HRM policies going around in e-mails, but we get it, it lies of everybody’s desk and that’s it. The business unit HRM department thinks it’s enough to distribute a list of ‘Electra values’ to people in the factories. But [...] it can mean something different for different people in different countries. They don’t provide an explanation³⁰.”

In HRM concerning administrative and production workers, none of the interviewed factory HR managers feels closely controlled by headquarters. Subsidiary employment practices stay disconnected from the influence of regional and functional headquarters. Each factory functions as a closed organizational entity, and Electra is committed to management responsive to a particular local context³¹.

“Local issues have to be solved in the local spot. It is about understanding each other. Headquarters cannot play a role here. Headquarters can give a direction, a way of working, but not get involved into local issues. This is something for the local management³².”

Acknowledging the existing difference in headquarter involvement in HRM issues related to various groups of employees, I will now discuss in which HRM issues Electra’s headquarters are actually involved. Corporate HRM practices that widely apply to all employees include templates for performance measuring, performance appraisal guidelines, HR process survey tools, the biannual employee motivation and engagement survey, and a corporate classification scheme that allows adjustments to particular local conditions in the lower grades of the scheme³³. As already noted, the main concern of Electra’s corporate policies is the HRM of managers and knowledge workers in top functions in Electra’s corporate job classification. In the current worldwide population of 164,000 Electra employees, central policies target about 15,000 knowledge workers³⁴. Corporate management development plans and incentive plans are developed centrally for these employees. Talent management, competence management, shared recruitment, internal labor market mobility, training, and compensation and benefits packages are closely coordinated or even diffused from headquarters to subsidiaries, without the possibility of feedback³⁵.

Corporate HRM practices are concretized in the HR strategy of Consumer Electronics and the BG Connected Displays (functional channels of interaction with headquarters). The regional channel to headquarters, involving the EMEA headquarters and national organizations (NOs), complements the functional channels’ of HRM strategy. Recently

³⁰ Interview Manufacturing Manager, Electra Kwidzyn, 21.4.2004.

³¹ Interview HRM Manager, Electra Consumer Electronics, 23.7.2004.

³² Interview Industrial HRM Manager, Electra Győr and Hungary, 19.1.2005.

³³ Interview HRM Manager, Electra Consumer Electronics, 23.7.2004; interview HRM Manager, Electra Dreux, 18.10.2005.

³⁴ Interview Labor Relations Manager Electra EMEA Headquarters, Amsterdam 9.6.2004.

³⁵ Interview HRM Manager Electra BG Connected Displays, 11.6.2004; Interview HRM Manager Electra Consumer Electronics, Amsterdam 23.7.2004.

EMEA started to investigate the possibility of closer coordination of industrial relations across Western European Electra sites, but it does not resemble headquarter control. Instead, this initiative aims at finding a common understanding of industrial relations and Electra's general approach to bargaining partners across different countries. EMEA headquarters are also important in case of factory closures and relocations. Managers maintain that benchmarking in case of restructuring is beneficial and allows socially responsible behavior at the end of a factory's life³⁶. Next, EMEA coordinates a staffing department that deals with specific topics of the internal labor market, e.g., offering recruiting or learning services³⁷. European factories can receive service or coaching from these centers concerning internal recruitment of top managers and knowledge workers. Other than that, factory HR managers only rarely have direct contact with the EMEA HR management; and there is no direct involvement of EMEA in other aspects of factory HRM. Issues of regional matter are more often consulted with NOs in each host country. An institutionalized regional policy in HRM or industrial relations does not exist.

The role of Electra's NOs in controlling and centralizing country-specific HRM has declined in the past decades after the upward shift of strategic HRM to EMEA and PD levels, and a further decentralization of operational HRM to factory level. Today the role of these organizations differs across countries. In Belgium, Electra's NO translates EMEA HR policies to suit the Belgian conditions. It also creates its own country-specific policies and gives legal advice to factories in Belgium³⁸. According to the HR manager from Brugge,

"The National Organization is a service organization – we are the customers and they are the service provider. [...] They don't give permissions or they don't have a hierarchic power [...] to give us guidelines. It is more a debating platform³⁹."

The Belgian NO coordinates payroll services, compensation and benefits, pensions, recruitment of high-level managers and the management of expatriation. Related to that, the Belgian NO is informed about factory's employment practices, conducts benchmarking, and depending on the legal requirements, engages in company-wide collective bargaining that follows a national-level bargaining between employers' associations and trade union confederations. A Belgian Electra HR council brings together factory HR managers on a monthly basis. E-mails and telephone contacts between factory managers also assure a shared general direction of employment practices in Belgian conditions, which however does not have wide-ranging implications for operational practices in the factories.

³⁶ Interview Labor Relations Manager Electra EMEA Headquarters, Amsterdam 9.6.2004.

³⁷ Interview Deputy HRM Manager Electra Brugge, 24.9.2004.

³⁸ Interview HRM and Labor Law Manager Electra National Organization Belgium, Brussels 20.9.2004.

³⁹ Interview Deputy HRM Manager, Electra Brugge, 24.9.2004.

The role of Electra's NO in France is similar to Belgium. The Dreux factory's manager stresses his freedom from the NO and at the same time the NO offers services to the factories, e.g., interpretation of French laws, advice on pay rise and dismissals, and coordination of Electra's behavior towards trade unions in France. E-mails between the factory's HR department and the NO are exchanged daily, and two to four meetings (personal or teleconference) per month are established⁴⁰.

The Polish and Hungarian factories are more independent from their NOs than the Belgian and French factories. This divide between Western and Eastern factories is the legacy of strong past positions of NOs in Western Europe, while the CEE subsidiaries were established only in the 1990s when the powers of NOs had already begun to decline due to corporate restructuring. In Hungary, the NO is a separate legal entity and does not play a coordinating role in HR issues at all. HR managers in Electra's Hungarian factories established an HR platform with the goal of three meetings per year. However, this is a formally existing structure without a real coordination role; and HRM in Hungarian sites is fully decentralized⁴¹. In Poland, the NO has succeeded in establishing a Polish Electra HR council with the objective to foster the exchange of information and best practices between Polish subsidiaries⁴². Coordination applies mostly to the recruitment and training of high-grade knowledge workers in Poland, exchange of information about vacancies for management positions in different Electra sites, and to Electra's social policy in Poland. Although formally being an attempt at coordination, this social policy actually encourages decentralisation of HRM and industrial relations to the level of Polish factories (Electra Kwidzyn 2004).

In sum, employment practices in which Electra factories fall under headquarter control or coordination center on top managers, knowledge workers, and expatriates in the upper grades of the corporate job classification scheme. With a developing internal labor market for knowledge workers, the trend in the past years has been the centralization of HRM of these employees within a geographic region and within functional product divisions. Consequently, administration of knowledge workers is to a large extent dominated by headquarter control and top-down diffusion of best practices. Operational HRM of employees in the lower grades of job classification schemes is fully decentralized and factory-specific, documented by the absence of detailed policy guidelines on HRM and industrial relations in the factories, a limited number of expatriates in the factories (no expatriates in the field of HRM), no direct control or power domination of headquarters' HR management over the factory HR managers, and no detailed reporting on industrial relations and employment practices to the headquarters.

Headquarter-subsidiary interaction takes place via formal and informal contacts between the factory HR departments, NOs and the BG. Formal reporting structures include general audits, process survey tools and employee engagement surveys on an annual and biannual basis. Each factory prepares a Business Excellence Briefing Document, which

⁴⁰ Interview HRM Manager, Electra Dreux, 18.10.2005.

⁴¹ Interview HRM Manager, Electra National Organization Poland, 24.5.2004.

⁴² Ibid.

includes separate sections titled *People* and *Society*⁴³. The PD Consumer Electronics regularly audits HR processes in the factories; this involves visits of PD managers to the factories. The audits mainly focus on processes and practices of higher-grade employees, and not on particular employment practices of production workers. Developments in factory headcount are listed in financial reports, but headquarter managers claim the figures on headcount are not their central concern, and therefore they are often skipped when the audits and reports⁴⁴ are read. No other specific reporting on HR issues takes place; and some HR managers at headquarters have never visited the factories. Informal exchange of information is more common than formal reporting; the most frequent way of communication is electronic mail. Teleconferences also take place regularly but less frequently than e-mails. The BG organizes a network of HR managers from all sites within the BG to discuss issues of common interest. This takes place via a teleconference, or a personal meeting on an annual or biannual basis.

The above evidence implies that for the large part of factory HRM, headquarters define the space for action by delegating a large degree of freedom and power to take decisions. The compliance of factory behavior with corporate interests is assured through shared values and exchange of information between headquarters and factory managers. It is in the interest of headquarters and local managers to maintain the factories' competitive position within Electra and at the same time remain a locally responsive employer in each host country. Due to limited knowledge of local conditions, headquarters face the risk of not choosing the most appropriate strategy in the interaction process with local actors. To avoid this risk, headquarters leave local managers to decide their behavior and employment practices according to their best local knowledge. As the outcome, Electra fosters decentralization of HRM and adaptation to local conditions through values-based cooperation and only a limited extent of headquarter control applicable to top managers and knowledge workers.

The variation in headquarter involvement in HRM of top managers and production workers gives an optimal internal allocation of resources to cope with both corporate business interests and host-country employment standards. On the one hand, this strategy helps to transpose corporate values into managerial decisions at all organization levels. It strengthens the commitment to corporate values through the selection of suitable managers and influence on their behavior. On the other hand, it leaves enough space for adapting HRM to the particular conditions in each factory. By implementing control over HRM of some employees and decentralizing HRM of others, Electra went even further in its optimal resource allocation and organizational flexibility than drawing the distinction between close control over production planning and locally responsive and decentralized HRM.

⁴³ Despite the common format, the style of the text and information provided in these documents in all four studied factories considerably differ.

⁴⁴ Discussion with the BG's HRM Manager, Amsterdam, 28.9.2006.

4.4 Interaction between Electra's sister factories

Cross-factory interaction (channel γ) within Electra serves to identify competition within Electra and variation in factories' HRM practices in particular local conditions. Benchmarking the performance of factories is the most common structure for this interaction to take place.

A closer examination of relations between Electra's sister factories reveals findings similar to those applicable to headquarter-subsidiary interaction. There is a divide in the extent of coordination between SCM and HRM, and between HRM of top managers and of other employees. HR managers in all sites confirmed that local knowledge of culture and laws is crucial in most of their HR agenda, and thus it cannot be benchmarked with foreign factories. All managers are committed to the value that some issues are local and they deal with them locally⁴⁵.

“We do have more and more issues that are international, so it's not bad if there is a form of coordination, but it doesn't have to go into details, and it should not have the intention that it should influence the way we are used to work⁴⁶.”

Cross-factory interaction and benchmarking is most intensive in production planning and logistics, as already discussed. The factories also benchmark their customers' satisfaction and are interested in gaining insights into how other factories deal with seasonality in product demand. The factories' general managers claim there is regular benchmarking concerning production organization, people, labor costs and flexibility. However, manufacturing and HR managers – who are involved in these processes at an operational level – do not ascribe high relevance to benchmarking, especially in HRM. Instead, all managers see high value added in *local* benchmarking with other companies in the particular host-country or the region.

“Benchmarking is useful, but you need to compare apples with apples. To compare to Brugge is not making any sense, because that is Belgium and this is Poland. You need to go to this area and see there is 20% unemployment. That's the benchmark for this factory⁴⁷.”

In HRM, exchange of information and benchmarking between the factories centers on employment conditions for managers, although their working time and pay are determined locally according to national laws and industrial relations systems⁴⁸. Some best practices, e.g., a competence matrix for these managers, are shared⁴⁹. Comparative audits conducted

⁴⁵ Interview HRM Manager, Electra Székesfehérvár, 26.11.2004.

⁴⁶ Interview HRM and Labor Law Manager, Electra National Organization Belgium, 20.9.2004.

⁴⁷ Interview Manufacturing Manager, Electra Kwidzyn, 21.4.2004.

⁴⁸ This does not apply to managers working on an expatriate contract.

⁴⁹ Interview HRM Manager, Electra Dreux, 18.10.2005.

by headquarters are taken as advice to prevent the re-invention of the wheel. Such audits stimulate a healthy level of competition, but do not pose a threat to factory-specific HRM that is independent from other factories within the BG and within a particular host country⁵⁰.

HR managers from Székesfehérvár, Kwidzyn, Brugge and Dreux claim to have almost no direct relationship with each other. They are eventually interested in knowing information about the other factories, but do not see a large added value of such information for their local decisions. The structure to establish cross-factory HR coordination exists, but none of the managers initiates systematic contact. If contact exists, it is random and otherwise channeled via the BG. The BG's initiative to form an HR network of managers in the factories is welcome and appreciated; but it remains to be seen whether it is a one-time initiative or whether it will become a structural way of working applicable to concrete issues⁵¹. Even if this initiative is institutionalized on a long-term basis it is likely that issues addressed will center on higher-grade managers and knowledge workers, and operational HRM will continue to be locally determined.

In sum, HRM related interaction between Electra's factories is not a major influence on the behavior of factory managers. Existing interaction is not systematic; if it exists it is best described by value-based cooperation and voluntary exchange of information without major influence on local employment practices. The non-existence of intensive competition (via benchmarking) is in fact an extension of the corporate interest that certain issues are best dealt with locally. This finding indicates strong commitment of local managements to Electra's administrative heritage; especially the belief that decentralized HRM is the best way to utilize local resources.

4.5 Analysis of interaction within Electra

Evidence on Electra's past developments and the current state of internal interaction indicate a systematic finding that internal consistency of company behavior is achieved via a combination of several interaction forms. A tight value system of the MNC, and at the same time the autonomy of subsidiary HRM behavior building on these values, plays a central role in maintaining the current structuring of interaction forms and the balance between them.

Strict headquarter control applies to setting production targets for the TV factories. To a lesser extent control also applies to the HRM of top managers and knowledge workers. However, in the implementation of central plans, the subsidiaries enjoy significant autonomy from the headquarters. Indirect control in the form of socialization through expatriates is also limited. In other words, the factories enjoy great autonomy in operational issues in exchange for meeting corporate targets.

Social interaction through competition is not evident in the hierarchic headquarter-subsidiary relationship. Some competition exists between the studied sister factories, but it

⁵⁰ Interview HRM Manager, Electra Székesfehérvár, 26.11.2004.

⁵¹ Interview Deputy HRM Manager Electra Brugge, 29.9.2004.

is limited by the specific strategic role that each factory plays within Electra, and by the corporate and factory commitment to local responsiveness in employment issues.

Interactive bargaining applies to negotiations on production planning, i.e., to the optimization of production capacities of all factories. Each factory attempts to use its production capacity and bargains over allocated production load. This process takes place between the sister factories but is coordinated by the BG's SCM management. Bargaining motivates the factories to improve their performance and thus leads to a positive sum outcome related to corporate interests. In HRM, bargaining between internal organizational units is not evident due to decentralized decision making.

The influence of corporate values is strongest in employment aspects and accounts for values-based cooperation in headquarter-subsidiary relations (α) and in subsidiary-subsidiary relations (γ). Cooperation revolves around the corporate interest to maintain multiple power centers and delegate responsibility to local managers. The commitment to decentralized HRM continuously influences the behavior of individual managers from the level of headquarters to the level of the factories. Managers are convinced that it is best to address employment practices locally because of the extensive local knowledge that headquarters lack. This belief is sustainable and none of the parties attempts to change it. It is an outcome of internal developments (corporate isomorphism) and of the responsiveness to institutional differences across host-countries (local isomorphism). In Electra, corporate and local isomorphisms are complementary, because corporate values assign high priority to the relevance of local conditions for subsidiary behavior.

How do the described interaction forms between headquarters and the subsidiaries influence subsidiary behavior related to convergence in workplace employment practices? The documented evidence implies that cross-factory convergence is not encouraged in corporate interests, and therefore not driven by headquarters or by cross-factory interaction. If convergence occurs, it is the result of other forces, but not of Electra's corporate interest. Had Electra been committed to a different set of values (e.g., a shareholder value driven uniformity in subsidiary behavior towards external actors and in employment practices), it is likely that one would not observe the current discrepancy between the MNC's path-dependent administrative heritage encouraging decentralized decision making, and an increasingly centralized strategic decision making and production planning. It is likely that headquarter control influencing subsidiary behavior (channel α) and underlining sister subsidiary interaction (channel γ) would have been more extensive also in employment practices of production workers that are currently decentralized and locally responsive. In this counterfactual case, Electra's corporate isomorphism and local isomorphism would lead to tensions in subsidiary behavior, whereas currently they are complementary at different organizational levels.

How does one explain the sustainability of the described interests and behavior, involving on the one hand a drive to improve shareholder value and efforts to achieve equally good efficiency in the factories, and on the other hand the continuity of local responsiveness and decentralized means of achieving production goals? Electra has long been used to operating in diverse host country conditions, and thus developed a perception

that rational behavior in one host country may not lead to the same organizational performance in other countries. In line with the literature on varieties of capitalisms (c.f. Hall/Soskice 2001), Electra continues to seek equally optimal rational performance differently in different conditions. Even when all subsidiaries strive for the same corporate goals (achieving overall efficiency and improving shareholder value) the means to reach these goals differ across subsidiaries. The MNC cannot easily change its long-term administrative heritage, and is in fact not interested in doing so. This allows for balancing shareholder value and coordinated business strategies with local responsiveness as the means of achieving corporate goals.

Headquarter-subsidiary interaction concerns mainly strategic issues that are driven by business interests and are thus rational from the company's point of view. The room for non-economic influences on corporate behavior and internal interaction channels, e.g., the managers' personal feelings or trust, is limited at the corporate level. In contrast, the influence of trust, social relations and personal values on behavior is more evident in interaction between Electra's subsidiaries and local workers and unions. This is discussed in the next chapters.

4.6 Conclusions

This chapter discussed Electra's corporate interests in light of the MNC's past, and the forms of social interaction that emerged in the attempt to balance the business interests and the administrative heritage. Corporate values are taken seriously at all organizational levels of Electra and managerial decision-making is deeply entrenched in these values. Instead of assigning all TV factories an equal role and fostering internal competition among them, Electra's headquarters maintain a transnational mentality believing that the task of factories is tailoring corporate interests to differing local labor markets. This implies consciously building an organization with differentiated capabilities, tasks, and resources (Bartlett/Ghoshal 2002: 120). Adapting core resources to local conditions, and generating new practices that involve utilizing local resources, is a typical feature of Electra's behavior.

Corporate interests encourage a diversity of interaction forms between the headquarters and the subsidiaries. In business and production planning the headquarters closely control subsidiary behavior. This increases the factories' dependence on headquarter decisions and confirms that control is the dominant mode of headquarter-subsidiary interaction in production and business matters. In contrast, operational issues including the HRM of production workers lack headquarter control, concentration of power, and a diffusion of best practices. Corporate interests are transposed to factory behavior via selecting the right managers who are committed to decentralized HRM and continue to take their decisions locally.

In the next chapters I offer deeper insight into Electra's local behavior, employment practices and social interaction with local actors. A central part of this is uncovering the major sources of local differences that are the outcome not only of differences in local

isomorphism in each host country, but mainly of Electra's interest in variation in employment practices in order to best benefit from each host country's local resources and institutions.

Committed to being local?

Electra, the local society and hard employment practices in Western and Eastern European workplaces

The previous chapter has concluded with the argument that social interaction between Electra's headquarters and subsidiaries creates preconditions for decentralized behavior and an interest-driven involvement in host-country societies and labor markets. This argument is a starting point for the analysis of Electra's local integration⁵². In this chapter I explore Electra's engagement in the local society, influence on and interaction with local labor markets, and workplace employment practices that emerged as a consequence of Electra's decentralized HRM and entrenchment in the local conditions. I start with Electra's general presence in the local society and highlight differences among the four cities where Electra's TV factories are located, the involvement of Electra in local social life, city development, sponsoring activities, and support for local organizations. A particularly important aspect of Electra's local embeddedness is the MNC's labor market presence and interaction with labor market authorities and other locally based employers.

Based on Electra's interaction with the local society and labor market, the chapter's second part studies hard employment practices in the factories (Kaufman 2004; Armstrong 2003). The purpose of hard HRM is that it offers an optimal structure of employment organization within given cost constraints, managing workers headcount in a rational way, and increasing company profitability (Truss et al. 1997; Legge 1995; Storey 1992). Wage policy and related bargaining are obviously among the central aspects of hard HRM. Another important aspect is the variation in employment flexibility practices deployed to rapidly adjust the workforce to production changes. Drawing on the resources of local workers and labor market specificities, remarkable variations exist between the studied factories, and between the factories and other locally based firms. The chapter concludes with an integrated analysis of Electra's local embeddedness and implications for company-driven variation in workplace employment practices in WE and CEE.

5.1 Behind the gates: Electra's factories and local conditions

The studied factories are currently the only Electra factories in the Consumer Electronics division in Europe. Production workers constitute the majority of headcount in these

⁵² The *local* refers to particular geographical, institutional, political and social settings.

assembly centers, and in all four cases this means a significant source of jobs for the local labor market (see Figure 5.1)⁵³.

Figure 5.1 Employment in Electra factories

Factory	Established	Local status	High-season headcount (production workers)*	Local unemployment**
Brugge	1950s (brownfield)	Standard employer	901 (401)	Low (7.37%)
Dreux	1960s (brownfield)	Key employer	800 (600)	High (12%)
Kwidzyn	1991 (greenfield)	Key employer	Avg. 984 (avg. 872)	High (27%)
Székesfehérvár	1991 (greenfield)	Key employer	2,392 (2,200)	Low (4.9%)

* Data for Brugge and Kwidzyn 2003, Székesfehérvár 2004, Dreux 2005.

** Source: BLMB (Brugge Labor Market Board – Vlaamse Dienst voor Arbeidsbemiddeling) 2004, SLMB (Székesfehérvár Labor Market Board – Munkaügyi Központ) 2005, KLMB (Kwidzyn Labor Market Board, Powiatowy Urząd Pracy) 2004, Manpower Dreux (2005). The assessment whether unemployment is high or low is relative to the local environment.

The Brugge factory is an old industrial site with a history of over 60 years. The factory has experienced growth in production and employment⁵⁴, but also several reorganizations that included the dismissals of mainly blue-collar workers. The most recent reorganization of 1996-1997 brought a dismissal of over 2,000 persons and transformed the site into a development center of high-end TVs and new technologies with a relatively small production assembly⁵⁵. Currently, the plant has a stable pool of permanent production workers, and a large pool of temporary and agency workers. Although the labor market quickly absorbed dismissed workers from Electra's last reorganization, the firm's local image has suffered. The presence of Electra in public life has changed: Electra now presents itself as a development center attracting high skilled knowledge workers and no longer as a large industrial employer of blue-collar workers.

Brugge, located in Northwest Belgium, is the capital of the West Vlaanderen region. Having 117,224 inhabitants⁵⁶, the city developed a firm industrial basis benefiting from its proximity to the North Sea coast. The city's main economic activities, besides industry, are

⁵³ In Brugge, the share of production workers in overall headcount is lower than in the other factories. This is because Brugge has two organizational entities – the development part, and the production part. HRM is also diversified according to this guideline. In this dissertation I am concerned only with the production part of the Brugge factory, which is well comparable to the other studied factories.

⁵⁴ Until 1980, the factory employed up to 2,000 people; in 2000 the headcount reached 3,000. Source: Interview BLMB, Brugge, 13.1.2005; interview Deputy HR Manager, Electra Brugge, 13.9.2004.

⁵⁵ 200 kinds of TV sets produced, maximum 50 pieces per type. Interview Manufacturing Manager, Electra Brugge 1.10.2004; interview Deputy HR Manager, Electra Brugge, 13.9.2004.

⁵⁶ Wikipedia: <http://en.wikipedia.org/wiki/Bruges> [accessed 4.10.2006].

services – mainly in tourism, hotels, restaurants and catering. Several large industrial companies have been located here for decades, Electra being one of them. The long-standing presence of Electra in Brugge helped to build the company's local image and citizens' pride in the factory. Despite its damaged reputation after the 1996 reorganization, in Brugge, Electra is still seen as an important *name*, both for products and for employment. Electra is among the top five employers in the region (Electra Brugge 2003: 79):

“...[t]hose who live here in Brugge and somebody from their family has not worked for Electra were not from here! That's the way to see it⁵⁷.”

The gradual decline in industrial activity in recent years, including Electra's restructuring, significantly impacted the Brugge labor market situation. The number of stable low-skilled jobs in industry has declined and was replaced by job offers in other sectors, on a temporary basis, or via temporary agencies. This situation facilitated a new role for local labor market authorities, temporary labor agencies, and trade unions⁵⁸. Nevertheless, with its unemployment rate of 7.37 percent, Brugge still belongs to good performing labor markets both from the regional and the Belgian perspectives. Unemployment is mainly a problem of the low skilled, the young and older people. The share of men among the unemployed has been growing, because men mainly occupied the lost industrial jobs. Traditionally the demand for women in the industry has not been high. Electra is an exception among locally based employers, because the factory employs a high share of women because of the fine-motor skills necessary for assembling TV sets.

Electra has been established in Dreux (France) since 1956, and the current factory, a mass production TV assembly center, was built in 1974. Electra is the biggest company in Dreux and is among the crucial companies and employers in the region (Electra Dreux 2005: 73). Electra is well known in the local society: each family in Dreux has at least one member or friend who is working or has worked for Electra (ibid.). Despite the long-term stability of the factory, the 2003 restructuring involved the dismissals of 300 persons. Similarly to Brugge, this hurt Electra's local image and brought fears into the public discourse that the factory would be relocated or outsourced. In Dreux, the question of relocation is even more salient than in Brugge: unlike Brugge with its new strategic position, Dreux remained Electra's one and only mass assembly center with a large pool of blue-collar workers in the Consumer Electronics PD in Western Europe.

Dreux is a small industrial town in central France, 80 kilometers west of Paris, conveniently connected with the capital by a toll-free highway. The Dreux region is among the most industrialized regions in France; industrial companies account for 38 percent of the city's economic activity⁵⁹. In Dreux, Electra has an even greater impact on the local society than in Brugge mainly via skill upgrading and employment opportunities for low

⁵⁷ Interview BLMB, Brugge, 13.1.2005.

⁵⁸ This role is in greater detail discussed in Section 5.2.2.

⁵⁹ Interview Cabinet Director, Dreux Municipality, 17.10.2005.

skilled workers that constitute the majority of job seekers in the region. The population of Dreux reached 32,565 in 1999⁶⁰. Electra's TV factory with about 800 jobs⁶¹ and the Electra-LG joint venture with about 400 jobs place it among the crucial employers with substantial impact on unemployment levels. In addition to Electra, the city is home to several pharmaceutical companies. These are also among the region's most important employers. The past five to six years were marked by deindustrialization and thus an increasing disparity between low skilled job seekers and a growth in vacancies for knowledge workers. Unemployment is 12 percent, which is higher than the French average of 10 percent. Unemployment mostly concerns young low skilled persons who do not have the working habits required by large employers, such as an ability to work flexible hours, travel to work, and be committed to company goals⁶². Another problem is an underdeveloped system of higher education in the city. Local authorities attempt to attract university graduates from other regions and to offer diverse training possibilities for local low skilled workforce. Unemployment among women is not high, because after many companies failed to find successful male job seekers, the demand has focused on women who turned out to be highly motivated and well performing employees⁶³. 62 percent of Electra's employees overall are women. Women constitute 73 percent of production workers and 36 percent of administrative and managerial employees (Electra Dreux 2005: 74).

Electra Kwidzyn developed from a local greenfield company *Brabork*, established in 1991. Foreign investors (including the large American MNC International Paper and local suppliers of Electra) contributed to a significant industrial development of the region. Electra and its suppliers created around 5,000 jobs in Kwidzyn, which accounts for over 10 percent of the local population⁶⁴. Despite earlier outsourcing of Electra's print circuit board production to the American MNC, Jabil, and an outsourcing of the TV factory to the same MNC shortly after this research was completed, the local image of Electra is favourable and people appreciate the created jobs. The outsourcing took place between companies with a similar organizational culture and values; and therefore no big changes in the organization, management, or headcount took place⁶⁵.

Kwidzyn, with 37,927 inhabitants⁶⁶, is among the most industrialized towns in northern Poland despite its disadvantageous infrastructure and unfavourable road and train connections to major cities. Being exposed to interaction with foreign investors and Western-style management in the local paper mill already in the early 1980s, the city's municipality succeeded with its strategy to attract investors offering investment benefits

⁶⁰ Website Dreux municipality, in: www.ville-dreux.fr [accessed 4.10.2006].

⁶¹ Including temporary agency workers.

⁶² Interview Director, Manpower Dreux, 17.10.2005.

⁶³ Ibid.

⁶⁴ Interview Director, KLMB, 14.5.2004.

⁶⁵ In general Jabil is a very centralized MNC; but Jabil Kwidzyn has a special position and is relatively independent from headquarter control. This is related to the personalities of Polish leaders and local people's pride over raising the factory throughout the 1990s. Under these local circumstances a top-down diffusion of centralized policies would not be feasible. Thus, Jabil Kwidzyn is relatively autonomous and the mentality of its local management is close to that of Electra. Source: interview HRM manager, Electra BG Connected Displays, 28.9.2006.

⁶⁶ As of 31.12.2004. Source: <http://de.wikipedia.org/wiki/Kwidzyn> [accessed 5.10.2006].

and a pool of skilled and motivated job seekers. Because of the current presence of foreign firms, Kwidzyn has a special position in the region: unemployment is 23-27 percent compared to 30-40 percent in nearby towns⁶⁷. Unemployment concerns residents with the lowest education, those working in the informal sector while receiving unemployment benefits, and those who did not catch up with necessary skill restructuring after the fall of socialism⁶⁸. The negative effect of highly developed industry is that the industry absorbs all educated and skilled persons; and small business and services do not develop because of the lack of potential entrepreneurs.

Electra's impact on the local society's development is observed in its labor market functioning, local taxes and sponsoring activities. Electra is appreciated and strongly present in the local society⁶⁹. Involvement in the city's economic, social and cultural life is firmly established despite the fact that its largest local competitor, International Paper, invests in its local image even more than Electra does. The reason for Electra not catching up is past reorganizations that required the management to focus predominantly on internal affairs.

In Hungary, Electra belongs to the show horses of local industry in Székesfehérvár – the capital of the Fejér region. Feasible investment possibilities in newly established industrial parks attracted large MNCs like Electra, Ford, IBM and Alcoa to settle in this region in the early 1990s (Schiffer 1996). Benefiting from highly skilled job seekers with experience in the socialist Videoton electronics factory, Electra opened its greenfield factory in Székesfehérvár in 1991. The TV, home entertainment products and monitor assembly in Electra gave jobs to almost 2,400 persons in 2004⁷⁰. Due to the factory's success, Electra enjoys a good reputation in the local society, contributes significantly to the city's budget, and offers direct support via sponsoring. Conflicts with the factory-based trade union and union-initiated media coverage of every single dispute are the only reasons why Electra's local reputation has slightly suffered over the past 15 years.

Because of a large investment inflow, Székesfehérvár was among the world's ten fastest developing regions in the first half of the 1990s⁷¹. The growth of the region's economic activity exceeded the Hungarian average by two to three percent⁷². The city of 102,760 inhabitants⁷³ has a convenient location, about 70 kilometers west of Budapest, on the crossing of main north-south and east-west roads. In the municipality's perception, foreign investors were the only solution to cope with the catastrophic situation after a number of large state-owned industrial companies in Székesfehérvár went bankrupt. The new strategy brought a rapid development of the city, with a growing number of companies (both new companies and subcontractors to already established ones), and declining unemployment. The closure of the IBM factory and dismissal of about 3,000

⁶⁷ Interview Director, KLMB, 14.5.2004. Official KLMB unemployment statistics, March 2004.

⁶⁸ Interview Director, KLMB, 14.5.2004; interview Kwidzyn Municipality, 18.5.2004.

⁶⁹ Interview Kwidzyn Municipality, 18.5.2004.

⁷⁰ In the 2006 high season, the headcount shall grow to 3,300 workers. Source: HR Manager, Electra BG Connected Displays, 28.9.2006.

⁷¹ Interview Director, SLMB, 18.3.2005.

⁷² Source: SLMB: A létszámleépítések tapasztalatai Fejér megyében (2005).

⁷³ Source: <http://www.citypopulation.de/Hungary.html> [accessed 6.10.2006].

persons in 2002 was a shock to the local society, but within one year the local labor market stabilized and the dismissed employees found new jobs in other firms. In 2004, unemployment in Székesfehérvár was below five percent, compared to the 6.9 percent in the region⁷⁴. This was a favourable situation compared to those of other Hungarian cities and regions of similar size. Unemployment concerns mainly school graduates and those without marketable skills. Local authorities strive for a better alignment of educational programs and employer requirements to further decrease unemployment⁷⁵. At the same time, companies like Electra face large problems in finding enough production workers, and therefore deploy various innovative solutions in recruitment, discussed later in this chapter.

In sum, Electra is an important local actor in each host country and city; and has a large impact on the local society and labor markets. Because of large firms like Electra, each city plays a somewhat special role relative to comparable regions in France, Belgium, Poland and Hungary.

5.2 Electra's social interaction with the local society

An interactive relation developed between Electra and the local society with trade offs and benefits to both parties. This has strengthened the interdependence between the MNC and the local government authorities (municipality), labor market authorities, other locally based employers and citizens. Another important aspect of Electra's interaction with the local society is the company's media appearance. This section reviews Electra's interaction with the local society and the MNC's local media presence.

5.2.1 Labor market actors

The most important actors with whom Electra interacts include the labor market authorities (state-owned regulatory authorities), other employers on the demand side of local labor markets and thus potential competitors of Electra, and temporary labor agencies. Through interaction with these actors Electra draws on local resources and shapes labor market developments. In Western Europe, direct interaction between Electra and local labor market authorities is not as intensive as in Poland and Hungary. In Brugge, Electra has maintained contacts with the regional public labor market authority, BLMB. BLMB, with the support of local trade unions, monitors employers' labor market activities and their implications⁷⁶. Other than that, Electra does not extensively utilize the BLMB's services. The most important interaction between Electra and the local labor market is via intensive contact with two temporary labor agencies. Electra negotiates the number and conditions of blue-collar temporary agency workers on a weekly basis. For knowledge workers, Electra does not use a mediating agency and directly interacts with schools, technical

⁷⁴ Ibid.; official statistics SLMB, 2004.

⁷⁵ Interview Director, SLMB, 18.3.2005.

⁷⁶ This role of BLMB derives from the Belgian law.

universities, and job seekers. Electra does not coordinate its recruitment strategy or employment practices with other locally based companies, and competition among these companies for production workers is negligible.

The situation in Dreux is similar to the situation Brugge. The main actor with whom Electra interacts is a temporary labor agency – the local office of Manpower France. Electra is Manpower's largest client and both parties are satisfied with their current relationship. Manpower maintains that Electra is an attractive employer caring for its employees even if production workers' wages are moderate. By employing young people and migrants, Electra helps to solve youth unemployment and the work attitude problems of local people. Interaction between Electra and Manpower is frequent and informal. Electra informs the agency of the number of desired workers and eventually provides a list of persons to be hired if available. The agency has a few working days to fill these positions. The price for temporary agency services is the same in Brugge and Dreux⁷⁷. Contacts with other companies in the field of HRM are limited.

In Kwidzyn, Electra has little direct interaction with the state-owned labor market authority KLMB. The factory's firm position on the local labor market does not need a mediator; jobs are offered and filled directly. Electra directly contacts desired job seekers and conducts interviews and the selection process even for temporary workers. Electra occasionally interacts with temporary labor agencies (e.g., Adecco), but it is not standard to hire agency workers. Factory managers emphasize their preference to hire workers directly due to a more interactive relationship between the company and the workers. To attract highly educated engineers, Electra cooperates with technical universities in Northern Poland (Electra Kwidzyn 2004: 84). Unlike small local employers, Electra follows all legal requirements in employment conditions. In this regard, large companies are a positive example for small Polish companies employing workers informally, formally with a minimum wage, or not paying social security contributions in full amounts⁷⁸. Electra and other companies that hire workers with temporary contracts indirectly cause extra costs for the administration of the unemployed. The KLMB tolerates this practice and claims it is a trade off between the number of created jobs and the administration of the unemployed. Because of a high availability of motivated job seekers, competition between Electra and other locally established firms in the labor market is marginal. Electra's HR manager is part of a regional HR platform, which is an informal network of HR managers of Kwidzyn firms. The purpose of this network is to foster informal contacts between managers in the same field, but it does not lead to coordination of recruitment or employment strategies.

In Székesfehérvár, Electra is one of the central actors in the local labor market. The number of jobs constantly increased over the past decade and unemployment plummeted; at the same time temporary agency work gained importance. Electra is one of the pioneers in hiring a high number of agency workers; its demand for these workers has resulted in

⁷⁷ The price ratio between hiring workers directly and via an agency is 1:1.8. Source: interview Deputy HR Manager, Electra Brugge, 17.10.2005; interview Director, Manpower Dreux, 17.10.2005.

⁷⁸ Source: author's observations; interview Director, KLMB, 14.5.2004.

the establishment of two temporary agencies in Székesfehérvár (Pannon Job and Job Service). Interaction with these agencies is similar to the interaction with temporary agencies in Dreux and Brugge, but a few differences exist as well. Electra jointly advertises available seasonal production jobs with these agencies and participates in the selection of blue-collar job applicants, which is not common in WE. Constantly facing low labor supply in autumn and winter, Electra has developed a plan with the local labor market authority SLMB and the municipality to invite mayors of nearby towns and villages to the factory and request their cooperation in recruiting workers from the countryside. Direct contacts were also developed with authorities in Komárno, a Slovak town at the Hungarian border. As a result, Electra employs a group of Slovak workers, which also improves the situation on the extremely tight Székesfehérvár labor market. Due to low unemployment, locally based companies compete not only for qualified managers, engineers and higher-level employees, but also for production workers. Recruitment strategies are not coordinated across these companies; however, an informal agreement exists between Electra and several other large employers that the firms will not lure away each other's employees⁷⁹.

5.2.2 Municipalities and local governments

In Brugge, Electra attempts to improve its reputation after the restructuring and to build its local image unilaterally and without direct interaction with the municipality. In contrast to other studied factories, very little direct interaction with the city's authorities exists. In the words of a manager,

"It is certainly not bad for the city that [Electra] is here. But you cannot say that there is a close relation between the city and [Electra]. We are here, and the city is a city, and you cannot say that there are often contacts, or that there is some financial or other support from the city to [Electra]"⁸⁰.

Managers argue that Electra's current financial situation does not allow for more activities vis-à-vis the city. However, according to an internal Electra document, good relations with the mayor and the city government were essential in the restructuring process (Electra Brugge 2003: 79).

In Dreux, Electra has a more interactive relationship with the city's authorities than in Brugge. Both the city and MNCs attempt to benefit from this relationship and use each other's resources. Indirect interaction happens via local taxes and their deployment⁸¹. 35 percent of local revenues come from Electra's taxes (Electra Dreux 2005: 73). The local

⁷⁹ Interview Personnel officer for directs, Electra Székesfehérvár, 2.12.2004.

⁸⁰ Interview Deputy HRM Manager Electra Brugge, 13.10.2004.

⁸¹ Currently 60 percent of the city's budget originates in property taxes paid by companies in Dreux. Interview Cabinet Director, Dreux Municipality, 17.10.2005.

government is familiar with investor requirements to settle in Dreux, i.e. with economic and environmental conditions, childcare, and infrastructure. These are the areas of priority for the municipality. At the same time, the city influences the diversity of firms to prevent extensive dependence on one large employer or one sector. Beyond taxes, a direct relationship exists between the city's authorities and companies. Organizations like Electra do not exercise power vis-à-vis the city. The relationship is interactive, based on trust and a common interest in the good functioning of the companies and of the city, local society and labor market. Formalized meetings take place between the city, the Department, and a local association of employers. Even beyond these formal meetings, the mayor of Dreux and other representatives of the city are in frequent contact with the companies' directors. The association *Dreux Développement* is one of the city's initiatives to intensify interaction between employers, local governments and citizens.

Electra Kwidzyn assigns a high priority to direct interaction with local authorities. Centralized official communication via the Polish national Electra organization is not effective to interact with the local society. Supporting the local social infrastructure is part of the factory's local strategy (Electra Kwidzyn 2004). Results from a regular survey on Electra's local image, together with statements from Kwidzyn's municipality, confirm the company's good reputation. The local authorities' strategized the successful stay of Electra in Kwidzyn. In 1999, the mayor negotiated a special economic status for Electra with the Polish government. Instead of paying the full amount of taxes to the national budget, Electra now invests in the local society, education and infrastructure⁸². Common interest in local development facilitated informal relations between Electra's leaders and the city's authorities. According to a Kwidzyn official:

"Electra and other firms organize a number of events. It is difficult to say whether it is the initiative of the firms or of the city. The cooperation is that close, we no longer talk about what is to be done, but we do it. It is a joint initiative. The beginning was difficult, with very long negotiations, but later they were shorter because the companies realized the city is open to cooperation and has the same values⁸³."

Because of shared values between Electra and the city's authorities, the Kwidzyn case documents a functioning interactive bargaining between the city and the MNC, in which both parties agree to invest some resources and effort to an expected outcome that benefits everyone. According to the KLMB director:

"The impact of foreign firms is very positive. Thanks to them Kwidzyn is a completely different city. And thanks to this, more investors are eager to come here.... One investor told me that Kwidzyn was the first city in which

⁸² Interview Kwidzyn Municipality, 18.5.2004.

⁸³ Interview Kwidzyn Municipality, 18.5.2004. Translation from Polish by the author.

he was asked what the company needs to open a factory here. In other cities he was asked what can the company give to the city for opening a factory there⁸⁴.”

In Székesfehérvár, the local authorities’ strategy is similar to the one in Kwidzyn. Since 1991, when MNCs started to settle here, the city adopted an informal rule that all procedures to acquire property and building permissions for MNCs are to be finalized within 30 days. The city helped to improve housing and education opportunities for managers and their families and attract them to Székesfehérvár instead of living in the capital city of Budapest. Electra and other MNCs significantly contribute to the city’s budget after the initial period of property tax exemption. Next, Electra regularly donates part of its taxes to schools, cultural organizations, and the local hospital. An open interactive relationship with informal contacts characterizes the interaction between Electra’s HR department and the city. Interaction facilitates joint initiatives to address local labor market problems. Once or twice a year, Székesfehérvár’s mayor invites local managers to discuss the priorities and problems of the local development. Both Electra and the city realize that power-based control, competition and threats will not lead to a desired result, and therefore attempt to moderate their interests and acknowledge the goals of the other party. As an outcome, Székesfehérvár enjoys the presence and stability of Electra; and Electra benefits from local knowledge and infrastructure via the city’s authorities.

5.2.3 Citizens, media, and other local actors

In line with the factory’s overall behavior toward the local society, Electra Brugge is not as active in interaction with citizens and other local actors as the other three factories. The reason is a strict cost management after the restructuring, including much less sponsoring than in the past⁸⁵. A few activities did survive the restructuring, including the factory’s open day, organized visits for retired citizens, and support of the local Bedrijvencentrum – an organization helping newly established companies. Local sponsoring is limited to a few initiatives: Electra sponsored several employee-organized sport events (e.g., bowling and squash) and in 2003 the reconstruction of Poème Electronique, an experimental musical composition, in Brugge’s Music Hall. On the occasion of Brugge being the cultural capital of Europe in 2002, Electra lent large flat screen TVs for public use in cultural events⁸⁶. Other contacts (e.g., with the multi-sector employers’ association Agoria) for the technology industry are coordinated across Electra sites in Belgium, and the direct involvement of the Brugge factory is marginal. The media coverage of Electra Brugge peaked during the time of the 1996-1997 restructuring. Since then, occasional articles discuss Electra products’ technological advancement, innovation and outdated production,

⁸⁴ Interview Director, KLMB Kwidzyn, 14.5.2004. Translation from Polish by the author.

⁸⁵ Interview Deputy HRM Manager, Electra Brugge, 13.10.2004; interview Regional leader, ACV Metaal Brugge, 7.10.2004.

⁸⁶ Interestingly, the regional ACV Metaal union leader claims Sony TV screens were more visible during these events than Electra’s (interview 7.10.2004).

but not social or employment related issues. Belgian trade unions did not initiate press coverage of Electra-related social affairs, claiming that recent production stoppages did not lead to a decrease in jobs⁸⁷.

In Dreux, Electra's media coverage is much higher than in Brugge. The main reason is the 2002-2003 restructuring and trade union initiated articles discussing pay negotiations, employment flexibility and strikes. Electra encourages the involvement of media in its annual meeting with (active and retired) employees and other events, e.g., the launching of new products, obtaining a medal for business excellence, the occasion of the one millionth flat TVs produced, or the departure of the previous general manager and an introduction of the new one⁸⁸. Electra is no longer involved in extensive local sponsoring. Before 2002, local schools received donated computers. Currently, Electra lends TV sets at least once a year on various occasions, e.g., city hall events, local exhibitions, the Saint Denis fair, or for the needs of the local hospital. Electra also sponsored several sports activities for its employees, which indirectly supported local sport clubs. According to Dreux's municipality, Electra's sponsoring is not extensive, nor is it too visible to the public⁸⁹. Showing its local concerns, Electra regularly (every three years) surveys local residential areas on noise annoyance caused by traffic around the factory.

In Poland and Hungary, Electra's activities for the local society have been expanding hand in hand with the growth of the factories in the past decade. In both cases, Electra supports a number of activities for the local society. In Kwidzyn, Electra contributes to a better education system by subsidizing English classes in primary schools, and financially supporting and donating TVs and computers to schools, pre-schools, the hospital, the orphanage, the social welfare center, the home for problematic youth, and schools for handicapped children. The company's annual summer festivity has gradually evolved into a large open-air social event where all local citizens are invited to enjoy cultural and sports events sponsored by Electra. Electra also sponsored the renovation of the Kwidzyn castle's basement, and the illumination of the historic cathedral and the castle. Electra Kwidzyn does not conduct surveys on citizen complaints concerning noise and pollution, because the factory is located far from residential areas. On Electra's request, a local secondary school conducted a survey on the firm's local image. Between 1996 and 1999, Electra received the award, *Sponsor of the year*. The municipality in Kwidzyn maintains that Electra's activities for the local society are visible and appreciated even if sponsoring activities of the other large MNC in Kwidzyn (International Paper) are more extensive. The peaceful co-existence of Electra and the city accounts for limited media coverage. In 2003, the only appearance in the local paper was a special issue (titled *We work together – we celebrate together*) on Electra's and other companies' summer festivities and information concerning the development of production in Kwidzyn-based companies⁹⁰. Negative publicity appeared only in one percent of Electra's overall Polish media coverage

⁸⁷ Interview Regional leader, ACV Metaal Brugge, 7.10.2004.

⁸⁸ Source: archives of local newspapers, Electra Dreux (2004).

⁸⁹ Interview Dreux Municipality, 17.10.2005.

⁹⁰ Source: archives of the local newspaper Dziennik Bałtycki, local office Kwidzyn.

(Electra Kwidzyn 2004). Electra cooperates with media on a local basis, because this is more effective than centralized public relations through the Polish Electra headquarters.

Similarly to Kwidzyn, Electra initiated a number of sponsoring activities in Székesfehérvár. A part of local taxes was donated to support childcare facilities, schools and the local college; and to renovate the city's theater. The company has also been regularly donating products to schools and supporting the children's department of the local hospital. In cooperation with a catering company, Electra organizes a Christmas dinner for inhabitants of the local crisis center. Electra is concerned with its local image and has conducted a society perception survey in cooperation with a local college. Based on the results, the factory decided to increase its local sponsoring, charity donations, internships and start-up jobs for recent graduates. Local authorities appreciate Electra's support for the city although they claim it is not always straightforwardly visible what MNCs do⁹¹. Local authorities argue that MNCs could do even more, e.g., sponsor the local soccer club, or support the renovation of the main street. The problem is that better integration of MNC managers in the local social life is difficult, because many of them live outside Székesfehérvár. Electra's local media coverage is rather extensive. The regional newspaper Fejér Megyei Hírlap regularly writes about developments in Electra, e.g., headcount decrease, changes in production quantities, management changes. Many articles refer to union-initiated court cases and tensions in the factory's industrial relations. From Electra's point of view, local press is of central importance. The recent coordination of press appearances by Budapest headquarters hinders a timely and effective reaction of the Székesfehérvár factory to union-initiated topics in local media⁹².

5.3 Committed to being local?

What does the above evidence imply for Electra's overall integration in the local society, and what kind of social interaction between Electra and local actors fuels this integration? The most important dimensions of Electra's integration in the local society include its labor market presence, impact on the local society's development, the form of social interaction with local actors, and voluntary commitment to offer support and sponsoring. These aspects constitute Electra's embeddedness in differing local conditions across the studied host countries. The analysis implies both similarities and differences in Electra's local embeddedness in the four cities (see Figure 5.2).

Consistent with corporate interests, behavior towards the local society is not coordinated with headquarters, sister factories, or other locally based employers. The figure shows that Electra is an important labor market actor in all studied cases although its importance varies between Brugge and other factories. In other aspects of local embeddedness the findings clearly indicate variation between Western factories and those in CEE. An extensive local embeddedness is evident and appreciated by the local society in Poland and Hungary, whereas a process of gradual disembedding characterizes the

⁹¹ For example, Electra and other companies' taxes financed the full renovation of the local sewage system.

⁹² Interview Public Relations officer, Electra Székesfehérvár, 7.12.2004.

Western factories, particularly Brugge. Related to that, interaction between Electra and the local society in CEE evolves in the form of interactive bargaining, but also documents some value sharing and thus value-based cooperation. In Western Europe the extent of shared values between Electra and the locals is not as extensive anymore to maintain a firm basis for Electra's voluntary involvement in local activities. Although Electra attempts to sustain at least some activities for the local society and fosters an interactive relationship with local authorities, the tension between this effort and increasing cost constraints has initiated a process of incremental disembedding.

Figure 5.2 Electra's local embeddedness

	Brugge	Dreux	Kwidzyn	Székesfehérvár
Labor market impact	Moderate	High	High	High
Impact on local society, local awareness of Electra's involvement	Low to moderate	Moderate	High	High
Extent of involvement, voluntary commitment to society development	Low and declining (cost constraint)	Moderate (cost constraint)	High	High
Interaction form with local society	Interactive bargaining	Value-based cooperation; interactive bargaining	Value-based cooperation; interactive bargaining	Value-based cooperation; interactive bargaining
Social support and sponsoring	Limited	Limited	High	High
Resource dependence; exchange of Electra's and local resources	Limited	Moderate to high	High	High
Exercise of economic, structural, organizational power, threats	No	No	No	No

The understanding of Electra's local embeddedness necessitates a closer look at the MNC's interests and external institutional constraints. The growing cost constraint on Electra's behavior towards the local society as a potential explanatory factor is relevant in the West. It cannot be argued that the cost factor drives Electra's *overall* embeddedness, because a similar pattern of disembedding is not observed in CEE. Relative to their interests and enabling local conditions, each factory has in the past been involved in some kind of bargaining, with the purpose of a mutually beneficial exchange of resources between Electra and the local society. Even without direct headquarter control the factories construct their local behavior in line with corporate interests that do encourage local embeddedness.

Institutional constraints on Electra's behavior towards the local society (e.g., formal legal regulation and the influence of trade unions) are not significant. Electra's interaction

with the locals is to a large extent an outcome of the company's and local authorities' interest, both in Western Europe and CEE. The complementary way through which local constraints influence Electra's local embeddedness is the moderate competitive pressure in Kwidzyn, created by an extensive investment of other large investors in their local reputation. However, it is unclear whether Electra would be less concerned with its local integration if these pressures were absent. In fact, they are absent in other factories (e.g., in Székesfehérvár); but Electra's local embeddedness is nonetheless documented.

Electra's behavior toward the local society is not driven by the economic, structural and organizational power that the MNC possesses. It is an interactive exchange relationship involving costs, benefits, and trade offs to both Electra and the local society. It also increases the trust of the local society in Electra's behavior, especially if it is beneficial for the local development. Mutual resource dependence between Electra and local actors is most obvious in CEE factories, but also in Dreux, and to a lesser extent in Brugge. Positive effects of existing interaction forms and local embeddedness on Electra's profits are expected in the long run. A voluntary decision to invest in the local society's benefit without a short-run profit indication implies that MNC behavior cannot be explained in terms of full economic rationality regardless of the social context. Electra's embeddedness in the local society, channeled by social interaction with local actors, documents a contextualized rational behavior that in the long run may lead to a rewarding relationship, benefiting both the MNC and the locals.

In sum, Electra's local embeddedness shows an intention to contribute to the functioning of the local society, to gain local knowledge, and to benefit from it. According to a rational logic, a cost-driven MNC that aims at diffusing corporate best practices would not invest as much in its relation with the local society, especially outside local labor markets. What does Electra's local embeddedness imply for workplace employment practices? This effect cannot yet be directly evaluated from the presented analysis. Thus far, it can be argued that Electra's corporate interests, interaction between headquarters and factories, between factories and local societies, and Electra's local behavior create a feasible precondition for adaptation to local employment standards instead of fostering their cross-country convergence. I discuss whether and how Electra's local embeddedness translated into utilizing local labor market conditions and adapted to locally common employment practices in the remaining sections of this chapter. The focus is on hard HRM including wage policies and employment flexibility practices.

5.4 Hard employment practices in local conditions: wages and collective bargaining

Wage policy is a central part of labor cost management, and one in which adaptation to local standards is most expected. Differing labor costs are among the most important determinants of why MNCs invest abroad. A specificity of wage policies is that the company has less influence on wages than on other aspects of labor costs, i.e., those related to employment flexibility. In wages, the company is a price-taker on the market,

and efficiency wages are paid in order to compete with other employers. The company may see that paying wages above local standards is not in line with an efficient management of resources. At the same time, higher wages can help to attract more qualified and motivated employees in the competition on local labor markets. Thus, large external constraints – both market-related (competition) and institution-related (collective wage bargaining) exist on wage policy setting in MNC subsidiaries. These constraints interact with the company's own interests concerning the amount of labor costs.

In this section I discuss Electra's wage policy across the studied factories, and the involvement of headquarters and of local trade unions in wage bargaining in the four factories. It is necessary to control for similarities and differences in Electra's wage policies in order to understand company choices in other aspects of HRM, namely employment flexibility, motivation, employee empowerment and fringe benefits.

It is obvious, and in line with expectations, that wages differ across Western and Eastern European Electra sites. Whereas knowledge workers' salaries do not show enormous discrepancies, the difference is obvious for production workers: wages of CEE workers are three to five times lower than those of Western workers⁹³. This discrepancy results from a mutual influence of Electra's wage policy and external constraints. A close corporate coordination only applies to the compensation and benefits of top managers.

The corporate wage policy for production workers consists of two important elements. First, it encourages decentralized wage setting without direct headquarter involvement. Information about overall labor costs are part of formalized financial reporting from factories to headquarters⁹⁴. Beyond this formal practice, headquarters are assured that power delegation to local managements secures a locally optimal use of resources, including wages for local labor resources, and therefore stays out of wage setting and wage bargaining in host countries⁹⁵.

The second important element in Electra's corporate wage policy (both for production and knowledge workers) is building an image of an employer with median plus wages following local benchmarks. Local factors that are considered in wage setting include expected inflation, sectoral and regional wage averages, and employment possibilities that could lure away Electra's qualified employees. Actual wages in Electra's factories slightly exceed the local benchmark. In all studied countries Electra pays about 10-20 percent higher wages than the average in the relevant sector. Such a strategy is common also for other MNCs in order to prevent frequent departures of skilled workers to other companies. For example, in Hungary MNCs pay 30 percent higher wages for comparable skilled workers than local companies⁹⁶. Electra's wage policy is more or less in line with the

⁹³ Source: discussion with the HRM Manager, Electra BG Connected Displays, 28.9.2006.

⁹⁴ Interview Deputy HRM Manager, Electra Brugge, 24.9.2004.

⁹⁵ In the words of the BG's HRM manager, information about factory headcount is always the last line in the document, and they always skip reading that information. Source: discussion with the HRM Manager Electra BG Connected Displays, 28.9.2006.

⁹⁶ Source: *Világgazdaság* 1999 (exact date of the article not available; pages 1 and 13). Hungarian business paper, archives Electra Székesfehérvár. The exact publication date of the article is not visible on the copy available in Electra's archives and could not be inquired at the publisher, because the electronic archives only cover articles since 2002.

company's actual reputation: representatives of the local society as well as local union representatives in the host countries perceive that production workers' wages in Electra mirror or slightly exceed sectoral averages⁹⁷. There are of course better paying MNCs; however, wage levels necessarily reflect the desired skill levels, which render Electra's wages incomparable with MNCs offering higher wages, e.g., International Paper in Kwidzyn or Alcoa-Köfém in Székesfehérvár⁹⁸. Other aspects of wage policy are factory-specific, the most important being performance-related pay. The studied factories show great differences in using performance-related pay, which is discussed in the next chapter.

Besides the presented consistency in decentralized wage setting, to some extent cross-factory wage coordination occurs in each host country. Coordination of wage policies is most extensive in Belgium, with Electra's NO playing a coordinating role. In line with Belgian standards, Electra is covered by national and sectoral wage agreements concluded between trade unions and the Agoria employers' association. These leave limited room for company-specific adjustment that might be negotiated directly between Electra and unions at the company or factory level. Belgian trade unions monitor wage developments in Belgium, Germany, France and the Netherlands⁹⁹. Beyond the legal rule, it is the cost awareness of unions that motivates Electra to harmonize wages across Belgian sites. In France, wage policies are harmonized only for managers and higher-level employees in Electra's French NO and other sites. Electra is not part of sectoral bargaining structures, and wage setting for production workers is fully decentralized. However, Dreux's HR manager regularly monitors departmental wage bargaining and uses it as a benchmark for factory-specific policies¹⁰⁰. In Poland and Hungary, wage policies are fully decentralized. No coordination exists through NOs, and every factory negotiates wage increases individually with workplace unions. Managers monitor wage developments in other Electra subsidiaries and eventually draw on this information in formulating their local bargaining position vis-à-vis trade unions¹⁰¹.

The involvement of local actors, namely trade unions, in wage bargaining in Electra mirrors local traditions in each host country. Wage developments are negotiated with trade unions in every host country. In Western European factories, workplace bargaining is subordinated to the all-company level and to a sectoral level bargaining. In Poland and Hungary, trade unions are involved at the workplace level and regular wage bargaining takes place on an annual basis. This structure documents Electra's adaptation to common practices in collective bargaining and levels of bargaining that differ between Western Europe and CEE.

⁹⁷ Source: interview with an employee, Electra Kwidzyn; interview Director, KLMB 14.5.2004; interview Director, Manpower Dreux 17.10.2005; interview Regional leader, ACV Metaal Brugge, 7.10.2004. Other source: Fejér Megyei Hírlap, 1999 (exact date not available) – regional daily paper, archives Electra Székesfehérvár.

⁹⁸ Interview Director, KLMB, 14.5.2004; interview Director, SLMB, 18.3.2005.

⁹⁹ Interview ACV-Metaal union leader, 19.10.2004.

¹⁰⁰ Interview HR Manager, Electra Dreux, 18.10.2005.

¹⁰¹ For example, management in Kwidzyn realized that workers are well paid relatively to local conditions (high unemployment) after a comparison with Electra in Pabianice (tight labor market). Source: interview Manufacturing Manager, Electra Kwidzyn, 21.4.2004.

In conclusion, wage policies in Electra are centralized only for top managers. For all other employees wage policies and bargaining with trade unions follow local standards. In order to secure an optimal use of resources, Electra maintains its commitment to adaptation to local labor prices, and uses sectoral and regional wage developments as an important reference point for factory-specific wage policies. This finding conforms to expectations of rational firm behavior and an optimal resource allocation in line with the company's interests and a decentralized HRM. At the same time, it contrasts Electra's non-wage benefits that do not mirror local standards¹⁰². Wages, together with non-wage benefits, are a compensation for the high degree of employment flexibility required from workers in Electra's factories. The dimensions of employment flexibility are discussed next.

5.5 Hard employment practices in local conditions: employment flexibility

Employment flexibility of production workers links HRM with production strategy, and the use of local labor resources with Electra's economic performance. Although all studied factories share the notion that flexibility is central in their hard HRM and decisive for a successful performance of the factories, the implemented flexibility practices strikingly differ and have been introduced locally without being coordinated or consulted with sister factories, Electra's headquarters, or other local employers.

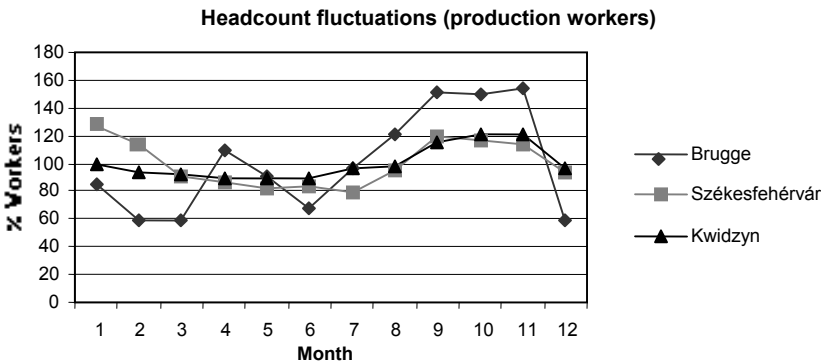
All four factories have to respond as optimally as possible to market demands for TV sets and therefore undergo significant production seasonality. To achieve seasonal flexibility, factory HR managers face a challenging task: how to best utilize the pool of existing workers and seasonally increasing demands for production workers, and at the same time grant attractive working conditions and raise a motivated workforce. Evidence and the analysis of Electra's flexibility focus on four dimensions of flexibility. These derive from the work of Atkinson (1984), Gallie et al. (1998), Rubery/Grimshaw (2003), as well as my own observations in Electra factories. First, numerical flexibility relates to fluctuations in the total headcount because different months of a calendar year demand a different worker headcount. Seasonality does not affect the number of higher-grade employees and managers. In the second flexibility dimension – the external flexibility – Electra takes decisions about the workforce structure including permanent, temporary, and temporary agency workers. Third, once the workforce structure is defined, a further opportunity to increase flexibility is internal flexibility, or a range of working-time related issues (order of shifts, overtime, number of shifts, weekly working hours). Finally, functional flexibility is deployed to utilize workers' individual skills in workplace rotation, team building, and multiple task learning. Combinations of these dimensions yield a flexibility pattern that is most optimal relative to local labor market conditions, legal regulation, and the factories' demands.

¹⁰² These benefits are in detail discussed in the next chapter.

5.5.1 Numerical flexibility

In all four factories, the reorganizations that took place in the second half of the 1990s and early 2000s account for an increase in numerical flexibility. Headcount fluctuations have stabilized and show a seasonal pattern. To make the various workforce sizes comparable, Figure 5.3 shows the monthly deviations from the average annual workforce size in Brugge, Kwidzyn and Székesfehérvár¹⁰³.

Figure 5.3 Numerical flexibility*



* Three factories, exact figures from Dreux not available.

Source: author's calculation based on company statistics. 2003 data for Brugge and Kwidzyn, 2004 data for Székesfehérvár.

In contrast to administrative and managerial staff, the size of the production workforce fluctuates regularly according to production seasonality. Székesfehérvár, Kwidzyn and Dreux show a similar fluctuation pattern, because these sites are mass production centers and their seasonality is relatively regular. Brugge's position of a demand introduction center producing a larger variety of TV sets but in smaller quantities causes larger fluctuations in that workforce than in other sites.

Electra's numerical flexibility practices do not show a significant deviation from other companies that are located in the same towns and regions as Electra factories. The type of production determines the flexibility; therefore similar practices are observed in other companies with seasonal production (mainly in electronics, the food sector, and agriculture)¹⁰⁴. Electra and other electronics firms require higher numbers of workers in the winter, and agriculture and food processing industries' workforce demands rise in the summer. Thus, many temporary workers alternate jobs in both industries following their seasonality.

¹⁰³ In Dreux, the interviewed managers referred to overall trends, but did not provide exact figures on headcount fluctuations. Therefore Dreux is not included in Figure 5.3.

¹⁰⁴ Source: interviews with local unions and labor market representatives in each host-country.

5.5.2 External flexibility

External flexibility relates to decisions on whether to solve the seasonally increased workload via recruiting additional Electra workers (with permanent, short-term or long-term temporary contracts) or temporary agency workers. It is this dimension of flexibility in which the studied factories show greatest variation (see Figure 5.4 on the high season's workforce structure). Local institutional conditions, including host-country labor law and local labor market standards, facilitate and constrain decisions on flexibility differently in different countries¹⁰⁵. Electra utilizes these local institutional spaces to locally develop optimal flexibility practices. For instance, the company's choices differ in case of tight labor markets, as opposed to regions with high unemployment or markets with developed and underdeveloped networks of temporary labor agencies.

Figure 5.4 External flexibility*

	Total workforce (a+b+c)	Production workers			Administrative and managerial workers (b)	Other workers (c)
		Total (a)	Permanent Electra	Temporary Electra	Temporary agency**	
Brg	901	401	155	107	139	400
Drx	800	600	400	0	200	200
Kwi	984	872	392	480	0	112
Szfv	2,392	2,200	720	0	1,480	180

* Average high-season data. Brugge and Kwidzyn for 2003, Székesfehérvár for 2004, Dreux for 2005.

** For Székesfehérvár including 130 workers exchanged with another company.

Source: author's calculation based on company statistics and interviews.

Electra Brugge, although situated in a region with relatively low unemployment, did not encounter difficulties in the hiring of temporary agency workers with weekly contracts. At the same time, the factory's long history has raised a group of permanent workers that have worked for Electra for their entire careers. Electra opted for a relatively equal share of permanent workers, temporary workers with monthly contracts (to be extended up to a maximum of two years), and temporary agency workers who are hired from two agencies on a weekly basis. The number of each week's temporary agency workers depends on the operational production plans. For example, in the 2004 peak season, the factory gave work to 300 agency workers per week¹⁰⁶. Next, agency workers are hired when permanent workers are to be substituted due to holidays, sickness, or part-time work. Exceptionally, an agency worker advances to a temporary Electra worker with a monthly contract for a maximum of two years. There is no discrimination on the shop floor between temporary and permanent workers in pay or any other provisions. The external flexibility practices in Brugge diverge from other locally established companies mainly in two respects: first, it is

¹⁰⁵ This is elaborated further in Section 5.6 of this chapter.

¹⁰⁶ Source: internal employment statistics 2004, Electra Brugge.

more common for companies to hire temporary workers directly than to go through the channel of temporary labor agencies in the region. Second, whereas agency workers in Electra receive weekly contracts, temporary workers in other companies commonly receive a seasonal contract for two or three months¹⁰⁷.

External flexibility in Electra Dreux relates mainly to the recruitment of temporary agency workers. Like Brugge, Dreux also has a stable pool of permanent workers who have worked there for a long time. The factory does not hire its own temporary workers. Unemployment levels in Dreux grant a sufficient number of job seekers that Electra hires via the Manpower agency. Other local companies also commonly hire agency workers. The length of their contracts varies according to company needs; in general it is at least one week, but can be as long as two to three months. Seasonal contracts are common both in Electra and other companies. In this respect Electra does not deviate from local employment standards¹⁰⁸.

In contrast to Brugge and Dreux, Electra Kwidzyn does not typically hire temporary agency workers. The factory prefers to directly employ workers with a long-term contract for up to three years or a short-term contract for several months. This is not due to an underdeveloped structure of temporary labor agencies, but because the company maintains that direct recruitment has positive effects on management-worker interaction and the workers' commitment to the company. Although temporary workers' chances of obtaining a permanent contract have significantly decreased in the recent years, many short-term workers return to Electra every year, hoping to get a permanent contract. The longest possible contract currently available is a three-year temporary contract, which can be renewed three times before a permanent contract must be given according to the Polish labor law. However, Electra does not intend to increase its number of permanent production workers. Instead, the workers are not hired for the fourth time, or are dismissed shortly after their permanent contract starts in order to start with a temporary contract again. The company does not face difficulties in finding enough workers willing to work under such flexible conditions; the factory is located in a region with high unemployment. The unemployed are eager to work for Electra mainly for economic reasons: the above-average pay, fair and clearly presented working conditions, and a range of social provisions are a large motivating factor for them. Temporary and permanent workers are treated equally in all aspects of work conditions.

In Electra Székesfehérvár only one third of workers are permanent, the rest being temporary agency workers and workers on exchange with an ice cream factory with opposite seasonality. Electra's factory is located in a highly industrialized region with many employment opportunities and therefore a tight labor market. To solve the shortage of available workers, Electra also hires job seekers from greater distances, including a border town in Slovakia. The high demand for temporary workers initiated the development of temporary labor agencies in the region. Temporary agency workers receive a contract for one to two months. If planned production volumes require the

¹⁰⁷ Interview BLMB Brugge, 13.1.2005.

¹⁰⁸ Interview Director, Manpower Dreux 17.10.2005; interview HRM officer, Electra Dreux, 18.10.2005.

presence of temporary staff for longer periods, their contracts are extended. Although hiring permanent workers is more constrained today than it was five years ago, agency workers do have a chance of getting a permanent contract¹⁰⁹. Once admitted to the factory, both Electra employees and agency workers are treated equally with respect to working time allocation, pay, rights and obligations, but temporary workers are discriminated against on several social provisions¹¹⁰. Electra's practices in the Székesfehérvár region are in line with locally common practices and even initiated their development – worker exchange (discussed below) and the rise of temporary labor agencies.

5.5.3 Internal flexibility

Internal flexibility relates to working time, shift work and overtime. Figure 5.5 shows similarities and differences in working time organization in each Electra factory.

Figure 5.5 Internal flexibility

Factory	Shifts	Weekly working hours	Working time pattern	Shift frameworks	Compensation for extra hours
Brugge	1-2 à 8 hrs.	40	Full-time and part-time	3 months fixed	16 extra free days/year, overtime pay, shift premiums
Dreux	2-3 à 8 hrs.	35 – 40, max. 44	Full-time	3 months/12 weeks	Avg. 7 extra free days, overtime pay, modulation premium
Kwidzyn	3-4 à 8 hrs.	40	Min-max	Annual, operational changes	Overtime pay, shift premiums
Székesfehérvár	3-4 à 8 hrs.	40	Full-time	8 weeks fixed	Overtime pay, shift premiums

Source: company statistics and interviews.

Electra Brugge has a generally old working population¹¹¹. Many workers have worked here for their entire career. This fact has translated into a number of part-time job arrangements. Temporary workers prefer working fulltime and are more motivated to work overtime than the permanent workforce. According to an agreement with the unions, workers in each shift work eight hours per day over five days per week (40 hours), in a one- or two-shift model, with shift bonuses paid in the latter case. Each shift model change is negotiated with the unions and announced to the workers at least fourteen days in advance. An agreed shift model has to remain in place for at least three months. The

¹⁰⁹ In 2000, on two occasions 100 agency workers received a permanent contract.

¹¹⁰ Discussed in the next chapter.

¹¹¹ The youngest permanent production worker is 28, and 40 percent of workers are over 50. Source: interview ACV-Metaal factory representative, Electra Brugge, 26.10.2004.

weekly working time exceeds the common local working time of 36 hours; the extra hours worked are compensated annually with 16 free days above standard days off.

An important source of flexibility in Electra Dreux is the working time modulation, or in other words, change of working hours according to seasonality. In the high season, workers work in two, occasionally three, shifts of eight hours over five days a week (40 weekly hours). This shift model has to be in place for three months or twelve weeks, and workers are paid five percent extra during this period. In the low season, a shift is reduced to seven hours and conforms to the legally stipulated 35-hour week. In total, the average working time is between 35-40 hours. The extra hours are compensated with a 25 percent bonus. If the working time exceeds 41 weekly hours, the compensation is 50 percent¹¹². This regulation applies both to permanent and to temporary workers. Moreover, overtime hours are compensated with extra free days. For non-production workers this is 12 days, for production workers the actual number of days depends on the production load, but it is at least seven days above the standard legally granted five weeks of holiday in France.

Each worker is assigned to the morning or the afternoon shift and works full time. The working time schedule for individual workers in Electra Dreux is permanent. Saturday work is limited and used only occasionally. Surprisingly, Saturday work is more common in the low season, because in the high season a larger number of temporary workers supplement the pool of permanent workers, and more teams are formed to work during regular working times. For Saturday work Electra seeks volunteers and does not face difficulties in finding them among both permanent and temporary workers. In France, the common pattern is to work full time, and part-time work is not as common as in Belgium¹¹³. Electra Dreux has in total only 16 part-time workers with an Electra contract (including production and administrative workers)¹¹⁴.

Electra Kwidzyn developed a unique working time flexibility building on the loose provisions of the Polish labor law. The standard organization of production includes shift work (three to four shifts à eight hours over five to six days a week). To enable operational adaptations in production volumes (on a weekly basis), Electra introduced *min-max contracts*: workers are minimally paid for 50 percent of legally stipulated working time even if they stay at home due to little production. If production increases, these workers are mobilized on short-notice, and work according to the factory's needs with a working time varying between 50 and 100 percent of the standard 40 hour week. The workers are then paid for the actual hours worked. Workers receive shift premiums for working during non-standard hours and overtime payments if working longer than forty hours per week. In fact, min-max working time means an annualization of working hours. Together with temporary contracts it constitutes a dual employment flexibility practice in Electra Kwidzyn. Dual flexibility is a functional tool to avoid dismissals in the low season.

Depending on the market demand, Electra Székesfehérvár operates in a three-shift regime or a continuous four-shift regime over seven days a week. Workers are allocated to

¹¹² Interview HRM Department, Electra Dreux, 18.10.2005.

¹¹³ Interview Personnel Officer, Electra Dreux, 18.10.2005.

¹¹⁴ Interview HRM Department, Electra Dreux, 18.10.2005.

teams, production lines and shifts, and a 48-hour break is guaranteed to them after working four days and before switching to another shift. According to the factory's collective agreement, additional working days, including Saturday work for workers who would normally have a free day, are announced no later than the preceding Wednesday. The workers' pay depends on their working time and performance: besides a standard eight-hour working day and a 40-hour working week, extras are paid for work in the late-shift, night-shift and work on the weekends.

In all four factories, annual working time calendars are prepared and discussed with trade unions (Brugge, Dreux, Kwidzyn), or announced to unions (Székesfehérvár). The working time preferences of individual workers cannot be extensively considered due to the size of the workforce and the intrinsic characteristics of shift work. Brugge is the only plant where a large number of workers wish to work part time. The Belgian labor law stipulates five percent of the workforce to be part-time (if workers have the preference for part-time work). Electra Brugge conforms to this regulation; occasionally on worker demand even more persons are granted a part-time schedule. The condition is that it does not constrain production plans. Managers see above-legal part-time work as a privilege that employees get from the employer¹¹⁵. The factory has compiled a waiting list of workers desiring a part-time work schedule. Worker-initiated part-time work is not common in other plants. In Kwidzyn, workers with a min-max contract often work part time, especially in the low season, but their preferred working time scheme is full-time. Individual preferences for other reasons, e.g., pregnancy, illness, family problems, are considered on an individual basis in each of the factories.

5.5.4 Functional flexibility

Functional flexibility relates to worker allocation, rotation, and exchange between different jobs and different employers. In contrast to the previous flexibility dimensions, functional flexibility is, to the greatest extent, shaped by the company itself and is not as exposed to legal regulation and collective bargaining as recruitment or working time issues. Legally stipulated health and safety regulations apply, but in general, the decisions about who works where are taken at the shop floor. Despite that no direct headquarter control applies, technological processes in the factories determine a similar division of workers into production lines and groups (teams) in all four factories. The production similarity is a sufficient control mechanism for the similarity in work organization. Free rotation within one's own team is allowed only in Kwidzyn; managers here maintain that giving the worker responsibility for his/her job task and rotation increases performance. Managers in other sites maintain that frequent rotation may hinder workers' performance and prefer a permanent division of groups and a controlled rotation of workers.

¹¹⁵ Interview Deputy HRM Manager, Electra Brugge, 29.9.2004.

The dominant aspect of functional flexibility is the concept of *butterflies* deployed in all four sites. Each factory has trained a small group of multi-skilled employees¹¹⁶ able to work on any position and substituting standard workers during breaks, holidays, illness, and other occasions. Although this is a corporate concept, it is not coordinated across the factories. The multi-skilled employees are ranked higher in Electra's job classification scheme than standard operators and thus receive a higher wage.

Other forms of functional flexibility were observed only in Electra Székesfehérvár and relate to the tight labor market. Electra has been searching for a solution to increase the employment security of workers most exposed to temporary work, and at the same time to solve the shortage of workers during the factory's high season. After investigating the local possibilities, Electra agreed with the Algida (Unilever) ice cream factory (located 70 kilometers from Székesfehérvár) with opposite seasonality to exchange a group of 130 workers. This exchange started in 2004 and Electra views it as a positive experience for both employers. The actual arrangement of the exchange is managed by a local temporary labor agency¹¹⁷. Electra also values the security that this arrangement offers for a group of workers who do not have to face unemployment upon the end of Electra's or Unilever's high season¹¹⁸.

5.5.5 Summary

Cross-factory similarities are observed in the numerical and functional flexibility (see Figure 5.6). The highest variation is found in the factories' external flexibility: Székesfehérvár chooses to hire a large number of temporary agency workers, Dreux supplements its permanent workers with a smaller number of temporary agency workers, Kwidzyn prefers to employ own seasonal temporary workers, and Brugge hires both temporary and agency workers. An interesting practice in Székesfehérvár is to exchange workers with the ice cream factory with opposite seasonality. In internal flexibility, the most outstanding difference is that part-time work is tolerated only in Brugge and Kwidzyn. Kwidzyn's part-time work is better described as a working time annualization with more workload in the high season and less in the low season, whereas in Brugge part-time work does not mean fluctuations in one's working time. In the high season, workers in all factories work 40 hours per week despite differing labor laws in each host country.

Comparing Electra's flexibility with local standards in employment practices, Figure 5.6 shows that approaches to numerical flexibility are similar in Electra and other locally established companies with seasonal production. Differences were observed in Brugge, Kwidzyn and Székesfehérvár in terms of the use of temporary agency workers and the length of their contracts. In Dreux, external flexibility resembles those in other local companies. In internal flexibility, a 40-hour week is common in other companies in Poland

¹¹⁶ In Electra's terminology these workers are called butterflies in Brugge (vlienders) and Kwidzyn (motyle), jump-ins in Székesfehérvár (beugrók), and polyvalence in Dreux.

¹¹⁷ Interview Personnel officer for production workers, Electra Székesfehérvár, 22.3.2005.

¹¹⁸ Source: Video Newsletter, Electra Assembly Centre Hungary 10(4), September 2004.

and Hungary, but exceeds the normal working time pattern in Belgium and in France. The main differences from local practices include longer working hours in Brugge and Dreux compensated by extra days off, working time annualization via min-max contracts in Kwidzyn, and a different shift regime in Székesfehérvár in comparison with other local companies.

Figure 5.6 Variation from local employment flexibility practices

	Numerical flexibility		Functional flexibility	
	Electra	Local practice	Electra	Local practice
Brugge	Seasonal fluctuations	Seasonal fluctuations	Multi-skilled workers	n/a
Dreux	Seasonal fluctuations	Seasonal fluctuations	Multi-skilled workers	n/a
Kwidzyn	Seasonal fluctuations	Seasonal fluctuations	Multi-skilled workers	n/a
Székes- fehérvár	Seasonal fluctuations	Seasonal fluctuations	Multi-skilled workers, worker exchange (ice cream factory)	Worker exchange not common practice
	External flexibility		Internal flexibility	
	Electra	Local practice	Electra	Local practice
Brugge	Agency workers (temporary full-time)	Own workers (temporary part-time)	40-hour week, extra holidays 16 days/year	36-hour week
Dreux	Agency workers (seasonal full-time)	Agency workers (seasonal full-time)	40-hour week, extra holidays 7 days/year	35-hour week
Kwidzyn	Own workers (temporary min-max)	Own workers (temporary short-term full-time)	40-hour week, min-max working time	40-hour week, full-time
Székes- fehérvár	Agency workers (temporary full-time), worker exchange between employers	Agency workers (temporary full-time)	40-hour week, full-time (3-4 shifts)	40-hour week, full-time (2-3 shifts)

The findings indicate that the local institutional conditions and employment flexibility practices in other local firms do not determine Electra's approach; because Electra did not extensively adapt to local standards. Instead, Electra's behavior is best characterized as a utilization of local conditions. Building on local institutional spaces, innovative factory-specific practices in hard HRM are developed locally in the factories, without cross-factory coordination or the control of headquarters. The next section analyzes the reasons for observed similarities and variations in Electra's hard employment practices.

5.6 Benefiting from local conditions: Why variation in wages and flexibility?

Three findings about Electra's local behavior – concerning factory workers' employment flexibility and wages, and interaction with the local society – are central. First, Electra's corporate headquarters stay out of controlling the factories' local behavior. Second, albeit to a varying degree, Electra is an important player in the local society across different countries. Its influence is most obvious in providing employment opportunities for low skilled manual workers; in accounting for regular fluctuations in unemployment levels due to the seasonality of work; in contributing to the local establishment and functioning of temporary labor agencies; but also in financial and non-financial support for the development of the local society. Third, Electra's local behavior does not imitate the behavior of other employers and locally standard practices – neither in social activities for the local citizens, nor in employment flexibility of factory workers. Electra did develop the majority of factories' employment practices based on local benchmarks and according to local norms; but in many of these practices Electra is a trendsetter for other firms (especially for the local subcontractors).

How to explain the above findings? I investigate two potential sources of explanation: one originating within Electra (MNC interest), and one attributed to the local context (social and institutional factors). Corporate factors influencing Electra's local behavior and its embeddedness include the company's history and administrative heritage, business cycle and production seasonality, cross-factory interaction regarding production and HRM, management structure, and corporate policies on local industrial relations (Bartlett/Ghoshal 2002; Edwards et al. 1999; Rosenzweig/Nohria 1994). Among local factors, I consider the impact of host-country labor law, system of industrial relations, labor market characteristics and locally common flexibility practices (Kahancová 2007).

Recalling from the previous chapter, the duality between coordinated business management and decentralized HRM means that that factories do not need to negotiate their power and position within the MNC by engaging in local employer networks in the host countries. Electra's corporate interest directly facilitates that the factories take full control over their local labor cost management. Consequently, employment flexibility is a local matter despite its relevance for cross-factory competitiveness. It is the company's choice of benefiting from local conditions. How factories interact with local institutions is beyond corporate control, and corporate factors do not explain the variation therein.

Among other corporate factors, belonging to the same business unit means comparable corporate influences on each factory. These constrain production and business decisions, and HRM for knowledge workers and managers, but not employment practices of production workers. All factories have recently been exposed to reorganizations and changing production volumes that increase flexibility needs. The relative importance of Brugge has increased, whereas Dreux, Kwidzyn and Székesfehérvár have maintained their positions. The factories' previous role did not influence the introduction of employment flexibility. Currently the factories are exposed to similar business cycles and production

seasonality; the high-demand periods in the autumn and winter are counterbalanced by low seasons when production falls. The emergence of flexibility in Brugge and Dreux relates to decreased mass production and increased product variety. In Kwidzyn and Székesfehérvár mass production growth stimulated higher flexibility. The reasons motivating flexibility did not lead to similar flexibility practices in factories with increased mass production on the one hand, and increased product variation on the other hand.

Next, the management structure affects flexibility practices by fostering local responsiveness. All factories employ local HR managers. A limited number of expatriates work in departments that influence flexibility via production plan calculations; however, their goal is to foster locally effective production solutions. In sum, corporate structural and business-related pressures are similar in all factories: decentralized HRM of production workers, reorganizations, production seasonality and local HR managers. As these similarities contrast with the variation in flexibility measures, I argue that corporate and intra-firm structural influences do not account for variation in hard employment practices in the factories. The influence of MNC interest is only apparent in fostering HRM decentralization and local responsiveness.

Host-country labor law is the basic benchmark for employment practices in all studied factories. In Belgium, the law strictly regulates employment flexibility options. In France the law is less prescriptive than in Belgium, but stronger than in Poland and Hungary. Although legal regulation differs across countries, this cannot fully explain the variation in hard employment practices. For example, the laws in all countries allow similar choices between agency and temporary workers, but management in Electra's factories has chosen different options. Electra does comply with labor law in all countries, but searches for innovative flexibility measures by utilizing variations in legal regulation. Differences in laws and locally standard employment practices create institutional spaces within which Electra's management behavior occurs. The behavior utilizing local opportunity structures is consistent across all studied cases and in line with Electra's administrative heritage and corporate interests.

Electra evidently respects local laws and labor market norms, but its behavior is not a straightforward adaptation to local employment standards. In a broad understanding, Electra follows local practices and does not attempt to change the local standards by imposing corporately determined practices. However, adaptation would mean that Electra extensively deploys employment practices that are standard in the local conditions (see Figure 5.6). In reality, variation between Electra's practices and local standards has been found in several aspects of employment flexibility, and also in wages (the exceeding of local benchmarks). I argue that instead of adaptation, Electra's behavior is best referred to as utilization of local conditions. The subsidiaries benefit from local circumstances and develop locally optimal employment practices – unilaterally or through interaction with local actors. Electra's interest in social interaction with local actors is not imposed on management i.e. by external pressures, the law or headquarter control. It is the company's voluntary decision to benefit from local institutions when developing tailor-made employment practices.

Trade unions are most important among the local actors in shaping hard HRM in Electra's factories. Managements and unions in all factories are aware of the power asymmetry between Electra and unions; but management does not overtly exploit its power advantage in any of the factories. Although Electra's intention to cooperate with local unions is similar in each factory, the goal of management-union interaction is not to implement the same employment practices everywhere but to utilize local labor market opportunities and constraints in each country. Chapter seven analyzes in detail how workplace management-union interaction helps the development of flexibility measures.

To conclude, neither corporate structure nor local conditions alone account for the variation in Electra's employment flexibility practices. Corporate structural influences and economic goals of the factories are the same – to achieve competitiveness on global production markets. Legal regulation on employment flexibility does allow similar practices; however, Electra did neither opt for extensive cross-factory similarities, nor for extensive adaptation to locally common standards. This indicates that Electra itself – with its voluntary managerial decisions, corporate interest, values, and active interaction with local actors – is most important in explaining the lack of convergence in hard HRM. The finding is consistent with Electra's embeddedness in the local society, showing that similarities and variation in Electra's local involvement are an outcome of Electra's interests encouraging local responsiveness, utilization of local conditions, and interaction with local actors as a mechanism to achieve local embeddedness. Had Electra been interested in convergence, one would most likely observe a similar use of temporary agency workers across all factories, more harmonized working time schedules (as long as the host country laws allow for similarities), and a similar involvement in the local society, with Electra more extensively using its power resources to negotiate beneficial conditions with local authorities.

5.7 Conclusions

This chapter explored Electra's interaction with the local society and locally developed hard employment practices. The relation between Electra and local conditions embraces the company's involvement in the local society's functioning, labor market participation, and factory-specific wage policies and employment flexibility practices. In wages, Electra's policies are decentralized and follow local benchmarks. Although wages are above sectoral averages, I argue that Electra's behavior related to wages resembles those of other locally operating MNCs in the studied countries. In other words, Electra adapted to local standards in wage setting, as encouraged by its corporate interest.

In contrast to wages, in other hard employment practices and related Electra behavior we can speak neither about adaptation to local norms nor about diffusion of best practices across the factories under headquarter control. I argue that corporate structural influences on factory specific employment flexibility practices and the mere existence of differing labor markets and laws in the host countries cannot adequately explain the observed variation. Instead, it is the interest and consequently behavior of Electra to benefit from

local conditions that explains variation in hard employment practices. Nevertheless, local conditions play a central role for Electra's behavior: they enable Electra to contextualize its rational behavior and anchor decentralized strategies to particular conditions.

Social interaction that developed between Electra's local managers and external local actors (city municipalities, labor market authorities, temporary labor agencies, citizens, workers and trade unions) is a central mechanism of Electra's embedding in the local context. In this interaction Electra's behavior is best described as a decentralized utilization of local conditions. A direct control of headquarters is lacking. Instead, Electra engages in interactive bargaining with local actors to increase knowledge about the local society and to develop tailor-made employment practices. This behavior is consistent with corporate interests encouraging responsiveness to differing local conditions and benefiting from varying local resources. It leads to various degrees of local embeddedness and to various kinds of hard employment practices across different factories.

In a resource dependent relationship between Electra and the local society, the MNC initiated various activities for citizens and local organizations that stretch beyond a rational interest motivated by short- term profit gains. The flexible use of local labor resources is compensated by wages and jobs, but also by soft HRM practices, including motivation, rewards, fringe benefits, and employee involvement in decision making. How these practices differ across the studied factories, and how they fit into Electra's overall behavior, is discussed next.

Soft employment practices in Electra's Western and Eastern European workplaces

A drive to improve organizational performance is commonly linked to calculations of production targets and costs, and to the search for the most effective work organization. An interest in developing highly performing employees is the part of modern HRM that addresses the above concern (Dobbin 2005; Jacoby 2005). Therefore, HRM today incorporates a variety of *soft* practices with the purpose of motivating and empowering employees in order to secure the desired performance. It is questionable to what extent universal soft practices can be applied, because employees in different factories may have different work habits, needs, and interests and may be influenced differently by external institutional conditions. Thus, how do Electra's interests coexist and interact with the workers' interests, and with institutional and cultural differences across the host countries?

This chapter studies social interaction between Electra management and production workers (channel β_1) and soft employment practices in Electra's factories¹¹⁹. Soft practices are formed and continuously recreated in management-worker interaction. In particular, I focus on the following practices: motivation, worker empowerment and participation, and fringe benefits.

I start with an overview of local standards in HRM and employment practices, to which Electra's practices are compared later in the chapter. Next, I discuss Electra's work systems, management-worker interaction, employee participation, and effects of soft employment practices on the economic performance of each subsidiary. In the fifth section I discuss Electra's fringe benefits and argue that it is Electra's corporate paternalism that accounts for extensive benefits even in the market-driven conditions of CEE where benefits are not as common as in Western Europe. Finally, I evaluate the interaction forms and variation in soft employment practices.

6.1 Human resource management and employment practices across Europe

Despite an increased presence of MNCs in several European countries and a harmonization of legal systems across Europe, each host country shows distinctive

¹¹⁹ The β_1 interaction channel exists next to workplace interaction between the management and employee representatives (β_2). Management-worker interaction focuses on motivation, communication, empowerment, and performance; and the trade unions' influence on these employment practices is limited. Management-union interaction centers on employment flexibility on which the workers directly have very limited impact. Therefore, a parallel coexistence of these two interaction channels enables a separate analysis of both. When unions and works councils do have an influence on motivation and other soft practices, it is mentioned in the text.

characteristics in HRM and employment practices. Belgian companies typically experience rigid hierarchies and a low propensity to delegate power and responsibility, which encourages high productivity at the expense of social innovation (Hees 1995: 22). In contrast to domestic companies, MNCs in Belgium adopt advanced HR systems. This trend results from outside pressures – mainly headquarter control. In general, the Belgian evidence shows the predominance of a utilitarian approach to HRM, namely, treating the workforce as a resource, but at the same time struggling with two contradicting HRM goals: commitment to company interest, and the development and the empowerment of the individual.

In France, HRM is characterized by many controversies. Taylorist task organization and measurement of productivity are still the dominant pattern in managing the labor force (Goyer and Hancké 2005: 178), but so is the passion for anti-authoritarian individualism inspired by the French Revolution (Brunstein 1995). Because of a lack of skilled workers, firms encourage employee participation and encourage training (EPOC 1995). Strong hierarchies prevail, and immediate efficiency and excellence are absolute priorities. HR managers have to use their values and gift of persuasion to guide worker initiative and commitment to company interests.

Work organization and HR practices in Western Europe, including Belgium and France, have experienced a relatively stable development. In contrast, management styles and work organization in post-socialist countries in CEE have undergone a number of changes since 1989. Whereas the macroeconomic, political and institutional contexts have been largely stabilized, changes at the organizational level and management of people have proved to be more difficult as anticipated (Michailova 2003). In reaction to this challenge, new company owners introduced widespread employment flexibility and a greater discipline at the workplace through worker empowerment. At the same time, they reduced workers' social benefits as much as possible and raised the proportion of performance-related pay (Kohl/Platzer 2004; Martin/Cristescu-Martin 2004; Meardi 2002). In Poland, despite a formal culture of participation in decision making and companies' social orientation, real practices suggest autocratic supervision, power distance between managers and workers, and participation merely as a façade of the actual management styles (Sagie/Koslowsky 2000). Under these circumstances, workers fear expressing their opinions and are passive (Maczynski et al. 1994). HRM in Hungary documents high managerial control over tasks and supervisor-controlled rewards and work group morale (Whitley et al. 1997). Individual performance is not central, and only a limited number of companies conduct regular formal evaluations of manual workers' performance. Companies do not encourage mobility between jobs, but internal careers are frequent (i.e., foremen recruited from production workers). Employee participation is not strongly expected. Private enterprises are less willing to offer fringe benefits than state-owned companies.

The described differences in HRM and employment practices constitute a challenge to Electra in matching its interests with the local work norms and employment standards, in order to achieve the most advantageous subsidiary performance. The remaining sections

of this chapter explore how Electra succeeded in deploying particular soft employment practices in interaction with local workers and under the influence of the variety in national workplace employment standards.

6.2 Organization and work systems in Electra factories

Work systems are distinctive patterns of interconnected characteristics of task organization and control, workplace relations between social groups, and employment practices and policies (Whitley 1999). Central work system attributes are summarized in Figure 6.1. Work systems are moreover related to the institutional environment in which they are embedded. Such conditions determine why a particular work system exists in a particular factory and not in others (Rubery/Grimshaw 2003; Whitley 1999).

Figure 6.1 Work systems

Attributes	Taylorist	Work system type			
		Delegated responsibility		Flexible specialization	
		Negotiated	Paternalist	Artisanal	Patriarchal
Task fragmentation	High	Low	Low	Low	Low
Worker discretion and involvement	Low	High	Considerable	High	Limited
Managerial control over work organization	High	Some	Considerable	Some	High
Separation of managers from workers	High	Low	Variable	Low	High
Employer commitment to core workforce	Low	Considerable	High	Limited	Limited
Rewards tied to:	Standardi- zed jobs	Skills	Personal performance and abilities	Skills and personal evaluation	Personal evaluation of performance

Source: Whitley (1999: 92).

Electra’s headquarters shape factory work systems mainly by the existence of a corporate classification of job functions. Through this system, headquarters maintain an overview of jobs, skills and headcount in the whole organization. The existing corporate job classification scheme at Electra partially harmonizes job content and uncovers training requirements and internal labor market mobility options for higher-level staff and managers within the MNC. Still, each factory has job functions that are typical for particular sites and are not found elsewhere. Electra’s headquarters are not directly involved in managing this diversity. Factories also show similarities in their organizational hierarchy, but in contrast to corporate job classification schemes, this similarity is not controlled by headquarters but mediated by production requirements and technology.

The Brugge factory's work system has been continually developing since the 1950s when the factory was established. Following the last reorganization in 1996-1997 the site began to develop high-end TV sets and launched their assembly before transferring production to mass production centers. Currently, the plant has a stable pool of permanent workers, and a pool of temporary workers and agency workers. About two thirds of production workers are women, who seem to be more adept at tasks like screwing and plugging. Women typically prefer part-time work; thus the number of part-timers in Brugge is higher than in the other studied factories. The average age of production workers is above 40. Blue-collar workers are not hired anymore so young recruits do not compensate the high average age. The majority of workers have obtained apprentice training or a secondary school diploma. A few production workers (especially immigrants) possess a university degree¹²⁰, but in general no specific education is required for assembly jobs. Production workers are assigned to two assembly lines and work in two shifts over five days per week. Line coordinators with technical and organizational responsibilities supervise each group of workers. One shift has two to three line coordinators¹²¹ and a group leader managing 70-80 workers. Group leaders are responsible for allocating skill-specific tasks and seats to workers¹²². The production and manufacturing manager with group leaders are responsible for the entire production organization. Encouraging flat organization, workers can directly approach the managers throughout the hierarchy. A work preparation group, consisting of experts in ergonomics, manages workers' rotation needs. Rotation is highly encouraged in order to decrease exposure to repetitive tasks, but it is managers who decide the rotation. Simultaneously, worker discretion is high: managers find it useful to obtain feedback from operators, because they have the first-hand experience in what to improve or change in the performed tasks. Every introduction of new products is an interaction between instructors and operators, and workers are extensively involved in defining the work contents¹²³. Task fragmentation is low; with a frequent change in produced models and introduction of new products, the workers have developed multiple abilities. Electra's commitment to core workers is moderately channelled through performance indicators, but in comparison to other studied factories this is less obvious especially for permanent workers. This is a consequence of Belgian work norms, workers' long-term work experience, powerful trade unions, and a preference for fixed salaries to performance-related pay. Rewards are allocated on a collective basis and are comprised almost exclusively of non-financial benefits.

The Dreux plant has been a mass production center since the 1960s. The workforce has developed into a relatively stable pool with long-term experience and low turnover rates, with the exception of the 2003 restructuring that involved dismissals of 300 persons. The share of women is high in general, and even higher among production workers. The

¹²⁰ I.e. a medical doctor from Pakistan whose licence was not recognized in Belgium.

¹²¹ Each line used to have one line coordinator, but due to a complexity of new technologies, one of the two production lines now has two line coordinators. Interview Manufacturing Manager, Electra Brugge, 1.10.2004.

¹²² Other responsibilities of the group leaders include solving disciplinary issues before escalating them to the HRM department, granting workers' holiday request, or handling workers' dissatisfaction.

¹²³ Interview Manufacturing Manager, Electra Brugge, 1.10.2004.

average age is 43 years¹²⁴. Work organization is similar to that in Brugge. The site has five production lines that operate in two shifts over five days per week. 170 workers comprise the morning shift, and there are 170 in the afternoon shift. They are allocated to three production lines. Each line operates with 50 people. The pool of 20 multi-skilled butterflies is not assigned to a particular line. Temporary workers are either integrated with permanent workers in teams or form teams of temporary workers only. The management claims there is some competition between permanent and temporary workers. But it is not formally monitored or fostered by the management. Managers are committed to teamwork and try to maintain established and well-functioning teams of workers. The workers' direct supervisor is the line coordinator. Line coordinators report to the production manager who is subordinate to the manufacturing manager. In contrast to other factories, once a worker in Dreux is assigned to a morning or afternoon shift, this is stable, and he/she always works this shift. Management maintains that workers have already adjusted their lives to their shift and can better plan their private activities. Rotation is encouraged in order to avoid a worker performing the same task for seven or eight shift hours. Via training, managers develop workers' abilities to work on at least three different workplaces and increase skill multiplicity. Consequently, workers work every day in three different seats. On the whole, work tasks are fragmented, but workers perform a variety of tasks and rotate frequently, which decreases the monotony of work and overall task fragmentation. Managerial control is considerably high: workers' individual needs are taken into account, but in general it is the managers who determine which tasks and under what conditions workers perform. Nevertheless, workers have high discretion over their tasks and they participate in quality improvement teams and suggest improvement procedures. The firm's loyalty to core employees is channelled through workers' performance: workers with satisfactory performance among permanent and temporary agency workers have a higher chance for stable or regular employment.

The workforce size in the Kwidzyn plant stabilized after the 2002-2003 restructuring and fluctuates between 750 and 900 workers depending on seasonality. Workers here are considerably younger than those in Brugge and Dreux: the average age is 31 years (30 for production workers, 35 for managers). 51 percent of employees are women. In production, half of the workforce is women. In management positions, women constitute 40 percent. Managers maintain that a young, well educated¹²⁵ and motivated workforce, eager to learn new skills and committed to the company, is a key source of the factory's competitiveness. Despite an obviously structured hierarchy, Kwidzyn shares the flat organization of other sites: the factory's processes are closely intertwined and a small management team is integrated with other employees¹²⁶. Production workers are allocated in five production lines and work in three shifts over five to seven days per week. Seasonal workers work as one group per line (45 workers). Permanent workers form teams, or mini-companies, of 8-

¹²⁴ The average age is above 43 for production workers, 45 for senior managers and below 40 for lower grade managers.

¹²⁵ Production workers predominantly possess a secondary school diploma, and higher-level staff and managers have a university degree.

¹²⁶ Interview Supply Chain Manager, Electra Kwidzyn, 22.3.2004.

16 members. One production line consists of five mini-companies in which tasks are similar (assembling team, adjustment team, quality checking team, etc.). Several mini-companies are subordinated to a group leader (production line coordinator). A shift leader is the direct supervisor of group leaders and reports to the production manager (subordinate of the manufacturing manager). Similarly to the other factories, Kwidzyn has a pool of multi-skilled butterflies not allocated to a particular production line. Several practices indicate high worker discretion and low managerial control and manager-worker interaction. Workers have considerable freedom to determine tasks performed within their mini-companies. Individual tasks are fragmented, but workers are encouraged to perform multiple tasks and therefore overall task fragmentation is low. Moreover, rotation is highly encouraged; upon informing the group leader, workers can freely rotate within their mini-company. The group leader monitors worker skills and knows whether a worker has relevant skills to work in a desired position. Rewards in Kwidzyn are distributed according to short-term and long-term personal performance, but also the performance of mini-companies, production lines and the whole factory. Management fosters competition between workers to increase their productivity. Commitment to core workers is high, but is extensively channelled through performance indicators for both permanent and temporary workers. Loyalty vis-à-vis permanent workers was demonstrated for example in 2002: due to low production the company considered dismissals, but in an agreement with the union, finally decided to change the workers' full-time contracts to three-quarters-time contracts. This decision was not exclusively economically motivated but involved a socially motivated loyalty to skilled and committed workers. Dismissals would have been an equally viable option if the decision were to be taken merely according to economic reasoning.

Electra Székesfehérvár has the largest workforce among the studied factories. After stagnation in employment during the 2002-2003 restructuring, the factory's headcount has been steadily growing¹²⁷, and it even started to outsource production due to lacking technical capacities. Production workers are 40 years old on average, but the age dispersion is large, with many production workers below 20 and older workers above 50. Among higher-grade employees, the average age is 30-35 years. 70 to 80 percent of production workers are women. Experience has shown that women are more suitable for tasks involving fine motor skills and for the given working conditions¹²⁸. Men dominate particular jobs, e.g., packaging or forklift driving. The Székesfehérvár factory differs from the other three plants in that its production is divided into three operations areas (TV sets, home entertainment products – HENT, and monitors). Within these divisions, organization is similar. Workers work in teams of 45-70 persons and are supervised by instructors (group leaders). Instructors report to shift leaders, responsible for two to three production lines. The production manager maintains that the optimal group size to preserve an

¹²⁷ Overall headcount reached 2,200 workers in 2004. In 2005 management expected a headcount of 2,500 workers, and in 2006 even 3,300 workers.

¹²⁸ In contrast to other sites, the factory has only a few sitting jobs in production; and the majority of workers perform their job in a standing position.

informal family-like atmosphere is 45 to 55 workers. Shift leaders report to production managers, and production managers are subordinates of operations managers¹²⁹. Permanent workers and seasonal workers are mixed in groups. Management encourages multi-skilled permanent workers and organizes regular training sessions, which workers welcome. This increases the factory's flexibility and responsiveness to market demands. However, workers should be experts in a particular task, and in order to achieve high productivity, routine work is more encouraged than frequent rotation. Rotation depends on group leaders' decisions; some workers may work at the same position for a long time, but the supervisor decides to transfer a worker to another task if his/her performance on the original seat was unsatisfactory. During a working day, workers are assigned to a particular seat upon the shift's start and remain there for the whole shift and even for the next few working days – as long as the number and structure of groups do not change. This practice indicates high task fragmentation, a low degree of worker discretion, and extensive managerial control over work organization. However, the factory's organization is flat; managers are not strictly segmented from workers, and workers can directly and informally approach the managers at all levels. Rewards are allocated according to individual performance and team performance. Competition between teams is strongly encouraged. Personal achievements and long-term work in the factory are also extensively rewarded. Indicators of individual performance are central in Electra's commitment to core workforce in Székesfehérvár.

In sum, Electra factories share several work system characteristics, e.g., a flat work organization with low separation between managers and workers, training encouragement, and commitment to a well performing workforce. Nevertheless, they also diverge in several practices. Allocation of rewards is linked to performance differently in each factory, and competition between workers is fostered in the CEE sites but not in Western sites. Great differences exist between Székesfehérvár and the other plants in task fragmentation, and between Kwidzyn and other plants in managerial control over work organization. The reason for workers' extensive freedom over their tasks in Kwidzyn is the management's perception of workers being highly skilled and thus able to carry individual responsibility. In contrast, the large size of the workforce in Székesfehérvár complicates extensive delegated responsibility. Next, managerial control over work organization tends to be lower in business systems with strong trade unions, applicable to Belgium and France. The unions were not strong enough to decrease managerial control in Brugge and Dreux, which has led to the situation that Electra's work systems in Western subsidiaries differ from HRM and employment practices in these countries. The only factory where managerial control is low is Kwidzyn. This is not the result of union pressure but of Electra's interest, because in Kwidzyn, and in Poland in general, trade unions are structurally the weakest of all studied cases (Kohl/Platzer 2004).

¹²⁹ Same function as Manufacturing Managers in other studied sites.

Figure 6.2 Work systems in Electra factories

Attributes	Brugge	Dreux	Kwidzyn	Székesfehérvár
Task fragmentation	Low	Low	Low	High
Worker discretion	High	High	High	Low
Direct managerial control over work organization	Considerable	Considerable	Low	High
Separation/segmentation between managers and workers	Low	Low	Low	Low
Employer commitment to core workforce	High; somewhat performance based	High; performance based	High; performance based	High; performance based
Basis for reward allocation	Job, skills, quality and collective performance	Job, skills, quality and long-term individual and collective performance	Short and long-term individual and collective performance and skills	Short and long-term individual and collective performance and skills

The evaluation of Electra's work systems (Figure 6.2) builds on Whitley's (1999) work system types (Figure 6.1). Although none of the factories can be straightforwardly associated with Taylorism, delegated responsibility, or flexible specialization, all Electra factories more or less fit a delegated responsibility type of work system with elements of paternalism.

Paternalism has been an inherent feature of Electra's corporate values for decades (van der Meer 2000; Stoop 1992). On the one hand, paternalism explicates care for workers, commitment to worker welfare and to empowerment; but on the other hand it is interpreted as an element of corporate managerial control and an attempt to pre-empt worker resistance and strong trade unions within the MNC. In this sense, paternalism implies a hierarchic relationship between the management and the workers and close managerial control. It is Electra who determines what is best for the employees. At the same time, paternalism implies that external control over employment practices (i.e. by granting workers high discretion or participation and empowerment) is granted only when complementary to the company's rational interests.

Despite the fact that paternalism is corporate, it is the task of factory managements to tailor paternalist practices to workers' characteristics in different host-countries. The direct role of headquarters in shaping factory work systems is limited. Cross-factory similarities arise not because of direct headquarter control. Instead, similarities are a consequence of technologies and products, value sharing across all levels of MNC organization and the commitment of local managers to the values. At the same time, differences in values among individual managers explain observed variation in fostering worker rotation or team organization across factories.

6.3 Management-worker interaction in Electra factories

Work systems allow studying employment practices from an organizational perspective, but evidence on workplace relations between managers and the workers provides a more nuanced ground for understanding the social aspects of interaction, eventual control mechanisms, and the resource dependence between Electra and its workers. In its corporate policies Electra declares that people are the MNC's key asset. Two of Electra's four corporate values refer to people: *depend on each other*, and *develop people*. In relation to production workers, these values are not translated into corporate interests that are diffused in guidelines for management-worker interaction. Instead, they are transmitted to the factories through the selection of managers. Under the influence of corporate interests, managers in all four factories argue that direct interaction with workers is crucial for factory success, and that the factories can only compete through people, not through technology¹³⁰. This attitude has penetrated formal and informal workplace interaction.

6.3.1 Formal and informal relations

Because of seasonal fluctuations in demand for Electra's products, high employment flexibility is deployed. But Electra also realizes the drawbacks of high flexibility for workers. Therefore, the company attempts to compensate flexibility practices with soft practices that aim at a better working climate, worker satisfaction and improvement of workers' abilities to perform their job. In all factories attention is paid to developing worker competencies, identifying functional key areas, and to workers' abilities. Training is also an important part of formalized practices in all four factories. Permanent operators are regularly trained and temporary workers receive training upon their introduction to the factory. In Brugge, Dreux and Kwidzyn coaching practices have been developed and workers receive regular feedback on their progress and performance. This practice supplements the annual corporately fostered performance appraisal interviews. Next, all factories strongly encourage teamwork. Opportunities for professional growth are more extensive in Kwidzyn and Székesfehérvár than in Brugge and Dreux. In the CEE factories, well performing operators have reasonable career chances to become instructors, group leaders, and even shift leaders. This career path is limited in the Western factories due to the stability of jobs and lack of recruitment of permanent production workers. Employment practices of temporary and agency workers are to a great extent similar to those of permanent workers, no work-related discrimination has been observed¹³¹. In Brugge, Kwidzyn and Székesfehérvár Electra conducts exit interviews with temporary and agency workers whose contracts have expired to obtain feedback and suggestions for future improvements of working conditions of these workers. Several improvements have been implemented based on these interviews. The outlined practices match Electra's

¹³⁰ Interview Manufacturing Manager, Electra Kwidzyn, 21.4.2004.

¹³¹ Some discrimination exists in fringe benefits and is discussed in Section 6.5.

paternalism, including the appreciation of workers' efforts even if they are only temporarily contributing to the company's performance.

Electra's managers do not aim at managerial control in the form of straightforward domination and exploitation, but at increasing the workers' beliefs that they are important to the firm. The following quote from an HR manager explicates this argument.

"...I think it is important; [the workers] like to see [that] we, the HR, finance, or IT support services go to the factory to see them, to visit them, to show the interest in what they do¹³²."

Besides the described formal aspects of interaction and employment practices, several informal aspects are central in management-worker interaction. The most important is the low barrier between managers and workers in communication. The direct supervisors in daily contacts with workers are the more important in shaping the character of informal interaction. Besides lower level managers, senior managers in all factories take the effort to walk the shop floor and foster informal contacts with operators. Workers do appreciate this practice. As one of the managers put it:

"My HR manager [...] said 'nobody works for Electra, you only work for your boss'. That's true. If you look up to your boss and you have a lot of respect for him, he has been very good to you and you have been very good to him and the communication works there, if he comes to you and says 'I would like you to work an extra hour today' you would be much happier to do it than if you have a very bad relationship and you have some kind of dictator walking along the production line¹³³."

In Brugge, the general manager knows all permanently employed operators by their first names and is well informed about the evolution of headcount, absenteeism, and temporary workers. On the other end of the spectrum of interactions is the situation in Székesfehérvár where, due to the large workforce size, personal contact is not as extensive and managers communicate with workers mostly at the level of teams and/or production lines. Still, the production manager and the personnel officer responsible for production workers regularly visit the shop floor and maintain that workers feel more at ease to approach managers in the production hall than *up* in managers' offices. Managers in Brugge and Kwidzyn share this view. In Dreux, the HR manager prefers to talk to workers in the office and not at the production line, claiming that at the production line workers ought to concentrate only on their work. However important, informal relations do not mean close friendships between managers and workers, but aim at interactive work relations, as documented from Brugge:

¹³² Interview Recruitment and Training Officer, Electra Dreux, 19.10.2005.

¹³³ Interview Manufacturing Manager, Electra Kwidzyn, 21.4.2004.

“The relation is formal and friendly. We are not friends, it is business. But it is not so that there is a strict hierarchy....blue-collars can speak directly to [the managers]. We encourage open communication, but it is still business wise, it is not the intention to have friends here, I think you should avoid that, because otherwise you cannot do proper [work]”¹³⁴.

The final important aspect that uncovers the character of informal relations between managers and workers is Electra’s respect of local cultural norms, in particular to the perception of hierarchies. Dreux maintains the hierarchy between the worker and his/her boss, which is common in French companies. Communication here is more formal. This is in contrast to the extensive informality within the existing hierarchy that exists in Brugge. In Brugge workers call their managers by first names¹³⁵. A similar situation exists in Székesfehérvár, because it is a common practice in Hungary. In line with general Polish practices, the hierarchy in Kwidzyn is maintained but people generally agree right away to call each other by their first name and communicate informally. This applies especially to managers and workers in daily contact.

6.3.2 Workplace communication

Communication is a central aspect in management-worker interaction. Electra emphasizes communication with workers despite the reality that blue-collar workers are no longer strategically important to the MNC. Emphasis on communication is not merely a slogan stated in written company policies. Evidence from the factories documents extensive workplace communication that increases motivation of workers. Beside the motivating purpose of communication, in Western sites (especially Brugge) communication shall yield higher trust of workers towards Electra, related to a continuous insecurity of workers concerning their job stability. Insecurity lives among workers and is obvious even in everyday matters. For instance, a decline in production of a certain product model or of a certain week raises rumours at the shop floor that the factory will be closed and relocated¹³⁶. This forces managers to regularly communicate business developments to the workers in an open and interactive way. Various communication channels serve this purpose. Communication based on individual contacts is easier in Brugge than in other plants due to the relatively small workforce size and the long-term tenure of many production workers in the factory, which has positive effects on personal contacts and trust. In Kwidzyn, the manufacturing manager has decided to hire a production manager to strengthen informal communication with workers and compensate for the language barrier of expatriate managers working in this factory.

Supplementary communication in a less personal form takes place in Brugge via screens in the production halls and via surveys on satisfaction with internal

¹³⁴ Interview Deputy HRM Manager, Electra Brugge, 13.10.2004.

¹³⁵ Interview General Manager, Electra Brugge, 26.10.2004.

¹³⁶ Interview Manufacturing Manager, Electra Brugge, 1.10.2004.

communication. In Dreux operational communication involves regular five-minute meetings with production workers to discuss weekly planning; access to computers and intranet; and wallpapers in production halls. Kwidzyn and Székesfehérvár use wallpapers and screens as well as the weekly five minutes with workers. An interesting difference that I observed between Western and CEE factories is the emphasis on achievements and awards in CEE and the lack of it in Western factories. For example, in Kwidzyn the walls in factory corridors are filled with information on factory processes, awards and achievements. The Kwidzyn HR department's offices are filled with awards and recognitions that the HR team and the factory have received. This is in strong contrast with observations from Brugge where the walls and corridors are empty.

Other important communication aspects of all factories include monthly or half yearly collective *town meetings* with operators where the developments are announced and workers are encouraged to raise questions and provide feedback. Evidence from Brugge and Székesfehérvár shows that town meetings produce little responses and questions from workers, and management should make this communication channel more effective¹³⁷. In contrast, in Kwidzyn's employee motivation survey workers rated communication very high because of frequent town meetings (Electra Kwidzyn 2004). Such differing perceptions reveal that corporately controlled communication would not lead to desired results, and that responsiveness to varying workers' needs is indeed essential.

A published bulletin is an important and appreciated communication form in all factories. Each factory has its own bulletin including information on business and quality but also reports from team trips, competitions, social events, and other themes related to factory life. In Brugge the bulletin was introduced after worker feedback on inadequate communication. Workers like to read the bulletins and therefore Electra's managements consider this a very effective way of communication. Despite the overall similarity of the concept, analysis of factory bulletins reveals that the content is more business oriented in Dreux and Brugge, whereas in Székesfehérvár and Kwidzyn equal attention is paid to socially oriented content and workers' interests not related to work (e.g., children's page in Kwidzyn or a recipe page in the Székesfehérvár bulletin, reports and photographs from team trips, social events and personal achievements including workers' photographs).

The major reverse communication channel and a corporate concept of systematic worker feedback to Electra is the corporate employee motivation survey (EMS, called employee engagement survey – EES – after 2004). Every two years the EMS/EES is deployed in Electra subsidiaries worldwide. Besides the corporate survey, factories have the freedom to deploy locally organized surveys. This has taken place in all studied factories. Several improvements that have been implemented, e.g., the introduction of factory bulletin and screens in production halls, are a result of worker feedback via these surveys. In Székesfehérvár Electra also organized an EMS workshop with the participation of 51 employees from production, administration and management (Electra Székesfehérvár 2004). Despite the invaluable feedback of the EMS/EES for the company, managers in all

¹³⁷ Interview Manufacturing Manager, Electra Brugge 1.10.2004, Electra Székesfehérvár (2004: 70).

factories maintain that direct personal communication and the factory bulletin are the most important and effective communication modes. Worker opinions confirm the popularity of personal communication and the printed bulletin.

Although management-worker communication slightly varies across factories, in general it is well received by workers and workplace trade unions¹³⁸. In Kwidzyn communication frequently involves trade unions, but in the other factories Electra's interaction with the workers is strictly separated from the union-workers interaction. This is because of strong unions and their past attempts to manipulate information (Brugge) and because of management-union conflicts (Dreux and Székesfehérvár).

6.4 Motivation, worker empowerment and participation in Electra's decision making

The ultimate goal of motivation and participation practices is to increase performance. Employee participation aims at participative decision making and power sharing between management and workers in order to benefit from workers' resources and skills and through that secure organizational efficiency (Heller et al. 1998; Deery/Iverson 2005). Such practices tend to be more successful if issues of importance for both the firm and workers are addressed (Peterson 1993).

The most extensive motivation and participation practices in Electra's factories focus on work-related issues, and aim at enhancing productivity, performance, and the production process. Electra also encourages reverse participation, or the feedback of management on workers' achievements that are not necessarily related to their work. Such practice of recognition and awards is in line with the company's paternalism.

6.4.1 Evidence from the factories

A number of soft employment practices discussed above integrate work-related motivation and worker participation, e.g., town meetings, the weekly five minutes with operators, encouragement of teams and mini-companies, engagement via multidimensional tasks, worker improvement plans, and the EMS/EES. These are part of a structured participation and empowerment scheme that is emphasized in Electra's internal business excellence documents. Although several concepts are of corporate origin, their implementation differs in response to local conditions and worker mentalities. The most important differences regard financial motivation, which takes the form of performance appraisals and performance-related pay (see Figure 6.3).

¹³⁸ Interview union leaders: Brugge 25.10.2004, Kwidzyn 5.5.2004, Székesfehérvár 8.12.2004.

Figure 6.3 Performance appraisals and performance-related pay

Factory	Performance appraisal	Evaluation	Performance pay	Type	Frequency	Trade union involvement
Brugge	Not related to salary	Personal; group leaders	No (fixed salaries)	N/a	N/a	Yes (negotiated agreement)
Dreux	Related to salary	Personal; group leaders	Yes	Individual and collective (13 th month's salary, annual salary increase)	Annual	Only in collective pay increase
Kwidzyn	Related to salary	Personal; group leaders	Yes	Individual and collective (15% of salary: 9% individual, 6% team performance)	Monthly	Only in collective pay increase
Székesfehérvár	Related to salary	Factory system with predefined points	Yes	Individual and collective (15% of salary: 10% output, 5% quality)	Monthly	Only in collective pay increase

Instead of financial motivation, the Brugge management finds soft motivating factors more effective for performance improvement. These include delegated responsibility, open communication, attracting people to company developments, the possibility of reverse appraisals (worker feedback to immediate supervisors), or taking advantage of the fact that the factory has won an award with its products. Salary is not a motivator. People are used to having a fairly paid job and therefore the salary is part of their standard expectations. Rather than explicitly motivating permanent workers managers strive to limit demotivation by decreasing workers' concerns related to their immediate work environment and job security. Motivation in Brugge is collective; the management does not foster individual competition and motivation. This approach is attributed first to a persistence of a collective identity in Western European participation schemes via trade unions and works councils (Brown/Heywood 2005; Sagie/Koslowsky 2000); and second to Electra's adaptation to this particular environment.

In contrast to Brugge, permanent and temporary workers in Dreux are highly motivated and their participation is encouraged through financial motivation. Based on annual performance appraisal interviews and internal performance indicators¹³⁹, the factory deploys collectively determined performance-related pay. During the calendar year

¹³⁹ According to the French law, employers are obliged to share their profits with employees. This is complicated in an MNC with several subsidiaries. Not all subsidiaries are always profitable, but these profits have to be shared with all employees. For this reason, Electra elaborated internal performance indicators in Dreux that supplement the legal requirement.

workers have permanent salaries but regularly receive feedback on their performance (information on whether new products are launched on time, quality fulfilment, or costs related to unsatisfactory quality). Performance is related more to the fulfilment of production plans than to workers' individual skills and effort. Another form of motivation is a dual structure of pay increases (collective and individual). Managers say from experience that individual pay rises lead to increased productivity whereas this effect is not obvious in the case of collective pay rises. But collective pay rises still exist. This is not only because of trade union influence, but also due to Electra's expectation that abandoning collective pay rises would have negative effects on individual productivity¹⁴⁰.

Workers in Kwidzyn and Székesfehérvár are motivated and enthusiastic about their work. To illustrate this point and especially highlight the difference between work attitudes in Western and CEE Electra factories, I recall the terminology used in the factories concerning working time calendars. Whereas in Kwidzyn and Székesfehérvár they always referred to their annual calendar as the *work* calendar, in Brugge they called the same calendar the *holiday* calendar. This observation may give a hint to the difference between workers' motivation in Western and Eastern factories. In CEE, high motivation is a consequence of people's post-socialist experiences with unemployment leading to individualization in work attitudes and striving for survival in new economic conditions. Motivation in Kwidzyn is extensively related to economic reasons, such as continuously high unemployment in the region. People thus value their jobs and accept even inferior working conditions. Workers in Székesfehérvár are strongly influenced by the Hungarian past, too. They are highly motivated, but are humble, less demanding than workers in the West, and used to fulfilling supervisors' commands¹⁴¹ (Danis 2003). The factory's general manager attempts to change this and encourage self-initiative via financial motivation. Different from Kwidzyn, Székesfehérvár's labor market is tight and Electra has to offer appealing conditions to maintain skilled workers. In response to worker characteristics and external conditions in Poland and Hungary, Electra has developed the motivation schemes that work best in each factory. Annual performance appraisal interviews are deployed similarly to those in Western sites¹⁴², but are directly reflected in monthly and yearly financial bonuses and contract extensions of individual workers.

Trade union involvement in work-related participation, most obviously in performance-related pay, differs between Brugge and other factories. In Brugge, Electra agreed with unions to pay fixed salaries and abandon the idea of performance-related pay. Managers do not encourage worker competition, and the company could accept this union request without major trade-offs. In the other three factories union influence on performance-related pay is limited because of inadequate interest of both unions and the MNC in negotiating these issues. Annual collective pay rises are on the union agenda, but individual participation practices are not central to union interests and action. In other

¹⁴⁰ Interview Manufacturing Manager, Electra Dreux, 18.10.2005

¹⁴¹ Interview General Manager, Electra Székesfehérvár, 18.3.2005.

¹⁴² The corporate format for performance appraisal interviews is used in Kwidzyn, but in Székesfehérvár this only applies to indirect employees. Production workers have their own appraisal system developed by the factory's production managers.

aspects of participation trade unions monitor work organization and are satisfied with teamwork, empowerment, job discretion, rotation and possibilities of worker feedback. However, their role in determining these practices is limited. Unions do have a say after receiving workers' complaints, and have experienced successful interference in problem solving related to work organization (foremen rotation in Kwidzyn, production line design allowing workers to lean instead of standing in Székesfehérvár, worker rotation in Brugge to avoid uneven workload distribution)¹⁴³.

Next to performance pay, a variety of other forms of work-related participation exist in the factories (Figure 6.4). In Brugge, workers do not long for individual competition and financial motivation, but appreciate responses to their performance in informal ways and in the form of small rewards. Dreux and Székesfehérvár experienced success with installing a good idea box. Workers are encouraged to submit ideas to the box that relate to improvements in their working conditions or factory processes¹⁴⁴. The owners of winning ideas participate in their implementation and receive rewards from expected benefits that the idea delivers. In sum, worker participation is stimulated via various practices. Some have had better effects on performance than others. But all are an outcome of Electra's interest in a balanced interaction with workers within a negotiated paternalist work system instead of outright managerial control.

Figure 6.4 Practices of employment participation

Factory	Participation practices
Brugge	Rewards (small gifts) for flexibility and personal improvement, encouraging patent requests, annual performance appraisal interviews introduced for direct workers upon their requests
Dreux	Multiple task engagement, empowerment via autonomous organization of teams, institutionalization of improvement groups, teamwork encouragement, good idea box, new logo competition in 2004
Kwidzyn	Competition 'team of the quarter' (financial reward, personnel shop vouchers), 'worker of the month' (wallpaper and bulletin recognition, small gifts/money), town meetings, teamwork, worker empowerment with delegated responsibilities, improvement groups, recognition for productivity, reverse appraisals (from worker to supervisor)
Székesfehérvár	Competition <i>team of the month</i> (rewarded with drinks, cakes, gift vouchers), <i>best employee in team</i> (wallpaper and bulletin recognition, small gifts/money), town meetings, teamwork, worker empowerment, recognition for productivity, reverse appraisals

6.4.2 Effects on productivity and performance

Related to soft employment practices is their effect on factory's performance and workers productivity. In managerial terms, soft practices are successful if they have led to better performance – both directly and indirectly via workers' satisfaction. In this section I

¹⁴³ Interview workplace union leaders: Brugge 25.10.2004, Kwidzyn 5.5.2004, Székesfehérvár 8.12.2004.

¹⁴⁴ In Székesfehérvár, the number of ideas submitted by workers has increased from 11 at the time of introduction in September 2003 to about 25 per month in 2004 (Electra Székesfehérvár 2004).

discuss the effect of deployed motivation and participation practices on workers' satisfaction, productivity and factory performance. The descriptive analysis builds on perception measures from Electra's internal surveys, absenteeism indicators, and turnover rates as proxies for productivity and worker satisfaction with Electra's soft employment practices.

EMS/EES indicate that workers in all factories perceive participation – especially via teamwork and task discretion – positively. Individual financial motivation is more extensive in CEE factories, but it does not automatically mean greater productivity increases in these factories. In Kwidzyn, workers strive to increase their performance not only because of financial bonuses, but mainly because of high unemployment and fear of job losses. This situation greatly differs from the permanent workers' situation in Brugge. Thus, the effect of participation on productivity and performance cannot neglect the factory's local conditions.

Based on the long-term experience of the Brugge factory and the stability of the working environment and wages, managers maintain that introducing motivation via performance-related pay would not lead to productivity increase. However, increased participation via teamwork and high discretion, and augmented communication (increased frequency of town meetings), did have a positive impact on operators' satisfaction and their productivity (Electra Brugge 2003). To maintain high-level productivity, the management strives to preserve the current level of worker motivation. Motivation of temporary agency workers is higher than the motivation of permanent workers. Worker turnover¹⁴⁵ reached 2.4 percent in 2002 (benchmark norm five percent). Absenteeism has continuously stayed below Belgian averages for both production and knowledge workers. The absenteeism rate among workers fluctuates between six and seven percent (Belgian average around 7.3 percent); absenteeism of higher-grade employees is 1.2-1.9 percent compared to a national average above three percent (Electra Brugge 2003). This indicates worker loyalty and corresponds with the 2001 EMS results when 89 percent of workers answered *I feel proud working for Electra* (Electra Brugge 2003).

The main source of productivity in Dreux is a combination of workers' motivation and a tailored work organization that matches the required speed of introducing new products and launching them on the market¹⁴⁶. Fostering teamwork, task multiplicity and annual individual pay increases linked to performance have positive effects on worker motivation, productivity, and factory performance. Although direct evidence on worker satisfaction and effects on productivity is lacking, interviewed managers maintain that without workers' motivation and commitment the positive indicators on factory performance could not have been achieved.

Electra Kwidzyn is recognized for extensive worker empowerment and at the same time high employee satisfaction, low absenteeism rates (three percent in 2004, benchmark of local supplier base 3.9 percent) and increased productivity and efficiency over the past five years. The EMS/EES shows that employees value teamwork, mini-companies and

¹⁴⁵ The ratio between resignations and average workforce size.

¹⁴⁶ Interview Manufacturing Manager, Electra Dreux, 18.10.2005.

quality improvement teams. After introducing mini-companies in 2000 over 90 percent of employees were satisfied with this organization. In 2004 satisfaction declined to 78 percent but still exceeded the Polish benchmark (Electra Kwidzyn 2004). Employee satisfaction with non-financial motivation has been growing and reached 69 percent compared to the Polish benchmark of 43 percent in 2004. The 27 percent unemployment rate in Kwidzyn also influences the effects of Electra's practices on performance. High unemployment has positive effects on workers' motivation, absenteeism and productivity. Yet it also advocates personal conflicts and informal contacts between workers and foremen to secure jobs in low seasons, which negatively influences shop-floor social interaction and teamwork¹⁴⁷. Evidence shows improved productivity and performance that can directly be attributed to Electra's participation practices. Since 2004 Electra has been measuring teamwork effectiveness and indicates considerable improvements in workers' productivity and efficiency as a consequence of participation and motivation practices (Electra Kwidzyn 2004).

In Székesfehérvár financial motivation is mirrored in improved productivity, but workers also emphasize the importance of non-financial participation and fringe benefits. Major improvements apply to overall efficiency (17.5 percent efficiency increase in 2002, 15.1 percent in 2003). Quality improvement teams and teamwork encouragement brought a 2003 line team restructuring and consequently five percent increase in production lines' output (Electra Székesfehérvár 2004). Worker absenteeism fluctuated between four and eight percent between 1999 and 2003, below the 8.9 percent benchmark (Electra Székesfehérvár 2004). Blue-collar fluctuation stayed slightly below the 10 percent target in 2001-2003, which means that employees value their jobs in Electra despite the low local unemployment of 4.9 percent. Workers' concerns with job security are lower than in Kwidzyn; thus, effects of participation on productivity are to a greater extent attributed to Electra's participation practices than to external conditions.

In sum, descriptive evidence shows that Electra's participation practices do have positive effects on productivity and overall factory performance. This effect has been achieved independently from external labor market conditions. However, external conditions and work habits strongly influence workers' motivation and account for different extents of performance improvements across the studied factories.

6.5 Social rewards and fringe benefits

In its home country the Netherlands, Electra has for a long time been perceived as a social employer offering well paid jobs, employment security, housing, health care, education and socio-cultural services for employees (van der Meer 2000; Stoop 1992). Many of these benefits aim at increasing worker welfare; they involve costs for the company, but their effect on organizational performance is unknown in advance.

¹⁴⁷ Interview Solidarność leader, Electra Kwidzyn, 5.5.2004.

Workers' benefits in Electra factories can be divided in two categories: practices aiming at increasing material well-being, and practices to foster recognition of personal qualities and to demonstrate Electra's interest in workers' fair treatment in work-related matters and personal and social interests. The fringe benefits that currently exist in the studied factories are listed in Figure 6.5.

Temporary workers hired through an agency are somewhat discriminated against in the provision of the listed benefits. In Brugge and Dreux, agency workers are, legally, not Electra employees and therefore do not receive the benefits that Electra provides to its regular employees. In Székesfehérvár, temporary workers and agency workers are discriminated against in terms of receiving holiday vouchers or any long-service recognition. Next, the company's meal voucher contribution is reduced for agency workers. Discrimination is least extensive in Kwidzyn; this factory does not hire agency workers and thus all workers are Electra employees with full rights to fringe benefits.

A corporate design of benefits for production workers is not in place, and each factory's benefits are fully responsive to local standards. In some cases the benefits are developed or negotiated with local unions and factory works councils¹⁴⁸. Interestingly, we cannot speak about Electra's adaptation to local standards – especially in CEE, where Electra's benefits tend to exceed local standards. In terms of costs and managerial creativity, fringe benefits are relatively more extensive in CEE factories than in Western factories. This goes against expectations of profit-driven and exploitative behavior on the part of a MNC in low-wage countries and of market-driven conditions in CEE. There are several explanations for this situation. First, the maturity of Western factories, the stability of host-country institutions, labor market dynamics, and strong unions account for wage stability, predictable working conditions and, to a certain extent, job security. The effect of extensive fringe benefits on worker motivation is more limited than in CEE countries, which reduces the tendency to use such benefits. Second, Western Electra factories face higher labor costs and therefore increased budget constraints in organizing social events. Third, because fringe benefits are not corporately determined, their extent depends on the values and interests of local managements as well as on local conditions, including welfare states and trade union strength. The business success of Brugge is attributed to the strong task orientation of its general manager at the expense of a modest human orientation. In Kwidzyn and Székesfehérvár, managers are more people-oriented than task-oriented, and their personal values are transposed to the extent and type of provided benefits. Finally, working conditions in CEE factories are more demanding when compared to Western factories (i.e. longer working hours, a higher number of shifts, lower wages) and, in line with company values, Electra aims at compensating for tough working conditions with generous benefits.

¹⁴⁸ Such as the 2004 Open Day in Brugge and the annual summer outdoors events in Kwidzyn.

Figure 6.5 Social rewards and fringe benefits

Social rewards and fringe benefits	Brugge	Dreux	Kwidzyn	Székesfehérvár
New Year's day breakfast, lunch or drink	✓	✓		
Recognition of workers' personal achievements (i.e. additional diploma or certificate of personal interest)		✓		
Santa Claus event (gifts for workers and/or their children)	✓		✓	✓
Women's day event (flowers for female workers)			✓	
Christmas presents, also for temporary workers (in Székesfehérvár also for agency workers)	✓		✓	✓
Integration and team building parties, sponsored team trips			✓	✓
Discovery day, Open day for visitors (workers' families, potential recruits)	✓		✓	
Long service recognition (Brugge: TV sets ¹⁴⁹ , Dreux: work medal, Székesfehérvár: thank you note, refreshments)	✓	✓		✓
Volunteer firemen recognition day		✓		
Medical care services (Székesfehérvár), extra-legal medical insurance (Dreux)		✓		✓
Sickness and income supplement in case of death	✓			✓
Electra sponsored insurance for non-work related accidents	✓			
Psychologist (2 days/week)		✓		
Loans with 0% interest (Dreux), housing loans (Székesfehérvár)		✓		✓
Personnel shop or discount vouchers for Electra products	✓	✓	✓	✓
Football game and cinema tickets (Brugge), holiday cheques (Székesfehérvár)	✓			✓
Frequent competitions and drawings to win Electra products (in the factory bulletin)			✓	✓
Electra sponsored social and cultural events for workers and their families (Campus day in Kwidzyn; Juniális in Székesfehérvár)			✓	✓
Free parking for workers (in Brugge a union-stipulated extra walking fee for parking in distant parking places)	✓	✓		
Contracted bus service for workers (Székesfehérvár), agreement with public transport authority to adjust bus schedules to Electra's shifts (Kwidzyn)			✓	✓

¹⁴⁹ Rewarding retired workers with a TV set has been a tradition in Brugge for many years. After growing costs of production of high-end products and negotiation with trade unions this practice no longer exists. Interview Deputy HRM Manager, Electra Brugge, 24.9.2004.

In sum, evidence shows that Electra has opted for an open relationship towards its workers and for rather generous fringe benefits regardless of factory location. Electra's rational pursuit of profit is well integrated with responsiveness and utilization of differences in host-country institutions, economic and labor market developments, and cultural characteristics of work attitudes. This way Electra is able to satisfy both its profit interest and its legitimacy and reputation as a good employer in the eyes of its stakeholders.

6.6 Analysing social interaction between Electra's management and the local workforce

The analysis of management-workforce interaction explores which form of social interaction best describes interaction related to soft HRM; and to what extent these interaction forms are similar and different across the factories and compared to local standards in employment practices in the host countries.

6.6.1 Forms of workplace interaction

A comparison of similarities and differences in Electra factories' work systems, management styles, participation, and fringe benefits confirms that different forms of social interaction apply to different dimensions of the management-workforce relation. First, evidence from all factories documents managerial control over work organization, factory processes, and workers' performance. To ensure that factory behavior complies with corporate interests and paternalist values, headquarters control the selection of managers and their training. At the workplace, outright control over workers is more extensive in CEE factories because of individualized monthly performance appraisals and team performance competitions. Control is most extensive in Kwidzyn due to personalization of appraisals conducted by workers' foremen. In Székesfehérvár control is extensive but is more formalized and cannot be associated with specific persons.

Second, social interaction by competition is not apparent in competing goals between managers and workers, but is evident in fostering individual performance improvements and productivity. Electra extensively encourages individual competition between workers (both permanent and temporary) in CEE factories. In Dreux similar competition exists, but is more limited and less personalized than in Kwidzyn and Székesfehérvár. In Brugge the collective identity among workers, and the strength of trade unions to prevent individual appraisals, account for virtually non-existent worker competition at the shop floor.

Third, cooperation based on shared values applies to informal relations between workers and managers that derive from Electra's attention to worker welfare. Trade unions in each factory monitor Electra's behavior, and do not consider soft employment practices and related management-worker interaction to be problematic or have negative effects on workers. As perceived by trade union representatives, problematic areas of Electra's behavior relate to hard employment practices, namely extensive employment flexibility. In

soft practices, unions stress the positive effects of teamwork and task multiplicity on workers, and the MNC's interest in encouraging these skills and worker satisfaction. Based on presented evidence, I argue that the informal cooperation at the shop floor, based on shared values between management and workforce on workers' welfare, are an independent and equally important form of social interaction as managerial control aiming at improved organizational performance. The generosity of fringe benefits, without being directly related to increased productivity, profits, or a legal obligation to provide them, documents the existence of shared values between Electra's managers and workers, and the MNC's attention to workers' welfare.

Finally, interactive bargaining best describes Electra's participation practices, worker feedback, reverse appraisals, and regular EMS/EES surveys. In all factories workers appreciate appropriate treatment, information about company performance, and consultation even when the real effects of worker feedback differ across the factories. Existing practices indicate that workers do have a say in factory processes and their input is valued. The character of interaction resembles integrative bargaining, in which Electra collects worker input for the improvement of employment practices, motivation, and workers' performance. It is impossible to objectively evaluate whether and how worker feedback really permeates managerial decisions, because Electra does not document the origins of decisions taken once feedback from workers has been collected. Although empowerment ideologies have been criticized for imposing company values on workers while pretending to be interested in workers' *independent* ideas (Michailova 2002), evidence from Electra does not support such manipulation of workers' resources.

In sum, a single pattern of management-worker interaction has not been found. Soft HRM can be interpreted as a form of control in all factories; however, Electra also pays great attention to value-based cooperation and interactive bargaining with workers. These two interaction forms are complementary when admitting Electra's paternalism in employment relations. On the one hand, Electra cooperates with workers based on the shared belief in worker empowerment, acknowledgement of workers' interests, and granting generous benefits. On the other hand, in exchange for good workplace relations and generous benefits, control is kept over employee performance and empowerment; and external participation in shaping soft employment practices is only tolerated when beneficial to Electra.

Where do we find similarities and differences in soft employment practices that result from the described interaction patterns in Electra's factories? In the past twenty years of corporate development, which have included severe reorganizations and job losses, Electra has continued to maintain its paternalistic administrative heritage as long as this does not clash with corporate economic interests, thus balancing the need for profits and efficiency with company values. In this respect, my findings confirm Electra's attempt to diffuse several soft employment practices as best practices that assure workers' compliance with company interests across different countries. These include the willingness to delegate authority and maintain flat hierarchies, open communication, low segregation and informal relations at the shop floor, and attention to workers' social welfare. Workplace unions in

general honour these practices; informal social relations are a union concern only in Kwidzyn because of frequently too informal relations between foremen and particular workers that may lead to job assignment discrimination¹⁵⁰.

Despite these similarities and an attempt at diffusing best practices, Electra understands that successful practices in one case may not have the same effect on performance in other cases due to different institutional and cultural factors, which generates differences in soft employment practices across the factories studied. Variation is found predominantly in reward allocation (collective in Western factories and individual in CEE factories), the types and extent of fringe benefits, and the use of financial motivation. Variation in these work system elements corroborates the view that paternalism in Electra is not directly diffused across organizational units and that direct involvement of corporate headquarters in factory behavior and interaction with the local workforce is limited. Selection of local managers that adopt corporate values and manage their factories in line with these is the most obvious evidence of how Electra combines corporate interests with local responsiveness.

I confirm that similarities and variation in soft employment practices, and Electra's interaction with workers through which these practices are shaped, is a consequence of the interplay of the MNC's responsiveness to host-country differences, and the actual institutional, social and cultural variation across the host countries. Local factors are alone not strong enough to explain Electra's practices, otherwise more adaptation to local standards would be evident. Instead, diverse local conditions are used as a resource for achieving international economic competitiveness, and for developing concrete meanings of Electra's corporate values. This finding does not confirm that MNC behavior towards workers takes places in form of control with the purpose to diffuse best employment practices regardless of local social, institutional and cultural conditions. Instead, Electra uses control, value-based cooperation and interactive bargaining to develop locally responsive employment practices that benefit the MNC by improving productivity, but also the workers through increasing job satisfaction.

6.6.2 Electra's soft employment practices and local standards

When contrasting Electra's work practices with employment standards in each host country, similarities and differences are found yet again. Soft practices in Brugge diverge from other evidence on Belgian work practices because of high worker discretion, extensive communication and feedback, low separation between managers and workers, flat hierarchy, and lack of interference from headquarters in workplace organization (c. f. Hees 1995). However, Brugge fits the Belgian standards in its considerable managerial control and the non-existence of financial involvement and performance-related pay. Thus, Electra's behavior is neither diffusion of corporate best practices nor adaptation to Belgian-style HRM. Electra's interest to achieve efficiency via workforce satisfaction has

¹⁵⁰ Interview Solidarność leader, Electra Kwidzyn, 5.5.2004.

a stronger influence on interaction forms and employment practices than local institutions and actors (mainly unions); otherwise more extensive adaptation to Belgian practices would have been observed.

In contrast to common French practices, Electra Dreux is far from a Taylorist work system, strict workplace hierarchies and formal relations (Brunstein 1995; Maurice/Sorge/Warner 1981: 84). According to French Electra managers, Dreux has better internal relations than locally comparable companies (General Electric, Valeo), where employees report considerable pressure and relations are problematic partly because of authoritarian management styles¹⁵¹. Next to these differences, Electra is close to French standards in fostering teamwork, training, and modest competition via performance-related motivation. Evidence on fringe benefits from Dreux does not confirm Brunstein's findings that MNC behavior in France lacks social sensitivity towards workers and only aims at achieving profit at any costs (Brunstein 1995).

The Kwidzyn factory shows a more positive picture of HRM in Poland than in other studies of Polish practices (Kohl/Platzer 2004; Sagie/Koslowsky 2000). The personal values of Electra's managers lead to extensive fringe benefits, teambuilding beyond the workplace via social events, and relatively good working conditions despite tough working times, flexibility and job insecurity. This enhances Electra's reputation as an attractive place to work, and widens the gap between Electra's and other local companies' employment practices, especially in fringe benefits.

Interaction forms and soft employment practices in Székesfehérvár suggest a local influence on high managerial control and less mobility between positions, but this is related to the large size of the workforce. Electra differs from Hungarian standards in its relatively generous benefits, its practices of employee participation, and its institutionalization of performance evaluations (Whitley et al. 1997). According to my respondents, workers appreciate Electra's performance pay, fringe benefits, communication and informal interaction with managers regardless of the local labor market situation¹⁵². Electra is thus not under pressure of local norms to offer more extensive benefits and better working conditions than other employers do.

6.7 Conclusions

This chapter documented and analysed social interaction between Electra and production workers in different factories emphasizing soft employment practices: work systems, communication, employee participation, empowerment, and fringe benefits. Despite being located in different countries, all Electra factories roughly fit a paternalist work system. This is in line with Electra's administrative heritage and corporate interest.

Electra's paternalist work system implies shared values between managers and workers, and interest in workers' wellbeing and job satisfaction. This interest cannot be separated from business goals and thus rational action; but Electra implemented a number

¹⁵¹ Interview HRM manager Electra Dreux 18.10.2005.

¹⁵² Being located in a tight labor market, Székesfehérvár has to fight harder for skilled workers than Kwidzyn.

of practices, especially fringe benefits, that primarily target employees' welfare. Thus, I argue that Electra in its rational behavior does not disregard the interests of workers across different host-countries even if it means initial investments for the company in uncertain conditions. Uncertainty in this situation means that the MNC cannot anticipate whether the deployed practices will bring expected benefits in terms of higher profits. In exchange for good workplace relations and generous benefits, Electra maintains control over employee performance and empowerment; and external participation in shaping soft employment practices is only accepted when beneficial to Electra.

If societal and institutional effects do constrain Electra's behavior and lead to work practices that resemble those of other local companies, the findings in this chapter would indicate extensive similarities between the factories studied and the general employment practices and social norms in the host countries. However, such a wide-ranging adaptation of Electra's behavior to local practices has not been documented. Especially the findings in CEE factories greatly differ from standard company practices in this region. This is because Electra's way of treating workers and the generosity of fringe benefits exceed local standards. The quality of working conditions in CEE, and collective labor representation to induce such a quality, differ greatly from Western Europe. Due to turbulent economic changes and the uncertainty of employment after 1989, workers value their jobs and fulfill almost any management requests. Economic pressures and a strong institutional framework, i.e., the legal stipulations and a system of collective bargaining to facilitate workers' welfare, are absent (Meardi 2006; Avdagic 2005; Mailand/Due 2004). Therefore, Electra is not under the economic and institutional pressures of host countries to offer generous benefits and above-average working conditions. Societal pressures, i.e., benchmarking work practices against other locally established companies, and local fashions in management practices that would force Electra to adapt to local standards, are not extensive either (Pfeffer 2006; Abrahamson 1996). The local environment is relatively conducive to the exploitative treatment of workers by MNCs. Had Electra been pushed to adapt to local practices because of external influences (legislation, trade unions, market pressures, and common work practices in locally established firms), flat hierarchies and attention to worker welfare would have been less evident than documented. Regardless of these conditions, Electra offers better work practices than other local employers and even some MNCs¹⁵³.

While fostering individualized worker competition and individual performance-based pay in CEE factories but not in Western factories, Electra contributes to the reinforcement of existing differences in social norms between coordinated Western European countries, and CEE countries that are more liberal on company practices and thus closer to a liberal market economy (Meardi 2006; Bohle/Greskovits 2004; Danis 2003; Whitley et al. 1997). In other soft employment practices (i.e., fringe benefits) and related management-workforce interaction at the workplace the East-West differences do not straightforwardly mirror macro-level institutional conditions, especially in CEE countries. Instead, they are

¹⁵³ Source: interviews with representatives of local governments and labor market authorities in Poland and Hungary (2004-2005); local newspaper clippings.

an outcome of the mutual influence of Electra's corporate interests, endogenous and embedded rational behavior, the resource dependent relationship with workers, and differences in host-country conditions.

The company is the actor taking the majority of decisions related to employment practices, and the involvement of workers in these decisions is evidenced by their degree of acceptance or rejection of the MNC behavior. This differs from indirect participation via trade unions and works councils where regular bargaining encounters between managers and employee representatives are not as fluid as in management-worker interaction. Unions attempt to influence several soft employment practices discussed in this chapter, but in general the core of their interaction with Electra lies in hard employment practices. Thus, management-union interaction coexists with management-workforce interaction in each factory, with a certain exclusivity of matters assigned to both interaction channels. However, both are important for the analysis of MNC behavior vis-à-vis local actors and prospects for MNC-driven convergence or variation in employment practices. Management-union interaction is discussed next.

From bargaining to dancing: Workplace industrial relations and involvement of trade unions and works councils in Electra's employment practices

In contrast to social interaction with workers, Electra's interaction with workplace trade unions (channel β_1) and works councils (channel β_2) centers on different employment practices. These are predominantly pay developments and employment flexibility practices. The involvement of unions/works councils in the institutionalization of employment practices may be legally enforced, but may also be the result of Electra's interest or the capacity of unions/works councils to influence managerial decisions in these matters.

This chapter documents the diversity of interaction forms in management-union interaction and studies the reasons of existing differences. Electra and local employee representatives represent two independent corporate/collective actors. Their encounters increase their mutual resource dependence and can lead on the one hand to intensified competition to achieve their goals, and on the other hand to the emergence of common norms and shared values. I account for three interaction dimensions as outlined in chapter three: the legal obligation to negotiate with unions/works councils, Electra's interest in interaction due to expected economic benefits, and the social dimension of interaction. The latter incorporates managers' and unionists' experiences, ongoing relations, and personal feelings that might fuel interaction to a larger or smaller extent than indicated by actors' economic interests and a legal obligation. Besides exploring the diversity of interaction patterns, I investigate how interaction in channels β_1 and β_2 shapes employment flexibility practices in the factories.

The chapter first discusses Electra's accommodation in national industrial relations systems in the host countries. The next section looks more closely at workplace industrial relations that are most important for employment flexibility practices and studies the involvement of unions and works councils in shaping these practices. In the broad sense, I pay attention to the relations that developed in the past years (after the factories' restructuring in late 1990s) and that currently exist between the management and unions. In a narrow sense, I focus on a comparison of how unions are involved in decision making about concrete employment flexibility practices. Next, I turn to an analysis of management-union interaction to learn how it differs across the factories, and how different interaction forms account for union involvement in flexibility practices. Finally, I

evaluate whether different patterns of Electra's behavior towards employee representatives can be observed in WE and in CEE.

7.1 Organization and current trends in industrial relations: Electra and industrial relations systems in Western and Eastern Europe

In the Netherlands, trade unions are organized predominantly as national and sectoral organizations. Four large confederations (FNV, CNV, De Unie, and VHP) dominate the union landscape. Electra opted out of the sectoral collective bargaining in the Netherlands and conducts company-wide negotiations. In other words, industrial relations are centralized at the company level. Next, every Electra site in the Netherlands has a works council and its representatives are members of a company-wide central works council. Trade unions are based outside the workplaces and union representatives offer their services to members on a company-wide basis, according to needs of workers in each Electra site.

With its internationalization Electra faced various models of how industrial relations are organized in different countries. The Dutch system of industrial relations within Electra has not been transposed to other countries. As part of the MNC's administrative heritage already in the early 1970s, Electra showed its interest to benefit from the variety of host country conditions. Therefore, subsidiary managements developed responsiveness to these host-country and regional specificities, including industrial relations systems (Bartlett/Ghoshal 2002; Dronkers 1975). An attempt to institutionalize a corporation-wide negotiation between Electra and trade unions at a European level failed after several trial negotiations in 1970s (Dronkers 1975). Hence, host country systems of labor law and industrial relations continuously dominate the interaction between Electra, trade unions, and employers' associations. Interaction between different organizational levels of Electra (corporate, PD, BG, factory) does not include policies or guidelines for local industrial relations. All managers interviewed claimed industrial relations are a local matter and are addressed differently in different countries and subsidiaries. Most managers claim that industrial relations have to be dealt with locally due to differing labor laws. But besides legal differences, some managers admit cultural, societal and organizational factors as important enablers of the existing cross-country decentralization of industrial relations:

“...[a] Spanish guy is completely different than a British one, you cannot mix them into one. The way of negotiation, the way how people are working together and dealing together – this is the essence of industrial relations – are very different, you cannot find a European approach that would fit all those countries. So, you will keep your own way of working in all countries, but of course you can stimulate and create awareness about the main issues to deal with: we have to increase our competitiveness, we have to look at the productivity – labor costs ratio, such kinds of issues. How to deal with these

issues in different countries is the role of the country [organization], the product division and the labor union/works council in that specific country¹⁵⁴.”

The decentralized approach to industrial relations in Electra goes deeper than the *national* differences across host countries. Electra has several subsidiaries in each studied host country, so in this respect, the national legal regulation can be seen as a uniting framework. Electra could have opted for a nationally centralized interaction form with unions. Still, in all studied countries workplace-level industrial relations play the most important role, even in Belgium where industrial relations are traditionally centralized. Electra managers in charge of management-union interaction in the factories and in NOs maintain that this best reflects the individual needs of each factory. Being located in one host country is not a strong incentive for centralized interaction as each factory differs in its strategy, subordination to different product divisions and market challenges. In other words, an increased corporate centralization of production has produced further decentralization of industrial relations from host-country national level to the level of individual subsidiaries.

Not only Electra managers, but also trade unions within Electra underline the key importance of workplace industrial relations. In Poland and Hungary, which are countries with weak union organizations at sectoral, regional and national levels, workplace unions dominate the industrial relations landscape anyway. But an increasing empowerment of workplace unions and a declining capacity of national and sectoral union leaders to strike deals at higher levels also applies to Belgium and France. This trend in WE relates to internal union fragmentation and tensions between different factions, i.e., between blue-collar and white-collar union fractions, or between provincial and regional factions¹⁵⁵. As a consequence of this development and a broader corporate reorganization within Electra, the role of Electra's NOs in the host countries as coordinators of industrial relations has been declining. It is not merely the legal difference that determines the dominance of workplace industrial relations, but also an interest of Electra and trade unions in workplace bargaining due to a better reflection of the factories' and workers' interests.

One of the rare initiatives of Electra to coordinate industrial relations beyond national levels is the recent 2004 attempt of Electra's EMEA headquarters to establish a network of industrial relations managers in WE, including Germany, France, the Netherlands and Belgium. The aim is not to harmonize industrial relations or to diffuse a central policy throughout different countries, but to arrive at a common understanding of basic concepts within industrial relations and to "... try to get more overview of the state of affairs in several countries, to get more alignment with the EU activities"¹⁵⁶.

To sum up, industrial relations in Electra are decentralized across various host-countries and individual factories. The dominant level for management-union interaction is

¹⁵⁴ Interview HRM department, Electra EMEA headquarters, 9.6.2004.

¹⁵⁵ Interview HRM department, Electra National Organization Belgium, 20.9.2004.

¹⁵⁶ Interview HRM Department, Electra EMEA headquarters, 9.6.2004.

the workplace level even in countries with traditionally centralized bargaining. Before uncovering in greater detail the social interaction between Electra and unions in the TV factories, I briefly discuss the state of national industrial relations systems in host countries and the involvement of Electra in these systems beyond individual factories.

7.1.1 Electra and country-level industrial relations systems

Industrial relations structures in each of the four host countries and the related practices in Electra's NOs are summarized in Figure 7.1.

Figure 7.1 Industrial relations structure and Electra's practices in host countries

Industrial relations structure		Company-wide practices in Electra
Wage bargaining level¹⁵⁷	Belgium	<p>Hierarchic: national, intersectoral, sectoral, provincial, regional, company, factory. Dominant level: sectoral, professional branches¹⁵⁸</p> <p>National, sectoral, company-wide and factory level collective bargaining Sectoral negotiations: Electra represented by the Agoria employer federation Employment flexibility bargained at the factory level; cross-factory benchmarking, some interaction via the NO Unions in Electra prefer factory bargaining</p>
	France	<p>Sectoral and company level bargaining. In larger companies collective bargaining at the company level¹⁵⁹</p> <p>Company-wide (for higher grade staff) and factory level bargaining (for production workers) Not part of sectoral bargaining; but sectoral agreements in Metalurgy are used as benchmark for factory bargaining</p>
	Poland	<p>Company (dominant) and factory level, lacking structures for sectoral and regional bargaining¹⁶⁰</p> <p>Factory-level bargaining, no company-wide interaction Union initiative of company-wide interaction lacks a supporting union structure and Electra's interest</p>
	Hungary	<p>Company, sectoral, intersectoral level of bargaining. Dominant level: company¹⁶¹</p> <p>Factory-level bargaining, no company-wide interaction</p>

¹⁵⁷ The bargaining level in host countries commonly refers to wage bargaining. However, practices in Electra concern a broader range of issues that are bargained with trade unions, not only wages.

¹⁵⁸ EIRO (2007).

¹⁵⁹ EIRO (2007); Schulten (2005); interview HRM Manager, Electra Dreux, 18.10.2005.

¹⁶⁰ EIRO (2007); Kahancová (2003b).

¹⁶¹ EIRO (2007); Kahancová (2003a).

Figure 7.1 (continued)

Industrial relations structure			Company-wide practices in Electra
Trade union confederations ¹⁶²	Belgium	ACV; ABVV; ACLVB	Company-wide negotiations with unions with a mandate in social elections: ACV Metaal blue-collar and white-collar fractions; ABVV Metaal blue-collar and white-collar fractions; ACLVB blue-collar fraction Interaction with unions at the company-wide level: mature, fair relationship, trust, experience of peaceful and turbulent periods (reorganizations and plant closures)
	France	CGT; CFTC; CFDT; FO (CGT-FO); CGC	CGT is the strongest union; militancy and threats in collective bargaining; problematic interaction (company-wide and factory level) ¹⁶³
	Poland	Solidarność OPZZ FZZ	Solidarność and OPZZ; Solidarność is larger and represented in each unionized Electra site
	Hungary	SZEF; MSZOSZ; ASZSZ; ESZT; LIGA; MOSZ	No interaction with unions beyond factories Attempts of cross-factory union representation but lacking union structures and cooperation between Vasas and MEDU
Union membership ¹⁶⁴	Belgium	All 39,7%; male 42%; female 37,4%; blue-collars 56.3%; white-collars 35%	Union membership n/a.
	France	All 15,6%; male 15,2%; female 16%	Union membership n/a.
	Poland	All 15,7%; male 13,8%; female 18,3; blue-collars 17,4%; white-collars 14,7%	Above national average in unionized factories
	Hungary	All 13,1%; male 11%; female 15,2%; blue-collars 10,5%; white-collars 14,8%	Above national average in unionized factories

¹⁶² Source: EIRO (2007).

¹⁶³ Interview HR manager Electra Dreux, 18.10.2005; interview HRM Department, French National Organization, 20.10.2005.

¹⁶⁴ Measured as the percentage of union members among employees. Union membership figures listed in Schnabel/Wagner (2007), based on the European Social Survey in 2002/2003. Other sources that are based on country reports report different percentages. For example, EIRO (2007: 6) report the following percentages of net union density in 2004: Belgium 49%, France 8%, Poland 17% and Hungary 17%.

Figure 7.1 (continued)

Works councils	Belgium	Employer and union representatives equal share in the works council. Co-determination rights i.e. on company holidays	No central company-wide works council
	France	Only unions represented in the works council	Works councils in factories; Central works council with no effect on factory-level bargaining
	Poland	Not institutionalized	Not institutionalized
	Hungary	Dual representation limited to individual companies. No rights in collective bargaining	No central company-wide works council

In Belgium, Electra is covered by collective agreements and involved in collective bargaining at the national, sectoral, company-wide and factory level¹⁶⁵. Being a consequence of the company's long history in Belgium, interaction with trade unions at the company-wide level is a mature and fair relationship that has survived both peaceful and turbulent periods, including several reorganizations and plant closures. Both Electra and the unions view their relationship positively and highlight the existing mutual trust, as demonstrated by an Electra manager:

“...a restructuring in Belgium has to be announced in an official way to works councils before it becomes [...] public [.....]. We always have a planning when to do that, so we always know beforehand of course. We inform the national secretaries [of trade unions] the evening before. That's on a trust basis; because that would be dangerous for us if they would go to press before we had the chance to contact press. It would be a disaster for Electra, so we absolutely have to avoid that, but we never had a problem with informing [the unions] the evening before. That's an example that we can speak to each other on a trust basis. Of course, they have to play their role, and we have to play our role¹⁶⁶.”

In line with the changing roles of Electra's NOs, the power of the Belgian NO in strategic decisions has significantly decreased. The unions feel this change and fear a further undermining of their own powers because of a shrinking union constituency related to plant closures. As a reaction, trade unions increasingly focus their agenda on workplace issues in each Electra factory individually.

In France, industrial relations differ from those in Belgium in several aspects: union membership is considerably lower, the union scene is dominated by a higher number of unions, and their relations are less cooperative than in Belgium (c.f. Goyer/Hancké 2005).

¹⁶⁵ Interview HRM Department, Belgian National Organization, 20.9.2004.

¹⁶⁶ Interview HRM Department, Belgian National Organization, 6.10.2004.

Union ideology, militant powers and threats are a relevant tool of the strongest CGT union in collective bargaining. This orientation renders trade union cooperation problematic both at the national and workplace levels¹⁶⁷. The French NO bargains with trade unions over provisions applicable to higher-level staff and managers in France. For other employees, including production workers, bargaining unfolds in each factory individually. Electra does not participate in sectoral bargaining, but the Dreux factory's HR manager reads sectoral collective agreements and considers them a benchmark for Electra's factory-level negotiations¹⁶⁸.

In Poland, industrial relations are clearly decentralized and bargaining unfolds predominantly at the level of companies. Within Electra, each factory in Poland has its own negotiation without cross-factory coordination. An attempt to create a company-wide cooperation platform was presented by *Solidarność*. However, this initiative has so far not been operationalized due to a lacking operative interaction between factory-level union commissions and Electra's lack of interest. Decentralization is one of the major problems of union organization in Poland, because it complicates the integration of the vertical union structure and the funding of higher-level union organizations¹⁶⁹. Electra HR managers in Poland maintain that the company has a positive experience with trade unions¹⁷⁰. The main reason is a considerable business awareness of union leaders that helps both parties to professionalize negotiations and to avoid collective conflicts. One could also interpret this information as trade union weakness. However, the unions themselves are satisfied with their situation within Electra, which is noticeably better than in a number of other – both Polish and foreign owned – companies where trade unions are not established.

Industrial relations in Hungary are similar to those in Poland, but trade union fragmentation is even greater. Electra does not participate in negotiations and is not covered by collective agreements beyond the level of individual factories. In contrast to other countries, Electra's Hungarian NO does not act as a coordinating body for industrial relations. In 2004, two factory-based unions within Electra (*Vasas* and *Video*), represented by the *MEDU* sectoral union within the *LIGA* confederation, proposed a framework collective agreement covering two Hungarian Electra factories¹⁷¹. This agreement has been drafted, but not yet signed even after a year and a half of preparations¹⁷². The HR managers from Hungarian Electra factories are not against this initiative, but maintain that all relevant employment terms will continue to be determined in each factory separately. The unions share this view, because their power and membership originates predominantly from factory-specific activity. The unions expect that the main contribution of this

¹⁶⁷ Interview HRM Manager, Electra Dreux, 18.10.2005; interview HRM Department, French National Organization, 20.10.2005.

¹⁶⁸ Interview HRM Manager, Electra Dreux, 18.10.2005.

¹⁶⁹ Interview *Solidarność* International Coordinator, 28.4.2004.

¹⁷⁰ Interview HRM Manager, Polish National Organization, 24.5.2004; interview Industrial HRM Manager, Electra Poland, 18.6.2004.

¹⁷¹ Electra's two Hungarian production factories are Székesfehérvár and Győr. The third factory in Szombathely has been outsourced in 2003 and part of production (flat PC monitors) has shifted to Székesfehérvár.

¹⁷² Based on information at the time of research in late 2004.

framework agreement will be stabilizing and laying down the rights and duties of Electra, workers and trade unions.

To sum up, despite various differences in national industrial relations systems, there are common features of Electra's behavior within these systems. First, Electra does not attempt to disseminate central policies in industrial relations and guidelines on how to treat local trade unions. The MNC is responsive to local institutions. There is no clear pattern of Electra NOs preferring workplace-level or company-wide collective bargaining. The actual state depends on the situational conditions and the unions' interests. Second, the dominant level of interaction is the workplace level in all four cases. It expresses the interests of both unions and Electra regardless of the differing national bargaining systems. Thus, typical industrial relations are an outcome of consensus between the interests of both Electra and local unions and not Electra's straightforward adaptation to country-level industrial relations systems. If adaptation were the case, the role of sectoral bargaining would be more evident in Electra in Belgium and one would not observe attempts at coordinating cross-factory industrial relations in Hungary or Poland initiated by trade unions. The French Electra situation is closest to adaptation to bargaining levels and standard industrial relations practices in France.

These findings lead to two suggestions. First, differences in existing local institutions cannot fully explain Electra's interaction with unions and union involvement in employment practices. Therefore it is justified in the following analysis to focus on social interaction between Electra and factory unions/works councils. Second, further analysis shall focus on the workplace as the dominant interaction level.

7.1.2 Workplace interaction between Electra, trade unions and works councils

In all four factories trade unions are firmly established (see Figure 7.2). The position of unions and works councils is primarily shaped by legal regulation. Electra conforms to the labor law and coordinates with unions/works councils' legally stipulated employment practices, such as pay and working time. Interesting differences exist in the form of management-union interaction and union/works council involvement.

In Belgium, trade unions are powerful due to high membership and an extensive legal regulation on union involvement in employment issues. The core issues that Electra Brugge is legally obliged to consult with workplace unions have not changed significantly in the past decade and include part-time work and working time, admission of temporary agency workers, dismissals, and workplace safety. Building on the unions' formal and historical power and their recognition by Electra, industrial relations in Electra Brugge are interactive, often with agreed tradeoffs. Both parties strive to achieve their goals but simultaneously they are open for discussions and compromises based on shared values. One of such shared values is the interest of both parties in the Brugge factory's sustainable performance. Managers view interaction with unions as a cooperative relationship despite admitting that bargaining is demanding and often agreement is a result of arduous

Figure 7.2 Trade unions and works councils in Electra factories

Factory	Number of unions	Unionization (production workers)	Union members	Works council
Brugge	2 (ACV Metaal/LBC- NVK, ABVV Metaal/ BBTK)	95%	Permanent and temporary workers	Yes
Dreux	4 (CGT, CFTC, FO, CGC)	High (figures n/a)	N/a	Yes
Kwidzyn	1 (Solidarność)	35%	Permanent and temporary workers	No
Székes- fehérvár	1 (Video/LIGA)	50%	Mostly permanent workers	Yes

discussions. At the same time, the two unions play their role well and it is to Electra's advantage to have professional bargaining partners¹⁷³.

The history of management-union interaction in Brugge has resulted in a relationship filled with mutual respect, daily informal communication with several informal agreements and a lack of open conflicts. The maturity of interaction has contributed to a considerable degree of trust and information sharing. The parties exchanged their private mobile phone numbers and e-mail addresses and agreed to contact each other at any time necessary. Both managers and unionists appreciate, but do not abuse, this possibility. The most important evidence of trust relates to the unions' legal obligation to formally permit the admission of temporary agency workers. Often this happens informally between the responsible manager and the union representatives in corridor talks. To sum up, both Electra managers and union leaders in the Brugge factory maintain that interactive bargaining bring the highest payoffs and is therefore the preferred interaction form of both actors. When union involvement is legally stipulated, both actors favor joint solutions even in issues where unions only have to be informed. As a consequence, actual union involvement in managing employment practices exceeds legal requirements.

Besides the unions, Electra Brugge has an institutionalized monthly works council platform. The works council consists of an equal share of Electra managers and trade union representatives with a mandate in social elections. Formally the works council enjoys great powers, including some co-determination rights (e.g., on factory holidays). However, in reality the works council is closely intertwined with union activity, and it is a formalized platform where the management informs the unions about business indicators and outlooks for the factory, discusses those issues for which no time was left during daily interaction in the previous month and formalizes the most important informal agreements concluded between Electra and unions. Although important, the works council's role is secondary to the role of unions that are the real bargaining partners for Electra. Out of the two unions (and four union factions) represented in Electra Brugge, three union fractions obtained a works council mandate in the 2004 elections: ACV Metaal and ABVV Metaal

¹⁷³ Interview Deputy HRM Manager, Electra Brugge, 24.9.2004.

as blue-collar union fractions, and the LBC-NVK as the white-collar fraction of ACV Metaal.

The situation in Electra Dreux differs in many respects from Brugge¹⁷⁴. The obligatory legal union involvement is less extensive than in Belgium, but more extensive than in Poland and Hungary. Besides the law, trade union power is a result of high membership and its frequent use of local media to circulate internal factory affairs and create pressure on management. According to interviewed managers, interaction between Electra and unions is volatile and incorporates threats of strikes and an open union antagonism towards the employer. This kind of union behavior derives from union ideology. The HR manager perceives the maintenance of industrial peace as a central point in the factory's HR agenda. The level of trust between Electra and the unions is low. To avoid denials of concluded agreements or changing opinions, all agreements are formalized in a monthly works council meeting¹⁷⁵. Except the works council, Electra has little formal or informal interaction with the unions, which gives the works council an important role in the factory's industrial relations. Nevertheless, and similar to Brugge, this role is secondary to unions, as the actors involved in the council and therefore Electra's real bargaining partners in employment practices are union representatives elected by workers. A discrepancy between the largest union (CGT) and the union with the strongest voice in the works council may arise due to the voluntary character of worker participation in social election. This is different from Belgium where all employees are legally obliged to vote for works council representatives in the social elections.

The legally stipulated content of union involvement includes an obligation to inform unions about production forecasts, working time flexibility, planned temporary workers, and business indicators. It is only working time and collective pay that require negotiation. But even in these issues Electra can and indeed does implement unilateral propositions – if an agreement with unions cannot be reached¹⁷⁶. In the eyes of HR managers, the crucial reason why interaction with unions is problematic is the internal ideological divide between CGT, representing around 60 percent of production workers, and the other three unions¹⁷⁷. In most cases, a concluded collective agreement is not signed by CGT and this has several times been a reason for strikes.

To sum up, industrial relations at Electra Dreux resemble a continuous battle between the management and unions, especially CGT. Due to these conflicts, the dominant interaction form is competition. Both parties assign highest payoffs to tough strategies without easy compromising. Electra and the unions do not assign high payoffs to cooperation, as its sustainability is unlikely due to union ideology. Thus, it is likely that even if cooperation did develop, CGT would switch to a tough strategy. However, interaction also involves elements of interactive bargaining that lead to regular conclusions

¹⁷⁴ Information on Electra Dreux is based solely on opinions of managers, because it was not possible to interview union leaders in France.

¹⁷⁵ Works council members are trade union nominees elected by employees at Electra Dreux.

¹⁷⁶ For example, in a recent pay negotiation, Electra proposed a one percent collective increase, whereas the CGT union requested five percent. An agreement has not been reached, so the one percent increase has been implemented.

¹⁷⁷ Interview HRM Department, Electra Dreux, 19.10.2005.

of collective agreements between Electra and the other three, smaller unions. The management does not coordinate its industrial relations with Electra headquarters or with other local companies. The attitude vis-à-vis union representatives and the existing form of social interaction is based on long-term experience in workplace relations, taking place between individuals holding the same positions for longer than a decade.

Industrial relations in Electra Kwidzyn are an outlier among the studied factories. Legally stipulated union rights in Poland are much less extensive than in France and Belgium. A works council is not legally institutionalized. The union in Electra Kwidzyn does not have a formal power resource such as a strong sectoral organization or high membership. Nevertheless, due to the willingness of Electra management to engage in interaction and the union's business awareness and ability to negotiate and to compromise, the union is respected and the union-management interaction is more cooperative than in other locally based companies and other Electra subsidiaries in Poland¹⁷⁸. The main difference between Electra and other locally established companies is that in Electra Kwidzyn the management and the union built their relationship without external influences from the very beginning. Their cooperative relations and shared values related to the maintenance of the factory's successful performance are a result of workplace social interaction and continuous learning since the union's establishment in 1997. In the beginning, the interaction experienced initial power trials, but the interest of both parties to maintain the factory's success and employment in the region has led both parties to assign the highest payoffs to sustainable cooperation even if it involves a number of compromises. Interaction has stabilized in the form of (mostly informal) interactive bargaining without industrial conflicts¹⁷⁹. The parties are committed to discussions and conform to joint agreements, the majority of which lacks written formalization in a collective agreement with effective sanction mechanisms. Such behavior also indicates a high level of trust and avoidance of militant action against each other. The union never used local media to publicize internal matters like in Dreux or in Székesfehérvár. The existing situation is a result of evolution combining business interests, shared values to increase worker welfare despite the required flexibility, and the personalities of involved managers and the union leader.

Besides informal meetings and monthly negotiations, pay and working time are bargained annually. *Solidarność* is also involved in a number of operational decisions, e.g., working time revisions, workers' temporary contracts, social criteria for temporary workers and working conditions. In most of these issues, union involvement is not legally stipulated. The non-existence of a union-management antagonism is obvious also in leisure events. The union leader is often part of company festivities and award ceremonies that are then reported in the factory bulletin. For the 2004 company festivity, Electra employees and managers treated the union leader as a well-integrated colleague. During the evening,

¹⁷⁸ Interview *Solidarność* leader, Electra Kwidzyn, 29.3.2004.

¹⁷⁹ Several collective conflicts on job classifications and unfair dismissals did occur in 1998-1999. However, these did not have serious consequences for the management-union power relations and were a demonstration of union power to take issues further if a factory-level consensus cannot be reached.

the (female) union leader spontaneously danced with the factory's Dutch general manager with mugs of beer in their hands. Other participants stopped dancing and were clapping their hands. Such practice would be unheard of in Dreux, Brugge, or Székesfehérvár. Although Brugge has a positive relationship with unions, the managers and the unionists keep their relationship limited to professional contact and established power relations. To sum up, Electra Kwidzyn favors positive workplace interaction with Solidarność and treats union proposals as a useful input and feedback for the local employment practices even in issues in which union involvement is not legally stipulated. However, due to lacking legal regulation and a strong industrial relations structure in Poland the union is more exposed to the fact that a functioning interaction largely depends on the management's interest.

Electra Székesfehérvár was the first MNC in the region where union activity and annual collective bargaining started as early as 1991, the year of the plant's establishment. Similar to Kwidzyn, the legal stipulation of union involvement is very limited. The actual union involvement in factory issues is a mirror of union-management interaction. The Video union does not have strong sectoral or regional union support, but relies on a strong membership base in the Székesfehérvár factory¹⁸⁰ and the power of local media. Despite a long experience of interaction, industrial relations in this factory have always been noticeably confrontational and lacked cooperation in operational issues. The union declares that factory's employment practices are disappointing, Electra avoids the union and the union's main mission is to closely monitor the legality of Electra activities. At the same time, Electra claims to appreciate cooperative industrial relations much more than frequent court cases that Video has initiated over the past decade due to differing interpretations of the labor law. According to managers it is the union's unrealistic requests in negotiations and its inability to strike in-house deals that significantly contributed to the current situation. A change in the union leadership would bring an improvement in the relations. No union elections have been held since 1991 despite the union's statute promising elections every three years. Resulting from 15 years of hostility and antagonism, industrial relations in Electra Székesfehérvár are best described in terms of competition and a lack of shared values, trust, and interactive bargaining. Both parties prefer a tough strategy: the union because of the personal ideological stands of its leaders; and Electra because of its lack of trust in the union secretary. The frequent negative publicity in the local media or court cases hinders the image of both Electra and trade unions, because such confrontational industrial relations are not common in other locally based unionized companies. Communication with the union is limited to formal e-mail exchange and occasional personal talks. Most agreements reached are documented in writing, which explicates low trust between the management and the union. Even if informal agreements were concluded, the union violated them several times, i.e. announcing partial negotiation results to the workforce despite an agreement with the management that only results finally agreed will be announced. The union's actual

¹⁸⁰ Workers are motivated to unionize because of lower membership fees than in other Hungarian unions.

involvement in employment provisions is moderate and mostly within the legally stipulated bargaining framework.

Székesfehérvár is the only factory where the works council is not closely intertwined with trade unions and functions as a separate representation channel. The council's responsibilities are however limited to the management of fringe benefits (holiday voucher distribution, prizes, work clothing distribution). Electra has a cooperative relationship and frequent informal interaction with the works council. This intensifies union-works council tensions. In contrast to the Video union, Electra perceives the works council as a democratic body of representation with regularly held elections. Nevertheless, due to the council's limited rights, in key employment matters the works council's role is secondary to the union's role.

To evaluate the similarities and differences in workplace industrial relations in the four factories, in all cases the labor law is the resource for involving trade unions and works councils in employment practices. The legal obligation to interact with unions is translated in a diversity of union-management interaction forms, ranging from hostile competition to bargaining and value-based cooperation. Works councils are not directly involved in the implementation of employment practices. It is the trade unions that dominate workplace interaction between Electra and employee representatives. Next, in none of the factories did Electra managers see the existing state of union involvement to be an obstacle to performance and profitability. Assuming that certain benchmarks of profit and performance have to be maintained, the MNC does welcome union involvement. This is in line with the company's administrative heritage to engage in interaction with local actors and to conform to host country legal regulations. In Belgium and Poland, involvement of unions developed even beyond the law as a consequence of trust and good experience in social interaction between Electra and union representatives. The actual differences in the interaction form depend on union strategies, power relations and formal and informal relations between concerned managers and unionists. Thus, evidence shows that the social dimension of interaction plays an important role in shaping the actual face of interaction and union involvement in employment practices.

In order to obtain a comprehensive understanding of collected evidence, I further study the extent to which the presented state of industrial relations and trade union involvement is important for factory life and performance.

7.2 Negotiating employment flexibility practices with local trade unions

Being directly linked to the factory's competitiveness and effectiveness, managers in all factories stress the absolute priority of employment flexibility. Working time and the obligation to negotiate it with unions falls under legal regulation in each country. The laws offer various opportunities to involve unions, but the actual union involvement may differ due to social and economic considerations even if the law in different host countries permits a similar use of flexibility practices. Thus, understanding union involvement in

employment flexibility will clarify whether Electra is willing to share its decision making with local unions, or whether it fosters union involvement only in issues that lack strategic importance.

Employment flexibility became central in Electra Brugge after the factory's 1997 restructuring. The unions obviously did not welcome this trend, but realized the growing pressures on the factory's competitiveness. The factory's management gives the ultimate face to the desired flexibility practices, but these are regularly consulted with unions. Union involvement is a consequence of, first, extensive legal regulation in Belgium concerning union roles in working time and temporary worker admission; and, second, of management-union social interaction. As a result, it became less difficult for Electra to increase employment flexibility. The debates with unions have moved from permitting temporary agency workers to the number of headcount permitted. Electra invested in an interactive relationship with unions even in issues in which the company could have legally and economically done without union involvement. Thus, union involvement goes beyond the Belgian legal framework.

Flexibility practices negotiated and agreed upon with unions include the annual working time calendar, planning of changes in shift regimes (from a two-shift to a three-shift model), a night shift regulation, overtime compensation, admitting temporary agency workers and the length of their contracts, and occasionally changes in work organization upon workers' requests. Evidence of union involvement beyond legal requirements is obvious in several points. First, upon an agreement, an implemented working time shift model is in place for at least three months. Second, Electra and the unions agreed to exceed the legally stipulated 36-hour working week and work 40 weekly hours. Next, instead of unions formally approving the admission of temporary agency workers (otherwise these workers are considered permanent), their approval often happens informally. Finally, although not legally stipulated, the parties agreed the minimal length of a temporary agency worker's contract to be one week. The management also accepted a range of union proposals, such as the frequency of shift changes and the period of the change's announcement, a temporary night work proposal, suggestions to improve workers' parking possibilities and working conditions and changing rooms for agency workers. Through such arrangements the parties avoid recurring bargaining over central issues. Electra and the trade unions are relatively satisfied with the current state of affairs. Of course, the unions' ideal is far fewer temporary agency workers and more permanent workers, but they understand that flexibility is central for the factory and job sustainability in Brugge.

Employment flexibility is central also in Electra Dreux. The actual areas of union involvement relate to working time and temporary workers. Following the law Electra annually negotiates the working time calendar with unions. Working time annualization is an important aspect of flexibility both for Electra and for unions. However, the calendar can be implemented even if no agreement is reached. Unions are involved in operational calendar revisions, Saturday work planning, and its announcement. Again, Electra is only obliged to inform the unions without having to negotiate or obtain a union approval.

Related to employment contracts, unions are informed about the number of incoming temporary agency workers, but do not have to approve their admission like in Belgium. The standard practice in Electra Dreux is that the unions are informed about the temporary agency workers in the monthly works council meeting. These workers are commonly hired for at least a week. This is a unilateral managerial decision without union involvement¹⁸¹. Electra also informs the unions about operational issues, such as a temporary introduction of a night shift.

The current union involvement in Dreux only marginally exceeds legal stipulations. But it is likely that if workplace industrial relations were more cooperative Electra would not be against a more extensive union involvement. Unions signalize to the management cases of workers' dissatisfaction with work organization and task allocation due to health or personal reasons. The management appreciates union feedback but investigates the reasons of dissatisfaction and possibilities for improvement unilaterally. A typical issue of extra legal union involvement, and at the same time a point of conflict, is the planning of the factory's collective summer holidays. Electra already had to face a strike when the unions did not agree with the holiday's timing. The unions were able to penetrate into holiday negotiations using threats and militant action, and Electra now obtains their approval on holidays. To sum up, as a consequence of ongoing conflicts, union involvement in employment flexibility issues in Electra Dreux only marginally exceeds the legally prescribed procedures. In cases where cooperation goes beyond the law union input has been acquired by militant action instead of voluntary cooperation.

Employment flexibility is the major determinant of successful performance in Electra Kwidzyn. The legally stipulated union involvement therein is very limited, but in reality *Solidarność* has a quite extensive say in the factory's flexibility. The union understands the importance of flexibility and claims its involvement helps workers to cope with their working load and variable working time. Thus, it is an important part of trade union activity even though the union is too weak to increase employment security. The union's weakness relates to workers' fears of losing their jobs in an unemployment-stricken region. Legally, working time is the only flexibility issue to be negotiated with unions. In Electra Kwidzyn the working time calendar is negotiated annually and changes are introduced only upon union approval. Quarterly renegotiations and informal talks about operational working time changes (concerning i.e. the next working day) also happen; although they are not legally stipulated. The union enjoys an informally established veto right related to urgent working time changes. Electra's managers respect this right even if the union does not always approve changes proposed by the management.

While union involvement in other flexibility issues (mainly temporary workers) is not legally stipulated, the actual involvement goes far beyond the legal requirements. Both the management and the union realize the drawback of flexibility for the workers and their families. This is a shared value between parties with otherwise different interests. To compensate for negative effects, the parties jointly established a set of practices that lack

¹⁸¹ In Brugge the setting of the minimum contract length is an informal management-union agreement.

written formalization. First, the number of consecutive nightshifts cannot exceed five. Second, in order to cope with temporary over-employment in 2003, all full-time contracts of then employed production workers temporarily changed to three-quarters time contracts. This decision meant a decrease in working time and pay of concerned workers, but at the same time avoided dismissals. Finally, without any obligations on the side of Electra or Solidarność, Electra's HR manager with the union leader jointly proposed improvements in working conditions and compiled a list of social determinants (indicating the economic situation of the worker's family and the number of children) that the management uses when recruiting temporary workers as an additional indicator of the workers' earlier performance scores. Such practices are not common in companies in Poland. The reasons why Electra and Solidarność implemented these in Electra Kwidzyn relate on the one hand to the institutional decentralization of industrial relations and Electra's paternalistic attitude vis-à-vis workers, and on the other hand to the personality and intelligence of both the HR manager and the trade union leader and the interests of both women to improve factory performance and worker welfare. To sum up, union involvement in flexibility issues is extensive in Electra Kwidzyn despite lacking legal enforcement. This is a consequence of the voluntary commitment of Electra to cooperation with the union and the union's own ability to engage in flexibility issues via informal interactive bargaining instead of militant action. Particular economic reasons for involving the union in flexibility issues are not obvious, because the same practices could have been implemented also without the union.

Although employment flexibility is a central aspect of HRM in Electra Székesfehérvár, trade union involvement therein is limited. The Hungarian Labor Code does not stipulate extensive consultations with unions in functional and external employment flexibility. The conflictful relation between managers and the Video union did not facilitate an extensive extra-legal union involvement either. The Székesfehérvár situation shares many similarities with Dreux. Working time matters are the most important legally stipulated area of union involvement. Legally, employers can deploy a working time *annualization* over a period of eight weeks or longer if stipulated in a collective agreement. Electra's collective agreement stipulates an annual working time calendar, but the eight-week frame, in which working days can be operationally swapped with free days according to production needs, is much more important than the calendar. Electra would prefer a working time annualization for a longer period than eight weeks, but the trade union repeatedly vetoed this proposal. The union is also involved in other aspects of working time flexibility: upon the management's proposal the union has agreed to introduce a four-shift model over seven days a week, but requested that a night shift is followed by an afternoon shift instead of a morning shift. As in several occasions before, the Video union turned to the court before negotiations with Electra actually terminated. The union lost this court case and the shift order remained unchanged. The union does not play any role in recruitment¹⁸². Although it desires higher employment security, the

¹⁸² Electra is legally obliged to consult the union in case of collective dismissals, which did not take place in Székesfehérvár.

interests of temporary workers are not the union leaders' priority. As an outcome, locally unique flexibility practices, mainly worker exchange with the ice cream factory and the presence of temporary agency workers, are a unilateral decision of Electra.

Despite generally hostile relations between managers and union leaders in Székesfehérvár, certain evidence does show extra-legal union involvement. First, the parties concluded an agreement to announce overtime hours at least three days ahead of the planned overtime. Next, the management and the union jointly agreed to grant the workers shift bonuses that exceed the legally stipulated minimum. These provisions are part of the factory's formal collective agreement that is the only existing workplace agreement. The fact that Electra and the union were indeed able to agree on these extra-legal provisions suggests that interactive bargaining with cooperative strategies of both parties is not as unlikely as in Dreux where the unions always assign higher payoffs to tough strategies. In Székesfehérvár Electra and the Video union assign relatively high payoffs to eventual cooperation. The main condition for a more extensive cooperation is democratic union elections with the aim to reestablish the union's role of worker representation instead of representation of interests of authoritarian union leaders.

After highlighting the state of management-union interaction in employment flexibility in each factory, I conclude with a comparative overview of union involvement in each factory (Figure 7.3).

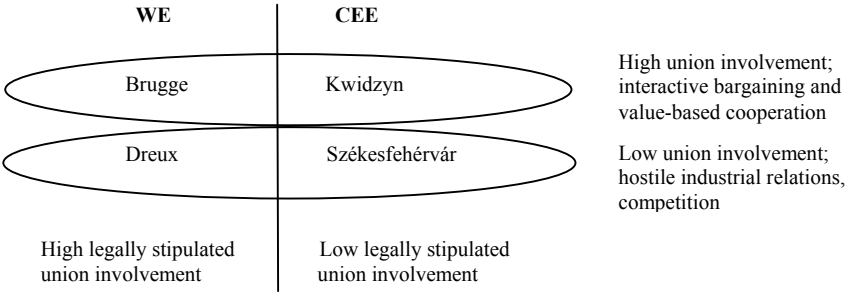
Figure 7.3 Evaluation of trade union involvement in employment issues

Factory	Trade union involvement		
	Legal	Social	Actual involvement (legal and social)
Brugge	Extensive	Extensive (trust and cooperative management-union interaction)	Combination of legal and extra legal dimensions: detailed legal obligations; interaction via interactive bargaining and cooperative exchange; union power to involve in extra-legal matters; willingness of Electra to coordinate with unions. Extensive trust and informal agreements.
Dreux	Relatively extensive	Limited (unions' militant action)	Marginally above legal requirements due to conflictful industrial relations; unions' power to involve in extra-legal flexibility provisions based on militant action. Low trust to conclude informal agreements.
Kwidzyn	Limited	Extensive (trust and cooperative management-union interaction)	Union power not legally granted but Electra's informal recognition; involvement is a result of extra-legal interaction; union's informal ability to get involved and Electra's interest in cooperation. Extensive trust and informal agreements.
Székesfehérvár	Limited	Limited (cooperation instead of militant action)	Conflictful industrial relations – union involvement within legal requirements; limited informal extra legal agreements. Electra generally interested in cooperation but with a representative union. Limited trust and informal agreements.

Two patterns are obvious from Figure 7.3. First, it is the two Western factories, Brugge and Dreux, where the law more extensively regulates union involvement in employment practices. However, it is not Brugge and Dreux where the actual union involvement is highest. Instead, it is Brugge and Kwidzyn, where Electra's and unions' interests in cooperative interaction facilitated an extensive union involvement in employment flexibility issues beyond legal requirements. In contrast, industrial relations in Dreux and Székesfehérvár are more hostile and far less cooperative, and union involvement in these plants only marginally exceeds legal requirements.

Several legally stipulated flexibility practices in which unions are involved are comparable across the studied countries. These refer mainly to working time and shift organization, the possibilities of working time annualization and decisions to hire temporary or agency workers. Thus, the law is a key resource for interaction and a framework for union involvement. The law allows the implementation of the same practices and to take the same decisions in different Electra factories. But the reality shows variation in deployed practices. If legally stipulated interaction between employers and employee representatives were central in determining the extent of union involvement in employment practices, one would observe a regional pattern of interaction. This means that due to a more extensive legally stipulated union involvement Electra would more extensively coordinate employment practices with local unions in Western Europe than in CEE. However, empirical evidence does not support the regional East-West divide. Instead, differences in the extent of union involvement exist on the one hand between factories with cooperative industrial relations, informal cooperation and high level of trust, and on the other hand factories with competitive and hostile interaction, conflicts, and low trust (see Figure 7.4).

Figure 7.4 A non-regional divide in interaction



7.3 Analyzing social interaction between Electra and workplace employee representatives

To corroborate the presented arguments, in this section I provide a game-theoretic analysis of management-union interaction in each Electra factory and account for payoffs that both Electra and unions assign to strategy options in their interaction.

Payoffs for Electra and the unions in Electra Brugge are strongly influenced by extensive legal regulation and union strength (stemming from the law as well as from strong sectoral and regional union organization). Empirical evidence shows that both Electra and the unions find cooperation to be most beneficial and assign highest payoffs (3) to this form of interaction (Figure 7.5). For Electra, cooperation secures industrial peace and allows embracing local labor market specificities in Brugge and benefiting from these via a competent union expertise. For unions, cooperation is beneficial because their involvement in employment practices and a contribution to the factory’s performance are even greater than legally stipulated. Instead of cultivating hostility and antagonism, interactive bargaining in management-union interaction evolved thanks to the willingness of both parties to cooperate. The law and extensive informal social interaction account for the fact that trade unions play a central role in developing and deploying employment flexibility practices in Electra Brugge. A precondition for the sustainability of the current equilibrium is that both parties can rely on the law if necessary and that both parties are committed to maintaining their current power relations relative to international pressures and local opportunities.

Figure 7.5 Interpretation of interaction: Electra Brugge

		Electra Brugge	
		COOP	TOUGH
Unions	COOP	3 3	1 0
	TOUGH	0 1	2 2

Besides cooperation, the Belgian situation suggests another possibility of a sustainable interaction form. The parties may also opt for competition and tough strategies (bottom right box). In fact, they do assign relatively high payoffs (2) to this possibility, because extensive legal regulation allows that unions switch to a tough strategy. In that case Electra also prefers a tough strategy. The other two strategies (cooperative MNC and tough unions, bottom left box; and a tough MNC vs. cooperative unions, top right box) are unlikely due to the strength of Electra and the Belgian legal regulation. Therefore, I argue that the existing cooperation in Electra Brugge is a result of the parties’ interests in cooperation via interactive bargaining. This is sustainable unless the unions [Electra]

decide to change their strategy from cooperative to tough. In this case it is best for Electra [unions] to do the same.

In Electra Dreux the union capacity for militant action compensates for legally granted powers. Drawing on ideological divides and union-management conflicts, both Electra and the unions opt for a tough behavior that yields highest payoffs (Figure 7.6, bottom right box, payoff 3).

Figure 7.6 Interpretation of interaction: Electra Dreux

		Electra Dreux	
		COOP	TOUGH
Unions	COOP	1 1	2 0
	TOUGH	0 2	3 3

The existing tough-tough game includes competitive and antagonistic relations, limited informal interaction and a low level of trust between managers and unions. Consequently, union involvement in employment practices above legal requirements is marginal.

The parties assign low payoffs to cooperation (top left box, payoff 1 for both parties). Due to persistent union militancy and lack of cooperation between CGT and other unions in the Dreux site, none of the parties is convinced that cooperation is sustainable under the existing state of industrial relations. Still, Electra declares its willingness to cooperate if more eagerness for cooperation were to be observed on the side of unions, especially CGT. In this case, actors’ preferred strategies could shift towards cooperation, with a similar fall-back option of tough strategies (based on legally required union involvement and own union powers to mobilize collective action) as in Brugge. This scenario is however unlikely, because even if Electra were to opt for cooperation (top left and bottom left boxes) it would not be sustainable as the CGT union would maintain its tough strategy (bottom left box, union payoff 2). Hence, the French unions always choose to play tough against the MNC (bottom left and bottom right boxes, union payoffs 2 and 3). Thus, competition is the dominant and sustainable interaction form in Dreux.

The structural and institutional conditions, influencing interaction and union involvement in Electra Kwidzyn, include a limited legal regulation on union involvement and high unemployment. Still, Electra’s willingness to engage in interaction with unions, and the ability of Solidarność to be a recognized and serious negotiation partner, account for the fact that both actors assign highest payoffs to cooperation (Figure 7.7, top left box, payoff 3 for both parties).

Figure 7.7 Interpretation of interaction: Electra Kwidzyn

		Electra Kwidzyn	
		COOP	TOUGH
Union	COOP	3 3	1 0
	TOUGH	0 2	2 1

Via cooperation, Solidarność has improved its position and extra legal involvement in employment flexibility in the Kwidzyn factory. For Electra, cooperation intensifies the local embeddedness that allows a better response to local specificities. Unless union involvement does not hinder factory performance Electra maintains that a voluntary cooperation with the union is the best option. The interaction form in Electra Kwidzyn is best described by shared values between Electra and the union (to maintain a well-performing factory, employment, fairness in mutual interactions, commitment to jointly established rules) and interactive bargaining facilitated by frequent informal contacts and trust. Both parties view this as an equilibrium state where no major changes in the existing interaction should be introduced. The effect of cooperative industrial relations and union involvement is a continuous successful performance of the factory.

Due to a long-term power asymmetry between MNCs and unions in Poland, Electra could play tough and preempt union involvement in Kwidzyn. However, because the MNC is satisfied with and committed to cooperation and shares the union’s interest in worker satisfaction and successful factory performance, managers assign only low payoffs to tough strategies (top right box, payoff for Electra 1). A higher payoff from tough strategies is only relevant if the union also decides to play tough (bottom right box, payoff 2 for Electra and 1 for Solidarność). The union assigns a relatively high payoff (2) to the situation when Solidarność would attempt to exploit the MNC’s embeddedness and interest in cooperation (bottom left box, payoff 2 for the union and 0 for Electra). However, tough union strategies are not likely, because Solidarność lacks the necessary power resources and could lose its informally established status and involvement in key employment practices.

Finally, in Electra Székesfehérvár interaction is influenced by a tight labor market, limited legal regulation on union involvement and union fragmentation. Except the tight labor market, local conditions are similar to Kwidzyn but workplace industrial relations evolved very differently. Building on 15 years of conflicts between the management and the union, the factory’s interaction is best described as a tough-tough interaction game (Figure 7.8, bottom right box, payoff 3 for both parties).

Figure 7.8 Interpretation of interaction: Electra Székesfehérvár

		Electra Székesfehérvár	
		COOP	TOUGH
Union	COOP	1 2	2 0
	TOUGH	0 1	3 3

The union, although lacking a strong legal backup and a sectoral or regional supporting organization, relies on its tough strategy of threats and the initiation of court cases. In general, these cases did not have concrete negative effects on the factory’s life, but management learned to respond tough (bottom right box). Even if the union would decide to cooperate, lacking trust in management-union interaction suggests that Electra would still remain tough (top right box, Electra’s payoff 2 for tough is higher than payoff 1 for cooperation in the top left box). A tough strategy is not always a straightforward choice of the union (bottom left and bottom right boxes). Both parties do see some benefits from cooperation (top left box). For Electra cooperation yields a smaller payoff (1), which is influenced by the long-term experience with the Video union. At the same time, Video assigns high payoffs to cooperation (2), but under conditions unacceptable for Electra. To improve the existing situation, the parties would have to build trust and learn to cooperate. The union would need to switch to a cooperative strategy, and Electra would have to assign a higher payoff to cooperation.

Although interaction in Electra Székesfehérvár resembles the Dreux situation, an important difference between the two factories is that cooperation is more likely in Székesfehérvár than in Dreux. In Dreux the ideological roots of union antagonism that hinder cooperation with the MNC are deeper and more extensive. In Székesfehérvár they are linked to the authoritarian union leadership. Thus, unions in Hungary assign a higher payoff to cooperation (top left box of Figure 7.8) than unions in France (top left box of Figure 7.6). Simultaneously, Electra assigns the same payoff (1) to cooperation with unions in both Hungary and France (top left box in Figures 7.8 and 7.6).

An interesting difference is also observed between Poland and Hungary. Both countries share similar institutional conditions of fragmented unions and decentralized bargaining. These local conditions function as a framework enabling interaction to develop exclusively at the workplace. Still, an explanation of the striking difference between the two factories lies in the actors’ social interaction. Cooperation in Electra Kwidzyn is better than in other companies in Poland (Kohl/Platzer 2004). Industrial relations in Electra Székesfehérvár are worse than in locally based firms and other Electra sites in Hungary. In Kwidzyn, the interest of Electra managers and union leaders in cooperation, the intelligence and professionalism of the HR manager and the union leader, and interaction by learning-by-doing, contributed to increased trust and cooperative exchange. In contrast, the main factors responsible for ongoing conflicts and a lack of trust in Electra

Székesfehérvár are the personal interests of the union leader, his dissatisfaction with his own dismissal from Electra and his ideological stand vis-à-vis MNCs. Personal interests of the leaders dominate the Video union's agenda and no democratic union elections have been held in the past 15 years. In this period the population of workers has changed and the number of temporary agency workers increased. Therefore, the current union leadership does not democratically represent workers' interests. Workers do not attempt to initiate a change in union leadership and rather prefer to disregard union-related activities, including social elections for the works council.

The above the game-theoretical analysis confirms that despite Electra's general openness to interact with local unions, the actual management-union relations vary according to union strategies and local conditions. Union involvement in the factories takes places via different interaction forms and reaches a different extent in each locally specific situation. The main factors influencing these differences lie in different legal stipulations and local conditions, but even more importantly in actors' social interaction. Economic influences on Electra's decisions whether to involve trade unions in their decision making are important, but only to the extent that union involvement does not hinder factory performance. Beyond this condition, the actual union involvement is socially constituted. Electra is willing to involve unions in decisions concerning employment practices as long as union involvement develops in a cooperative form of interaction. This is the case in Brugge and Kwidzyn, where both Electra and the unions assign highest payoffs to cooperation. In Dreux and Székesfehérvár both actors are more eager to play tough against each other, relative to the other actors' strategy and to the legal underpinning of management-union relations. Deriving from this finding, I argue that cooperation is more likely to develop in Székesfehérvár than in Dreux.

Whereas interaction based on actors' interests in cooperation enhances factory performance via desired employment flexibility, it does not mean that conflictful interaction hinders performance. Instead, the consequence of antagonism and hostility in management-union interaction has led to an exclusion of trade unions in decisions that are jointly taken with unions in factories with cooperative industrial relations. In factories without cooperative industrial relations union involvement in employment practices is limited to legally stipulated bargaining obligations. In other words, due to the power asymmetry between Electra and local unions, employment practices are implemented without union involvement if there are obstacles to cooperation on the unions' side.

The sustainability of current equilibria in management-union interaction is related to institutional conditions and to actors' relations. A strong institutional framework underpinning actors' interaction and the reliance of actors on established institutions suggest more stable equilibria because they have been achieved in an extensively regulated environment. If this is true, then Electra and unions in Brugge are more likely to maintain their cooperation than in Kwidzyn. However, the analysis has shown that because of the legal resources, actors in the Belgian conditions have more incentives to move away from current equilibria and to opt for tough strategies and interaction by competition instead of current cooperation. In contrast, because of a lacking legal underpinning of management-

union interaction in CEE countries, actors have less incentives to move away from existing equilibria. This is because their current interaction form is based on their values, trust and emerging social norms, relative to local conditions. The sustainability of interaction forms is directly related to Electra's and the unions' commitment to shared values, i.e. a well performing factory, maintaining employment, and feasible working conditions. Thus, I argue that the sustainability in management-union interaction that has been achieved in conditions lacking incentives for alternative interaction options is more stable than equilibria in conditions where the legal regulation or union strength allow for alternative strategies.

7.4 Conclusions

To conclude, workplace industrial relations do play a crucial role in the institutionalization of employment practices and consequently in Electra factories' performance and competitiveness. Differences exist in the actual way in which industrial relations matter, the most important influence being the actors' interests in cooperation and the form of social interaction between managers and trade union leaders. I formulate several arguments according to the legal, the social, and the economic dimension of why and how Electra engages in coordinating employment practices with local trade unions and works councils.

First, Electra's factory managements, and local industrial relations in each factory, are more important in the shaping of the ultimate face of employment practices than the corporate, product division, or country headquarters. This is congruent with Electra's interest in benefiting from the variety of existing local conditions. Responsiveness to local conditions may take place via unilateral managerial action, or via social interaction with, and involvement of, local actors. Electra's behavior in each host country and factory confirms the MNC's interest in engaging local actors in its workplace employment practices that are central for the factories' performance. The goal of interaction is not to implement the same employment practices across studied factories. The aim of management-union interaction, albeit showing similar MNC behavior towards local actors, is to make the most of diversity and to develop different employment practices in Belgium, France, Poland and Hungary.

Second, I studied the legal, economic and social dimensions of the interaction of several influences on workplace management-union interaction and union involvement in employment issues. I argue that the extent of legal regulation, differing between Western and Eastern Europe and potentially being the basis for a regional pattern of union involvement, is not the key determinant of the actual social interaction form and union involvement in employment practices in Electra factories. Certainly the legal stipulations have to be respected, and are in fact respected in Electra. Nevertheless, whereas the law serves as a resource for union involvement, it is the actors' interest to coordinate and their actual social interaction that reinforces the extent of involvement and the form of interaction. In Brugge and Kwidzyn we find management-union interaction in the form of

interactive bargaining and values-based cooperation. In contrast, in Dreux and Székesfehérvár workplace industrial relations evolve in the form of competition and are dominated by conflicts and hostility. Thus, actors' positive experiences in social interaction, based on shared values and interactive bargaining on topics of mutual interest lead to a higher degree of union involvement and render higher satisfaction to both Electra and local unions. In contrast, the input of unions in employment practices is minimized to legally required minima and is seen as an obstacle in factories where managers and unionists do not get along well and their mutual trust is limited. A similar argument holds for the involvement of works councils. However, the role of works councils in Electra is secondary to the role of unions.

Besides the legal and social dimensions of interaction, economic reasoning underlies that union involvement will develop when both the management and the unions perceive that their relative utilities could be maximized (Aoki 1990; Deery/Iverson 2005). Evidence from Electra shows that management-union interaction is not limited to formal bargaining based on economic calculations. Instead, workplace industrial relations obtain their typical flavor from the existence of informal interaction that rarely relates directly to particular economic benefits and utility maximization. Obviously Electra's strategic activities are primarily shaped by competitiveness and a profit drive, but this strategic conception is not highlighted in every single informal encounter between individuals at the workplace. In factories with a positive experience in union-management interaction Electra involves unions beyond legal requirements and even in matters without a clear indication beforehand of economically superior outcomes. According to economic reasoning and the information available at the time of decisions on union involvement, the management could have taken the same decisions unilaterally. In sum, the economic dimension of involving unions in Electra's decision making on employment practices is important, but not decisive. It constitutes a benchmark to which the MNC compares its formal strategic plans, but not informal interaction that is the essence of the workplace industrial relations and power relations. Social interaction is more decisive for concrete union involvement in employment practices than both the MNC's business and profit strategy and the existing legal regulation in host countries.

Chapter 8

Two faces of international trade union interaction and the European Works Council

The previous chapter has shown that trade unions do play a crucial role in maintaining variation in employment practices through their social interaction with Electra. This argument is confined to trade unions and/or works councils in a particular *local* context – in host-countries and Electra’s subsidiaries. In this chapter, I depart from the local context and question what role unions and works councils play at the international level. More concretely, I study the functioning of the cross-border interaction of trade unions and employee representatives via Electra’s EWC; and the capacity of this interaction to facilitate or constrain MNC behavior in driving variation in employment practices. Besides the European-level trade union structures and networking among *national* trade union confederations, another dimension of interaction, namely that at the *company* level, is equally important (Arrowsmith/Marginson 2006; Marginson 1992).

First, I discuss general interaction among national trade union confederations from Western and Eastern Europe. This provides evidence on overall union strategies and offers a broader context for understanding union interaction within Electra’s subsidiaries in different countries¹⁸³. Second, I investigate formal and informal cross-border interaction of workplace union representatives from Electra’s subsidiaries (channel δ_1). The third level studied is Electra’s European works council (channel δ_2) and its role in union and works council activities vis-à-vis Electra’s management at corporate and local levels.

The chapter is structured as follows. First, I present a general discussion on international union networking and recent evidence from the existing literature. The second section discusses the interaction of national union federations across Western and Eastern Europe based on my own interview data. In the third section I present the state of East-West interaction of company-level union representatives in Electra. The fourth section focuses on Electra’s EWC. The fifth section analyzes the presented evidence and draws implications for company behavior and the variation of workplace employment practices.

¹⁸³ Interview information in this chapter is based on evidence collected in Belgium, the Netherlands, Poland and Hungary.

8.1 International trade union cooperation within and beyond European works councils: overview of evidence

Just like Electra's management at different organizational levels, employee representatives in different countries and subsidiaries may attempt to foster cross-border relations and coordinate their endeavors. Why should one expect unions to cooperate across borders? The existing literature suggests several motives, e.g., political and legal developments at the EU level, enactment of EU Directives (mainly the Directive on EWCs), prospects for transnational collective bargaining within the European Monetary Union, structural circumstances that facilitate transnational trade union organization, or an exposure to management benchmarking of subsidiaries in MNCs (Arrowsmith/Marginson 2006; Vos 2006; Marginson 2000; Marginson 1992). Another reason to expect unions to develop international ties in Europe is their attempt to improve social standards in CEE based on international benchmarking of work practices in order to decrease the threat of social dumping for Western European countries and the emigration of industries to lower-wage countries in CEE (Scharpf 1997: 81). Two effects are expected as a consequence of cross-border union cooperation. First, institutionalized union cooperation (i.e., in the form of EWCs) can facilitate cross-border collective bargaining and eventually a harmonization of working conditions in different countries (Waddington 2006; Marginson 1992; Levinson 1972). Second, international union networking can strengthen the bargaining positions of trade unions vis-à-vis MNCs and their subsidiaries in national settings even if a formalized international bargaining structure has not yet emerged (Arrowsmith/Marginson 2006).

The literature shows a bipolar pattern in international networking. Employers generally organize better than trade unions although union networking is also increasing (Arrowsmith/Marginson 2006: 250). In-depth empirical evidence on international and in particular East-West union interaction is not extensive. The role of EWCs and prospects for international bargaining at this level are to a much greater extent addressed in the literature than direct union interaction.

Membership and involvement in international union structures such as the European Trade Union Confederation (ETUC), International Confederation of Free Trade Unions (ICFTU), Trade Union Advisory Committee to the OECD (TUAC), or the sector-level European Metalworkers' Federation (EMF), is an important dimension of cross-border union networking. In Europe, such organizations represent member unions in promoting the European social model, influencing European legislation, and conducting collective framework agreements with employer representatives. Several agreements have been implemented in the form of EU Directives¹⁸⁴ and thus influence the operation of companies in the EU indirectly via EU-level legislation.

¹⁸⁴ Directive on parental leave (1996), part-time work (1997), fixed-term contracts (1999). Except these directives, ETUC and employers concluded agreements on teleworkers' working conditions (2002), life-long learning and development of competencies and qualifications (2002), work-related stress (2004), and gender equality (2005). Source: www.etuc.org [accessed 23.11.2006].

The process of CEE unions' integration into the above international union structures reflected the domestic competition and fragmentation of different union organizations. OPZZ, the largest union in Poland, joined international structures later than its competitor Solidarność (Meardi 2002: 87). Today OPZZ is part of several international structures except TUAC. In Hungary, all six national union confederations are ETUC members, four are ICFTU members and two confederations are TUAC members¹⁸⁵.

Next to institutional contacts, the literature on industrial relations in CEE countries documents extensive bilateral interaction with foreign unions (Kahancová 2003a; Kahancová 2003b; Draus 2001a; Draus 2001b). Meardi (2002) argues that trade unions in Poland very closely follow all European developments and assign an important role to relations with Western unions. An example of concrete outcomes that grew out of international cooperation between Polish, American and Western European unions is the establishment of the Union Development Unit that promotes unionization in private enterprises in Poland¹⁸⁶. However, the content, process and mechanisms of international union interaction are rarely studied in the literature. Limited evidence shows that instead of straightforward alliance-seeking only among foreign union partners, new and unusual alliances did emerge, for instance between Eastern trade unions and Western employers (MNC headquarters) who share an interest in East-West harmonization of employment practices (Meardi 2002). Alternatively, Western unions found alliance with Eastern employers in order to defend the existing status quo in working conditions, particularly wages (Meardi 2002: 94). Arrowsmith/Marginson (2006) studied cross-border union interaction in MNCs in the metal sector in WE and found a great diversity of interaction patterns, ranging from less developed links to a well-established dialogue between French and Belgian unions. However, union representatives also reported an increased parochialism of union members in the face of possible production transfers (Arrowsmith/Marginson 2006: 252). If demonstrated in greater detail, this finding indicates a tension between different levels of union relations, with national-level unions fostering international contact and company or regional unions being more protectionist and thus locally oriented.

In contrast to union interaction, EWCs in particular sectors and companies are well studied in the literature (Arrowsmith/Marginson 2006; Waddington 2006; Marginson et al. 2004; Meardi 2004; Waddington 2003; Lecher/Rüb 1999; Marginson 1992). Evidence shows that many EWCs remain in rudimentary forms, with an inadequate quality and breadth of information and consultation procedures (Waddington 2006; Waddington 2003). Great variation is found in the functioning of EWCs in different sectors but also individual MNCs (Arrowsmith/Marginson 2006). In contrast to those in the chemical industry or banking, EWCs in the metal sector have developed a more active role and at

¹⁸⁵ Many of these memberships were obtained only recently in the past three years. In 2003 only five unions were part of ETUC, three were members of ICFTU, and one union participated in TUAC. Source: Kahancova (2003a), ETUC (www.etuc.org, accessed 23.11.2006), ICFTU (www.icftu.org, accessed 24.11.2006), TUAC (www.tuac.org, accessed 24.11.2006).

¹⁸⁶ The first success of this cooperation was the unionization of workers in six foreign-owned supermarket chains between 1999 and 2001. Source: Kahancova (2003b).

least some influence over national and local collective bargaining (Arrowsmith/Marginson 2006; Waddington 2006).

Different perspectives on EWC's functioning by MNCs from different home countries, but also different national perceptions of employee representatives, are the major reasons of EWCs' institutional weakness (Waddington 2006: 331). On the one hand, national union representatives use EWCs to defend and extend national interests (Hancké 2000; Marginson 2000; Streeck 1997b). On the other hand, EWCs are used by MNCs to advance the Europeanization of corporate power and corporate functions including HRM (Lecher/Rüb 1999; Streeck/Vitols 1993). From a more optimistic perspective, EWCs are seen in the literature as an institutional framework for international union networking which can potentially underpin cross-border bargaining and is thus an important step towards the Europeanization of MNC-union interaction (Arrowsmith/Marginson 2006; Meardi 2006; Meardi 2004; Lecher/Rüb 1999).

To assess the relevance of EWCs for MNC behavior and eventually convergence of employment practices, more research is needed to explore the EWC structures, processes of communication and patterns of internal interaction of representatives. Explorations into the inner life of EWCs are essential for a conceptualization of EWCs as distinct European institutions (Marginson 2000; Lecher/Rüb 1999;). The current literature seems to agree on three alternative paths of EWC functioning that are independent of the company sector or home country (Marginson 2000; Lecher/Rüb 1999; Stoop/Donders 1998; Levinson 1972). First, the EWC is a meeting point of national interests with little or no regular independent contact or coordination between members. Such *polycentric* EWCs lack the institutional capacity for international value sharing, influence on MNC behavior in driving convergence or variation in employment practices and promoting the cross-border interest representation of employees vis-à-vis MNCs. Second, in *ethnocentric* EWCs, representatives of the MNC's home country dominate the EWC's functioning and members from foreign subsidiaries are marginalized. In such circumstances, it is likely that management-union interaction in the MNC's home country will be reflected in the EWC's functioning. Third, EWCs develop a real international function in the interaction of member unions and in interaction between unions and the MNC. In Levinson's (1972) terminology, such EWCs are *geocentric* and develop a new collective identity, shared values and an agenda that is distinct from the national interests of members. Geocentric EWCs have the highest potential to become a creative actor in the network of national and transnational industrial relations (Lecher/Rüb 1999: 20). In the following sections I assess Electra's EWC in light of this typology and draw more concrete conclusions about its impact on behavior related to convergence in employment practices.

Upon the 2004 EU enlargement, EWC extension to CEE countries has brought new challenges and tensions to the functioning of EWCs. Some MNCs successfully included CEE representatives even earlier than 2004 (e.g., Volkswagen, Electrolux, Audi, Opel, Nokia)¹⁸⁷. But other companies hesitated with the inclusion over several years or

¹⁸⁷ Source: interviews with trade union representatives in Poland and Hungary.

experienced difficulties and diverging interests between Western and CEE representatives (e.g., FIAT, Danone, Renault, see Meardi 2004). The extension of EWCs to CEE countries has helped to uncover two indirect effects in which the EWCs affect the MNC's interaction with local workforces and their representatives. The *information effect* means that CEE unions, by being more exposed to interaction with their Western counterparts, draw on Western resources and are thus better able to exert pressures on management and influence MNC behavior in CEE conditions (Meardi 2006). The *legitimacy effect* allows CEE representatives to bypass local managements and to access headquarters in order to create a new alliance (ibid.).

To conclude, available literature highlights the relevance of the international networking of trade unions but presents mixed evidence on the capacity of such interaction to influence MNC strategies and cross-border convergence in employment practices. Evidence varies from sector to sector and from company to company. In contrast to evidence on trade union interaction, rich evidence is available on EWCs. This has led to a typology of polycentric, ethnocentric and geocentric EWCs. The information and legitimacy effects of the EWC are important in assessing the real impact of this representation body for MNC behavior and for variation in employment practices. Within the presented general evidence, the next three sections offer detailed insight into union and EWC interaction between Electra's Western and Eastern union representatives. I also draw implications for company behavior and convergence in employment practices.

8.2 East-West trade union interaction in Europe: a country-level perspective

Evidence collected in interviews with trade unions in WE and CEE confirms that the presence of foreign employers and MNCs is seen as an important incentive to foster an international union orientation and a cross-border exchange of union resources. The following quote from the Belgian ACV Metaal is illustrative:

“[Due to] the fact that we were a colony of foreign companies, we always had to be in contact with other unions...So it's a common goal that we are oriented to other countries and we adapt to their systems, but we maintain our strength, our ideology and our way of working. We are open to Europe – very open, because after the Second World War, we were re-industrialized by the Americans, in the 1960s by the Germans and the British...so it's a natural process. [Belgian unions, both ACV and ABVV] put a lot of energy in European trade unionism¹⁸⁸.”

Western unions maintain closer contacts within Western Europe; but since 1989 the landscape of international unionism has been gradually integrating unions from CEE

¹⁸⁸ Interview ACV Metaal Headquarters' representative, 19.10.2004.

countries. Sectoral and national-level unions both in the West and East maintain that international interaction in the form of institutional, bilateral or multilateral contacts does have an added value in several aspects, for instance in decreasing the threat of social dumping, developing shared employment regulation standards, and diffusing them in CEE where employment standards tend to be lower in various aspects than in Western Europe. Using the words of a Polish representative of Solidarność:

“...[Unions] are aiming at avoiding double standards. I am not talking about wages, but safety rules, environmental issues, corporate social responsibility. If you have a good company respecting all those standards in Sweden, why not respect the same standards in Poland? We can be good at fostering these standards if we have good knowledge on this. If you don't know what you are striving for, it is a problem¹⁸⁹.”

Even though such efforts do not represent a joint international trade union agenda, they are the basis for developing shared values about employment standards in different countries. The flow of information, necessary to build up these values, is predominantly channeled by international trade union organizations. The interviewed unions perceive institutional membership in the EMF to be the most important channel of interaction. EMF also mediates many bilateral contacts between the Dutch FNV, Belgian ACV Metaal and ABVV Metaal, Hungarian Vasas and Polish Solidarność. Beyond institutional contact, evidence suggests that a dynamic bilateral union networking exists at the level of national trade union (con)federations. Contact is more extensive among Western Unions; but over the 1990s contact with Solidarność, Vasas, and the Czech OZ Kovo has intensified, too.

The content of international union interaction at the level of national union organizations focuses on two prevailing issues: benchmarking working conditions and the training offered by Western unions to CEE union partners. Benchmarking conducted across Western Europe is mainly used by Western unions (ACV, FNV) as a resource in national bargaining. Benchmarking with CEE or other non-Western countries is necessary for future union strategies. The loss of manufacturing jobs in WE and the emigration of industries to low wage countries is the main trade union concern for the coming years. To cope with this concern and to develop an appropriate strategy, unions appreciate information from other countries. Western union leaders describe their encounters with Hungarian, Polish or Brazilian unionists and visits in these countries as eye-openers¹⁹⁰.

Building on the availability of extensive institutional facilities, the ACV and ABVV unions in Belgium are especially active in offering workshops and training to unions from CEE and EU candidate countries (Turkey). Western unions maintain that such union encounters during the training sessions are a good basis for developing trust and future union interaction¹⁹¹, but also for rediscovering international solidarity and issues of

¹⁸⁹ Interview Solidarność international coordinator, 28.4.2004.

¹⁹⁰ Interview FNV Bondgenoten chief negotiator for Electra, 15.6.2004.

¹⁹¹ Interview ACV Metaal chief negotiator for Electra in Belgium, 19.10.2004.

collective interest¹⁹². Polish and Hungarian unions appreciate training mainly because it improves their bargaining skills and power relations in local interaction with MNCs. It also helps to *civilize* some employers, especially small foreign companies¹⁹³. In this respect, my evidence confirms Meardi's (2002) argument that the availability of Western union resources helps CEE unions to strengthen their domestic bargaining position (information effect) and leads to a creation of various East-West alliances between socio-economic actors (legitimacy effect).

The effect of interaction for Western and Eastern trade unions is however not equal and reciprocal. Although admitting benefits from Western union resources, CEE unions admit a lack of attention of Western unions to learn from the values, strategies and behavior of Eastern unions. CEE unions feel *colonized* by Western practices without reciprocity in interaction. Both Solidarność and Vasas are convinced that some of their practices should be a value for Western unions, e.g., greater business awareness, closeness to workplaces and the typical work habits of CEE workers. Western unions also admit some tensions at lower levels of union interaction in the companies. International union ideology is the priority; however, when it comes to concrete actions the reference point is national differences and a lacking tradition of fostering international union contacts.

“...[U]nions in the old EU countries got a little bit bureaucratic, sitting and having good operators, strike funds, developed structures and machineries working, but there is a lack of some dynamics. Solidarność still feels that the real thing is having intensive contacts with employers [at] the company level¹⁹⁴.”

“...When [Western unions] complain that we Hungarians take up work for much less money, I'm sorry, this is the market, this is not a reason for blaming the unions. The Hungarian working conditions are such that a Hungarian worker is rather willing to work even for less money than to be unemployed and excluded from work life. Because of this, we feel there are some tensions between us and Western unions¹⁹⁵.”

Unions also encounter other problems that complicate the future of cross-border unionism and collective bargaining. These include high union plurality and fragmentation in CEE that creates difficulties for Dutch and Belgian unions in finding cooperation partners with a similar ideology. The limited language abilities of CEE unionists are also admitted as a source of difficulties. The unions themselves recognize this problem, but lack the facilities to provide language courses for their delegates. Language courses

¹⁹² Interview FNV Bondgenoten chief negotiator for Electra, 15.6.2004.

¹⁹³ Interview Solidarność international coordinator 28.4.2004; interview Vasas president, 13.12.2004.

¹⁹⁴ Interview Solidarność international coordinator, 28.4.2004.

¹⁹⁵ Interview Vasas president, 13.12.2004 (translated from Hungarian by the author).

offered by MNCs for EWC representatives from CEE countries are a partial solution to this problem.

In sum, the development of East-West trade union interaction at the level of national union organizations yields emerging patterns of international union cooperation. Although we cannot yet speak about an international union agenda, the current situation is best described as an early stage of values-based cooperation between different unions. Beyond talking about the relevance of international contacts, unions took concrete actions to strengthen their East-West cooperation. Barriers that impede international values-sharing and cooperation among unions include limited language abilities and structural obstacles to interaction; and even more importantly tensions derived from differing working conditions and an unbalanced exchange of union resources between West and East.

8.3 East-West trade union interaction in Electra: a company-level perspective

Company-level union relations between Electra's Western and Eastern trade unions reveal different dynamics than international interaction of national-level unions. Opposite to findings on union networking from a national perspective, I find that regular international contact among unions at Electra is limited. In fact, none of the interviewed union representatives in Electra's subsidiaries maintains regular contact or e-mail exchange with foreign counterparts. In Western Electra sites, unionists feel demotivated to foster cross-border cooperation after the number of intensive factory reorganizations in the past 20 years that raised predominantly local concerns about the future of existing factories¹⁹⁶. Initial contacts were based on the curiosity of Western union leaders about the functioning of Electra's factories and working conditions in CEE. But these contacts did not transform into a stable and continuous interaction. Instead, workplace union representatives in Electra's Western subsidiaries often view their CEE counterparts as competitors. CEE unions initially expected more cooperation with Western unions and were disappointed by the lack of interest from their Western union colleagues. However, they understand that there are no sentiments in union business¹⁹⁷, especially when Electra's subsidiaries face internal competition.

A closer look at the interaction between Electra's union leaders in Western and Eastern Europe reveals several sources of why the existing contacts are limited and hostile. These range from broader concerns, such as Electra's decentralized organization and the demotivation of unions to search international allies, to more specific fears of unionists related to reorganizations and (threats of) production relocation from Western to Eastern Europe.

Electra's traditionally decentralized organization gives few direct incentives for unions to organize across borders and rather encourages a local character of union activities. International initiatives started to take concrete shape as early as in 1967 when

¹⁹⁶ Interview ABVV Metaal headquarter office, 28.10.2004

¹⁹⁷ Interview international union coordinator for Solidarność, Electra Poland, 10.5.2004.

unions affiliated with the EMF proposed that Electra holds informative discussions at the European level. Four meetings were held prior to 1975. As soon as the unions requested formalization of working conditions in European-level agreements, Electra argued that the company was neither able nor prepared to conclude agreements because of the existing autonomy of its subsidiaries. Electra highlighted that the composition of employment practices depends upon national, regional and local preferences, and Europeanizing ‘a few plums from the total package’ would be illogical and contradictory to the local orientation of daily management and union issues (Dronkers 1975: 168). Thus, the decentralized organization of the MNC is the first, although indirect, obstacle to international union interaction. Today, the unions continue to argue that Electra does not support cross-border union networking because it could have a negative impact on the MNC’s restructuring plans. At the same time, unions admit that a lack of encouragement from the company does give incentives to fight harder for a united international union function. Within overall international networking efforts, Belgian unions have been the most active in bringing together Electra union representatives from different countries, for example in the 2005 Visegrad training for representatives from CEE countries. These efforts were successful in facilitating a small number of personal encounters, but did not produce more regular contact.

Obstacles deriving from union attitudes and strategies play a more important role than the MNC’s decentralized organization. A broad difficulty is the unions’ unwillingness to search for international partners, because of an enduring conviction of the local relevance of union activity. The EMF efforts in late the 1960s failed to defeat the trend of workplace unionism in WE subsidiaries not only because of Electra’s opposition, but also because of a lack of attention from unions. Union representatives think that having more information on other factories could possibly contribute to a more open perception of workers in Electra’s foreign factories. To obtain such information, unions admit that the fundamental image of foreign workers and unions as competitors, and the local focus of union actions, would need to be overcome¹⁹⁸. Quotes from both Polish and Dutch union representatives illustrate this point:

“On the general level, international cooperation works fine, but on the company level people are not that interested in international trade union business. They don’t see benefits of international cooperation....Very often unionists don’t know how to find international partners; even though they have a foreign partner they don’t know how to get benefits from such cooperation. It is not enough to do some social or trade union tourism; we need to develop real discussions¹⁹⁹.”

“People are married with the local factory and they are not interested in the national level, and even less in international level. There is a small

¹⁹⁸ Interview ACV Metaal representative, Electra Brugge, 26.10.2004.

¹⁹⁹ Interview Solidarność international coordinator, 28.4.2004.

movement among Electra trade union members to [develop] international cooperation, but I think most of the union members only think about what is going on in my factory, my factory is the world²⁰⁰.”

Even when unions do succeed in finding cooperation partners, the problem is determining who will coordinate international interaction. Electra’s Western and Eastern union representatives agree that the Dutch unions should take the lead in organizing cross-border unionism because Electra is a company of Dutch origin with headquarters based in the Netherlands. When exploring the standpoint of Dutch unions in greater detail, several crucial obstacles to international union interaction become obvious. In their defence, the Dutch unions argue that the main problem is that national, international or global cooperation is not the first priority of Dutch workers and unions. The tradition that each Electra factory in the Netherlands had its own specialization for many years has shaped union orientation to such an extent that unions became powerful at the local level and focused on developing cooperative relations with the *local* managers. In recent years, employment practices of blue-collar workers remain locally determined even though Electra’s headquarters increasingly centralized strategic decisions. Union responses to current strategic challenges would thus necessitate a response beyond the local level, but in a tradition lacking coordinated unionism this remains problematic. FNV’s chief negotiator for Electra recognizes these problems as well as the necessity to foster international union relations. However, her arguments do not find support among local union leaders and workers whose concerns centre on employment conditions and job security in particular Dutch factories. As she notes,

“...the Dutch union representatives will be very angry at me if they find out that I am in Poland, or in Brussels, or elsewhere. I think we can learn a lot, being in Poland was a complete eye-opener for me. But if you ask a normal Electra employee here, he says ‘*Poland – that is far away. My concern is whether I still will be working here tomorrow*’.”²⁰¹ ”

Similar to the Dutch evidence, Belgian union representatives report tensions between the higher-level union organizations and the shop floor representatives who are predominantly concerned with their local activities and view Eastern European unions as competitors enabling work to shift from WE to CEE²⁰². In consequence, international union relations at Electra suffer a lack of trust on both sides of the former iron curtain, as documented by the following quotes from Belgian and Polish union representatives.

“... We fear some reservations sometimes, from [Eastern European unions], but also from us. Sometimes the discussions are not open. It is not lying, but

²⁰⁰ Interview FNV Bondgenoten chief negotiator for Electra Netherlands, 15.6.2004.

²⁰¹ Interview FNV Bondgenoten chief negotiator for Electra Netherlands, 15.6.2004.

²⁰² C.f. interview ABVV Metaal headquarter office, 28.10.2004.

we don't say [everything], and the others don't say [everything]. There is not enough trust. Because the move is that our products go to [Eastern Europe], it's important for them to have work, but for us it's important to have new things to do.²⁰³,

"We [the Polish unions] cannot compare ourselves to the Dutch unions, because they never showed us their cards. They did everything to prevent us seeing their strategies. They have chosen one way, we have chosen another one. We know that there are no sentiments in business. The best ones will survive. We constantly tell our union members that if they fail to satisfy management requests, they will be out of the game."²⁰⁴,

For reasons related to the direction of Electra's production shifts, hostility in company-level union relations is more extensive on the side of Western unions than among CEE unions. Polish and Hungarian unions expected a more intensive cooperation to develop and were disappointed that the Western union counterparts in Electra's subsidiaries were not interested in regular contact and exchange of information. The CEE representatives felt that Western unions locked them out from issues of strategic importance in Electra. In consequence, not only Western unions, but also Poles and Hungarians have started to cultivate a hostile and competitive relationship. Disappointed by the lack of Western unions' interest, CEE unions were increasingly convinced that the best strategy is to prove to Western unions that Electra can indeed achieve better productivity and profits in its CEE subsidiaries because of motivated workers, cooperative unions, and generally better conditions for mass production.

A lack of solidarity is also obvious between Belgian and Dutch unions, which are at first glance expected to share the same concerns due to similar production reorganizations and institutional conditions in continental Western Europe. For instance, when Electra's Belgian factory in Hasselt was closed in 2003, Belgian unions openly protested at Electra's headquarters in the Netherlands, but were disappointed that the Dutch unions did not support their efforts. Belgians claim to have supported several union actions concerning Dutch production sites; but complained about the lacking reciprocity from Dutch unions²⁰⁵. The Dutch union leader sees that the main problem is the growing individualism of union members and difficulties in finding issues of collective interests:

"We have to learn that not only Electra, but employees also have to change, they have to change their thinking.In the Netherlands, we don't see possibilities to grow because we have everything we want. We are living in a world where everything is arranged. It is normal that on first of January you get more money, it is normal that you have a day off tomorrow, it is normal

²⁰³ Interview ACV Metaal regional leader West Vlaanderen, 7.10.2004.

²⁰⁴ Interview international union coordinator for Solidarność, Electra Poland, 10.5.2004.

²⁰⁵ Interview ACV Metaal leader and chief negotiator for Electra in Belgium, 19.10.2004.

that you go for vacations for three weeks People think they have all the rights and these rights are automatic. ... Younger people don't become trade union members, because they don't see a reason, a need for fighting for basic things does not exist anymore. People are fighting for retirement, against noise, for sickness leave, childcare, etc. Everybody is fighting for personal issues; we don't have a collective issue anymore. The big problem is solidarity. Is there still solidarity? There is no solidarity anymore...everybody is fighting for their own targets, and at the end we don't win anything at all, we are only losing as a trade union. We have to learn to find issues of collective interests again²⁰⁶."

To sum up, international union interaction at the company level is underdeveloped not only because of the decentralized MNC structure, but mainly because of the unions' local orientation. This accounts for hostile and competitive union relations across Electra's subsidiaries in Western and Eastern Europe. It is in contrast with the networking of national union federations that draw on international union resources to a greater extent. To overcome the local orientation of unions, a greater coordination of their actions is necessary not only in an international, but first in a national dimension (particularly in the Netherlands). Unions in other MNCs were more successful in mastering international contacts. This was possible because the structure of these companies and a great similarity of subsidiaries in different countries helped the unions to find common interests across borders. The current state of Electra's cross-border union networking does not pose a significant challenge for management behavior in continuing a decentralized HRM strategy. Because of locally embedded interests and limited and hostile contacts, the chances to develop an international company-level union agenda are limited.

8.4 Institutionalized international interaction: Electra's European Works Council

The fact that company-level unions failed to build a capacity for cross-border coordination inspires a further inquiry, namely, the extent to which Electra's EWC is capable of developing an effective role and international influence on Electra's behavior in employment issues. Electra's EWC – the European Electra Forum (EEF, or Euroforum) – is the only institutionalized channel for cross-border interaction between Electra's employee representatives across Europe. Following the EU Directive 94/45/EC, Electra's management and employee representatives concluded an agreement on the EEF in May 1996. Since the 2004 EU enlargement, the EEF now has 26 employee representatives from 16 EU member states. The allocation of seats is based on the number of Electra's employees in a particular country²⁰⁷. The Euroforum meets twice a year and the meetings

²⁰⁶ Interview FNV Bondgenoten chief negotiator for Electra Netherlands, 15.6.2004.

²⁰⁷ EEF's seat allocation as of October 2004: one representative from countries up to 5,000 Electra employees (United Kingdom, Belgium, Austria, Spain, Italy, Portugal, Switzerland, Sweden, Norway, Denmark, Finland,

are chaired by Electra's EMEA headquarters. Electra's European CEO acts as the EEF chairman. Other participating managers include the EMEA HR manager and the EMEA manager for European industrial relations and labor affairs. Regular activities of the Euroforum in between the two annual meetings are carried out by an elected committee of five employee representatives and one management appointee²⁰⁸.

8.4.1 Formal functioning: the management's extended hand?

According to the Euroforum agreement, EEF's main function is *information* and *consultation* of issues of central importance for Electra employees in Europe. These include developments in the field of business and employment, the financial and economic situation of Electra, the MNC's legal and organizational structure, major investments, mergers and production transfers, and the introduction of new working and production processes. In the agreement, consultation refers to the exchange of views and a dialogue between managements' and employees' representatives.

In practice, every EEF meeting offers several presentations on issues of actual relevance, followed by questions and answers. Interviewed Electra's managers (at headquarters as well as in the host countries) share the view that participation in EEF benefits employee representatives by giving them access to broader information on Electra's business. That should influence the formation of bargaining strategies of Electra's trade unions in local conditions²⁰⁹. Nevertheless, Electra sees that interaction with local and national trade unions in different countries is of a greater value for the company's behavior and reputation towards employees and the society than the EEF²¹⁰. Electra argues that the revealed role of the EEF is to transmit information to employee representatives, increase their business awareness, and *sell* them Electra's arguments concerning restructuring²¹¹. Except stressing this role, managers do not recognize EEF's potential to bring valuable input for Electra's behavior via actual *consultation* with employee representatives. In fact, Electra openly admits that input from employee representatives in the EEF is not extensively welcome, because it would indirectly strengthen cross-border awareness of employee representatives and support a Europeanization of trade union concerns. This is in contrast with Electra's decentralized and locally oriented employment strategy. Therefore, Electra is not willing to encourage collective input of representatives in the Euroforum:

Greece, Ireland, Hungary and the Czech Republic); two representatives from countries with 5,001-10,000 Electra employees (France and Poland); three representatives from countries with 10,001-20,000 employees (Germany); and four representatives from countries with 20,001-30,000 employees (the Netherlands). Source: Electra (2001); interview EEF Vice-Chairman, 27.2.2004.

²⁰⁸ Source: Electra (2004b).

²⁰⁹ Interview Industrial HRM Manager, Electra Poland, 18.6.2004; interview General Manager, Electra Brugge, 26.10.2004; interview HRM Manager, Electra Székesfehérvár, 8.12.2004.

²¹⁰ Interview Vice President of Social and Economic Department, Electra Netherlands, 19.9.2003.

²¹¹ Interview EMEA Labor Relations Manager, 9.6.2004; interview HRM Department Electra NO Belgium, 6.10.2004; interview Vice President of Social and Economic Department, Electra Netherlands, 19.9.2003.

“If I were trade unions, I would not be satisfied [with the EEF], because I think ... that the information given in the EEF is very general and it does not really answer the questions that trade unions have. But from an Electra’s point of view, I don’t think that you need to want that too much²¹².”

Western trade unions in general admit the usefulness of the EEF’s existence and obtained information. At the same time they argue that the EEF does not yet play a significant role in bridging local differences in structure and power of employee representatives. Unions are fully aware of Electra’s reasoning and opinions on the EEF’s role. The current one-way, management-dominated diffusion of business information is the main reason for their dissatisfaction with the EEF. First, they openly criticize the Euroforum’s low quality, lack of real discussions and a delayed availability of presented material from Electra’s management, which consequently means lack of time for representatives to prepare their agenda and questions in advance. Second, the EEF representatives are not satisfied with the name *Euroforum* and fought unsuccessfully for the name *Electra European Works Council*. They argue that the name *Forum* does not capture the real role of a EWC and legitimizes the EEF’s real role to be only a *chat forum*. A quote from the Belgian representative is illustrative:

“I am not satisfied with [the EEF]. I think it is a chat forum. It is not a discussion forum at all. Management comes there and says their story and we have to listen. Even if you try to set up a discussion forum, our chairman....does not want any discussion at all. He is like our big father, he is a wise man and we have to listen to him²¹³.”

Finally, representatives face a language problem, with English being the only official language used in the EEF. Electra did offer language courses to representatives, but still more courses are desired. Belgian unions criticized that the reason for a single language in the EEF was the Dutch unions’ quick agreement with the management without considering the interests of representatives from other countries. For all the reasons mentioned above, representatives take information obtained in the EEF with reservation, and do not see a great relevance of such information for local union and works council activities²¹⁴.

CEE representatives in the Euroforum do not yet have enough experience to evaluate the functioning of the EWC. After an arduous process of their final inclusion in the EEF in October 2004, Poles and Hungarians maintain their reservations towards this institution. CEE union representatives felt offended that Electra did not include Eastern representatives in the EEF prior to the 2004 EU enlargement, whereas a number of other

²¹² Interview HRM Department, Electra NO Belgium, 6.10.2004.

²¹³ Interview Belgian EEF representative, 21.6.2004.

²¹⁴ Interview ACV Metaal representative, Electra Brugge, 26.10.2004; interview ACV Metaal regional representative West Vlaanderen, 7.10.2004.

MNCs included CEE representatives much earlier by granting them at least an observer status. Interestingly, both Electra and the unions in Poland share the view that the postponement of the inclusion of CEE representatives does not originate in a fundamental unwillingness of Electra's management (although Electra was not extensively eager to select and include CEE representatives earlier), but in the weakness of Western trade unions. Whereas in German MNCs strong unions fought for the inclusion of Polish representatives, Electra's unions in the Netherlands failed to do the same²¹⁵:

"It is very strange that Electra did not invite Polish workers to join the EWC even just giving them an observer status. The problem is not only the decision of central management. The biggest problem is that the unions themselves from Holland were not that interested to encourage Polish unions to join the EWC. Sometimes people used to say that [the former EEF coordinator] was the problem, but looking into details, I think that our union colleagues in Holland did not want to have Poles on the EEF²¹⁶."

In short, the divide in Western and Eastern European company-level union interests also infiltrated the EEF. Together with Electra's strategy of decentralization it continues to prevent the growth of EEF as an institution that bridges cross-national employee interests and influences MNC behavior at the European level.

8.4.2 Informal functioning: between friendships and antagonism

Beyond the formal EEF meetings, EEF representatives emphasize the relevance of good relations and friendships as a suitable platform to develop international contacts²¹⁷:

"It is very important, nothing can substitute personal contacts. [The delegates] get to know each other, they learn that they should not be enemies, but that they are all on the same ship and it is in the interest of everybody that this ship comes well in its destination²¹⁸."

Interestingly and in contrast to general statements like the quote above, the real relationship between representatives from Western and Eastern Europe in the Euroforum is competitive rather than cooperative even in their informal interaction. The story of including Polish representatives is the most illustrative of existing antagonism. Polish union representatives were invited to several meetings prior to their inclusion in the EEF. During these meetings, the representative claimed to have good informal interaction with representatives from Spain and Italy, which was in contrast with the open antagonism of

²¹⁵ Interview Polish EEF representative, 10.5.2004; interview Industrial HRM Manager, Electra Poland, 18.6.2004.

²¹⁶ Interview Solidarność international coordinator, 28.4.2004.

²¹⁷ Interview Vice-Chairman EEF Committee, 27.2.2004; interview ACV Metaal representative, Electra Brugge, 26.10.2004.

²¹⁸ Interview Vasas president, 13.12.2004.

Dutch representatives. However, at a later stage when debates were more focused on Electra's restructuring, even the Southern representatives showed their hesitations and argued that Poles take their jobs²¹⁹. The Solidarność representative claimed to have been verbally attacked and personally offended by Western representatives, which discouraged his efforts to join the EEF²²⁰. Despite demonstrating his disappointment and anger, he could not understand why Western EEF members do not respect and welcome in their circles the person representing 10,000 Polish Electra employees. It is unclear whether it was a misunderstanding due to language problems, but this incident continued to shape the informal behavior of representatives, especially the Poles, even after their official inclusion in the EEF.

Except interview evidence documenting hostile relationships between union and EEF representatives, I had a chance to observe the informal interaction among EEF representatives during trade union training on EWC Directives in Belgium in February 2005. I noted some initial hesitation of Electra's representatives from Belgium, Poland and Hungary to talk to each other. The language barrier was the most obvious but not the only reason. The annoyance of the Polish representative originating in his previous encounters with Western EEF representatives still resonated in this meeting even though it was gradually fading away and he was taking his role of representing Polish Electra employees seriously. The Hungarian representative had not yet participated in a formal EEF meeting and was not yet trained in her responsibilities as an EEF representative. Beyond exchange of information about the factories in which they work, representatives considered the frequency of informal encounters at Euroforum meetings satisfactory. They did not talk about further possibilities of international unionism from below and the necessity to foster more intensive contacts for this purpose.

8.4.3 The European Works Council of Electra versus trade unions

International interaction between employee representatives is not only complicated due to East-West conflicts in trade union goals, but also because of tensions between trade unions and Electra's EWC. Trade unions from Belgium and the Netherlands maintain that an EWC poses a challenge for national trade union power. EWC meetings generate new questions that would otherwise not have been a concern to local unions. This creates new union demands and divides between unions, because some unions are willing to accept more than others. In the end, the power of national unions and their solidarity declines²²¹. Therefore, Western union representatives are reluctant to integrate trade union cross-border networking with networking within EEF. Instead, they opt for building parallel channels of international networking that are distinct from the EWC.

²¹⁹ Interview Polish EEF representative, 10.5.2004.

²²⁰ Interview Solidarność international coordinator, 28.4.2004.

²²¹ Interview ABVV Metaal headquarter office, 28.10.2004.

Informal relations between unions and the EEF are not competitive, but in general unions are in favour of their own independent interaction channels²²². Not only unions representing production workers, but also Electra's VHP union for higher-grade employees in the Netherlands shares this view. The VHP leader claims that works councils can be a serious countervailing power to management, but Electra's EEF was not able to develop this capacity and the contacts developed via the EEF are not sufficient²²³.

To summarize, there are several reasons why Electra's EWC is a weak actor in the international dimension. First, the Euroforum is an extended hand of Electra's management that supplies selective information to employee representatives. Second, the representatives are unable to overcome management domination because of their own competitive relations that mirror the hostility documented in cross-border interaction of company-level unions. Finally, competition between union interaction and interaction through the EWC – two alternative representation channels at the European level – also complicate the position of employee representatives and their influence on Electra's behavior in employment practices. In light of the existing literature, I argue that the EWC institution developed neither its information and legitimacy roles, nor an extensive capacity to influence Electra's management behavior at the European level. The information role of an EWC would imply that drawing on the international resources of the EWC, representatives would benefit from EWC agreements in their local work and be able to influence management behavior locally. Evidence from Electra does not support this function of the EEF. The representatives both from Western and CEE host countries do not see a great value added of the EEF for their local and national union agendas. The legitimacy role grants EEF representatives access to headquarters by bypassing local management. At Electra, this kind of functioning interaction is not in place, because of the predominance of local interests both on the side of employee representatives and Electra. EEF employee representatives lack encouragement to look for alliances with headquarters in order to influence Electra's local management in the host countries. Instead, all parties stress the relevance of the local conditions in which their social interaction evolved and that remains a resource for local unions' involvement in Electra's employment practices.

8.5 Analysis: two faces of international interaction of trade unions

To systematize the findings and interpret the presented interaction patterns and their sustainability, in this section I apply the same kind of game-theoretical analysis as in the previous chapter. Social interaction is presented in the form of payoff matrices. These represent power constellations and interests of trade unions in Western Europe and CEE; and the payoffs they assign to and obtain from certain behaviors relative to the other party's behavior and to the institutional environment in which interaction takes place. I distinguish between the cooperative and tough strategies that unions can opt for.

²²² Interview FNV Bondgenoten chief negotiator for Electra Netherlands, 15.6.2004; interview ACV Metaal chief negotiator for Electra in Belgium, 19.10.2004.

²²³ Interview VHP leader, Electra Netherlands, 19.9.2003.

Payoffs that unions in Western and Eastern Europe assigned to their strategy options in their long-term international interaction range from 3 (highest) to 0 (lowest). Building on the local interests of Western unions, they assign the overall highest payoff (3) to competition with CEE unions (see Figure 8.1). This is due to previous production relocation from West to East, existing differences in working conditions and wages, fears from future relocations and protection of existing Western European working standards. At the same time, Western unions admit an added value from cooperating with CEE counterparts, and therefore assign a high payoff also to cooperation (2). The motivation behind cooperation is the development of cross-border shared values, international solidarity and more European-level strength to drive the harmonization of employment conditions in the EU according to established Western standards.

CEE unions assign the highest payoff (3) to cooperation with Western unions. The expected benefit is learning from the more experienced Western unions, hopes for improvement of working standards and a harmonization of employment practices across WE and CEE. However, since the Western unions opt for a competitive relationship, CEE unions also assign a high payoff to competition (2). Due to a comparative advantage of the motivated and cheaper labor force in CEE, unions benefit from competition vis-à-vis Western unions, because production and thus work shifts from West to East.

Figure 8.1 International trade union interaction

		CEE unions	
		COOP	COMPETE
Western unions	COOP	2 3	0 1
	COMPETE	1 0	3 2

Western European unions tend to make the first move and thus influence the overall interaction form. Cooperation develops when Western unions also prefer to cooperate and to ‘export’ their union strategies to their CEE colleagues. However, when Western unions maintain a hostile approach to CEE unions in response to protect their local working conditions, CEE unions also opt for competition. This interpretation of findings identifies two sustainable equilibria in international interaction of trade unions and employee representatives.

In the first equilibrium, Western and Eastern unions prefer to cooperate with each other, maintain regular contact and develop shared values in order to lobby for higher regulation standards at a cross-border level (top left box in Figure 8.1). This outcome characterizes the interaction of national-level union organizations. Although values-based cooperation is not yet extensive due to the lack of interaction before 1989, the interest and willingness of both WE and CEE unions at this level suggest that international interaction of national-level union federations is evolving towards cooperation.

The second equilibrium implies that Western and Eastern unions did not develop a values-based cooperation and assign higher payoffs to a competitive relationship in order to maintain the local employment regulation and promote advantages of local variation in employment practices and industrial relations (bottom right box of Figure 8.1). Evidence on company-level union cooperation at Electra supports this interaction form. Social interaction between unions is dominated by competition, and Western Electra trade unions view Polish and Hungarian unions as a threat to employment stability in the West. CEE unions in Electra's factories would prefer more extensive cooperation with Dutch and Belgian unions, but being disappointed by Western unions' attitudes (especially experience with Dutch union colleagues) they also opted for competition and a promotion of local interests.

The assigned payoffs and the finding on competitive company-level interaction apply not only to unions, but also to the interaction of Electra's EWC representatives. Following the strategies of the other party, both Western and CEE employee representatives assign a higher payoff to a competitive instead of a cooperative relationship. As a result, the EEF is best characterized as a polycentric EWC in which representatives obey their national and local interests, which are not always in line with the interests of representatives from other countries. The delegates have not yet been able to develop a new collective identity, shared values and an agenda distinct from their national interests that characterizes a geocentric EWC. Consequently, Electra's EWC does not yet have the potential to play an important and creative role in shaping MNC behavior and employment practices at an international level.

From an integrated perspective, the findings explicate two distinct faces of international trade union and EWC interaction. At the level of national union confederations a Europeanization process is indeed emerging and unions are eager to foster international contact and values-based cooperation in order to strengthen their role for MNC strategies and employment standards in Western and Eastern Europe. However, at the company level, this process is not evident. Company unions are deeply embedded in their local conditions and not motivated to cooperate with their foreign counterparts with the intention to drive cross-border harmonization of working conditions. Company-level interaction via unions and the EWC is dominated by competition, which renders local management-union interaction in Electra's factories more important for shaping employment practices than international interaction.

The sustainability of these faces of interaction depends on several factors. First, and the most important, is the strategy of Western unions that has a greater impact on the overall interaction form than the strategy of CEE unions. As long as local union representatives maintain their reservations towards international contact in protection of local standards, we can expect the competitive interaction of Electra's union representatives to remain stable. The second factor is Electra's behavior and strategies, and power relations between Electra and the local unions from an international perspective. Electra has maintained its decentralized strategy and locally developed HRM over decades. The unions were not willing and able to change the company's strategy in order

to drive the process of cross-border convergence in employment practices. The MNC is a more powerful economic actor than unions, especially when unions lack a coherent international strategy and a solid cross-border network. Therefore, if Electra continues to shift manufacturing operations according to unilateral decisions, Western unions do not have an extensive motivation to change their current strategy and develop a closer cooperation with CEE unions. Third, institutional and structural conditions influence the sustainability of the two faces of union interaction. In a top-down influence, the EU institutions as well as the European Monetary Union do create conditions for greater international union cooperation. Unions at the national level recognize this enabling factor to shape their strategies. As long as the interests and the institutional conditions remain stable, we can expect international union cooperation to be sustainable and improve. At the same time, local institutions – especially differing labor market rules and practices – influence the strategies of company unions in preventing international contact and thus contribute to the sustainability of the other – competitive – face of international union interaction. Finally, the sustainability of current interaction patterns between company-level trade unions in the West and East is under the influence of higher-level union strategies and the role of international trade union organizations, such as the EMF. It remains to be seen whether and how a strengthened cross-border cooperation of national and sectoral unions, either direct or via the EMF, can facilitate more cooperation between company-level unions in MNCs.

8.6 Conclusions

This chapter examined the state of social interaction between trade unions and employee representatives in Western and Eastern Europe at three levels (national, company, EWC) and asked how this interaction facilitates or constrains MNC behavior in workplace employment practices. The findings revealed two distinct faces of interaction: a cooperative one among national-level union organizations, and a competitive one that prevails between unions and EWC representatives within Electra. Interest in cross-border cooperation and exchange of ideas is present in the former face of union cooperation, whereas in the latter, the predominance of local interests of trade unions crowds out international value sharing.

What do the two faces of union interaction mean for Electra's behavior and variation of employment practices across WE and CEE? The cooperative interaction of national-level unions does have the potential to exert pressure on employers in an international sense, because it enables local unions to draw on international union resources and thus strengthen their local power vis-à-vis MNCs. However, it would be too optimistic to conclude that international union relations facilitate an extensive top-down union capacity to influence MNC behavior in local conditions. In reality, national-level union interaction only has an indirect effect on Electra's behavior. The reason is the distance of national unions from the company, especially since Electra has traditionally focused on developing interaction with unions at the level of individual subsidiaries. National confederations,

especially in WE, are too far from company-level politics and thus have little influence on management behaviour and subsidiary specific interactions. The channel through which national union strategies can eventually penetrate into the MNC and influence managerial behavior is through vertical union structures. But this influence is unlikely due to the current divide in national and company-level union behavior and the two contrasting faces of interaction. Therefore, the union interaction and capacity that really matter for MNC decision making in employment practices is the one between union representatives *within* Electra.

At the company level, competitive relations and the lack of international networking of trade unions further fuels the power asymmetry between Electra and local unions. In consequence, Electra has at its disposal greater possibilities for decentralized HRM and a local responsiveness in employment practices – with or without the involvement of local unions. In other words, the fact that unions themselves opt for a local orientation of their strategies and lack international networking gives Electra a larger room to maneuver and pursue the desired kind of behavior without external pressures from trade unions.

In general, Electra does not face extensive international pressures and obstacles to its decentralized strategy. This is because of the weakness of international company-level union interaction and the distance of national-level union interaction from MNC management. This finding yields the MNC to be the most important socio-economic actor in driving variation in employment practices through its own strategies. Electra did voluntarily involve local unions in decisions on employment practices; however, the firm does not have to face trade union demands at the international or European level. In other words, MNC strategies and administrative heritage combined with the lack of cooperative cross-border union interaction at the company level and local institutional spaces are the most important factors that facilitate Electra's locally embedded behavior and variation of workplace employment practices in Western and Eastern European subsidiaries.

Chapter 9

Understanding the role of multinational companies and social interaction in variation in workplace employment practices

This concluding chapter revisits the dissertation's research questions concerning the role of MNCs in shaping employment practices in WE and CEE. Evidence on behavior of MNCs and other actors, presented in the previous chapters, allows elaborating the mechanism through which employment practices and their convergence and variation are shaped. I conclude with an argument that variation in employment practices is predominantly actor-driven. Its full explanation needs to acknowledge not only institutional factors, but the interplay between institutions, actors' interest-driven behavior and social interaction in micro-level processes between MNCs, workers and others.

The first section reviews the main focus and the theoretical and methodological approach taken in the dissertation. In the second section I summarize the dissertation's argument. The third section revisits the research questions raised in the introductory chapter. The answer to the last research question concerning the way in which social interaction matters for employment practices is elaborated in great detail and is therefore discussed separately in the fourth section. The section reviews the forms of social interaction between Electra's headquarters, factory managements, workers and trade unions; evaluates the complementarities of interaction forms and their sustainability; and highlights implications of the documented interaction forms for variation in employment practices. The chapter concludes with a short evaluation of the dissertation's theoretical framework and a future research agenda to emerge from the current study.

9.1 Dissertation theme and approach

The dissertation explored variation in workplace employment practices in different countries and analyzed the process through which micro-level agency, namely company behavior and social interaction between MNCs and various socio-economic actors in their host-country environments, shapes this variation and prospects for convergence. This focus has emerged from two equally interesting sources of scientific inquiry.

First, an increased flow of foreign direct investments, mainly through MNCs, to post-socialist economies in CEE has brought new dynamics to employment practices and workplace interaction between employers and employees. While being exposed to a new environment in CEE, MNCs maintained their earlier operations in Western Europe and gradually adopted innovative ways to cope with similarities and differences in Western

and Eastern business and work environments. These developments raise interest in studying MNC behavior and its impact on work practices, their legal regulation, and cross-country convergence in Europe. Empirical knowledge of MNC strategies and behavior in this respect has potentially wide-ranging consequences for company success on global markets, for regional development in the European Union, for the organization of interest representation on the side of employees and for the quality of life of people working for MNCs.

The second source of motivation originates in economic and sociological theory about company behavior and organization. Assumed in mainstream theories of company behavior is the rationality of undertaken actions that aims at bringing company profits. I went further than testing and confirming rational MNC behavior in shaping employment practices in Western and Eastern Europe. Adopting a sociological framework to study behavior, I focused on understanding *how* rational MNC behavior takes place, how it is informed by factors seemingly unrelated to profit and shareholder value (e.g., self-imposed constraints on universally rational behavior derived from values, social norms, relationships and trust between individuals at the workplace) and how economic rationality relates to the MNC's social and institutional environment in the process of shaping workplace employment practices. In particular, the dissertation was attentive to two effects in which the society influences MNC behavior. The first one was the influence of normative institutional constraints, most obvious in the effect of legal regulation on employment practices. The second effect was the voluntary social relations between Electra and external actors, with the potential of values-sharing and emerging trust, which stretches beyond the normative constraints and influences the MNC's perception of what is rational in different situations.

In line with the above motivation and theoretical standpoint, MNC behavior has been examined in the company's social interaction with host country actors. Several concepts in the sociology of organizations and actor-centered institutionalism served as guidelines to theorize and empirically examine the forms of actors' social interaction and their effects on employment practices. According to the underlying rules of socio-economic analysis theorized in chapter two, I studied MNC behavior in shaping employment practices at several analytical levels and interaction channels: the corporate level, the intra-firm level (interaction between headquarters and subsidiaries and the transposition of corporate values and business interests into local MNC behavior; channels α and γ), the subsidiary level (social interaction between subsidiary managers and workers, trade unions, and the local society; channel β), and the transnational level of social interaction of employee representatives (channel δ). In each of these interaction channels I identified whether interaction takes place in the form of control, competition, values-based cooperation, or interactive bargaining. Each interaction form has different implications for the institutionalization of workplace employment practices and their cross-country variation or convergence. In this chapter I draw together findings from each channel, and discuss the complementarity of interaction forms in shaping variation in employment practices.

The studied behavior and forms of social interaction applied to two sets of employment practices. The first one relates to the management of labor costs, or *hard* employment practices, including wages and employment flexibility. Wages and flexibility are both central for company success; but this dissertation predominantly focused on employment flexibility practices (headcount flexibility, working time, contract flexibility, workplace rotation). The reason for selecting flexibility is based on the extent of control of the MNC over these practices: whereas wages are to a greater extent shaped by labor market situations external to MNC decisions, the company has greater freedom to determine employment flexibility practices within a given legal framework but without other external pressures. The second set of studied employment practices has been *soft* practices that concern moral values, managerial behavior towards employees, commitment to individual creativity and managerial control at the workplace within given labor costs. Here I have focused on work systems in MNC subsidiaries, informal relations between managers and production workers, workplace communication, worker motivation and participation in company decision making and cross-country variation in fringe benefits and social welfare. The analytical distinction of hard and soft employment practices enables a better understanding of related company behavior, even though in reality, decisions on employment practices draw simultaneously on labor costs and values aspects of HRM. To illustrate this point, previous chapters documented that tough working conditions in Electra subsidiaries, in particular high levels of employment flexibility, tend to be compensated by generous fringe benefits and cooperative informal relations between managers and workers.

The majority of available empirical literature on MNCs draws on evidence covering a number of companies. The disadvantage of such studies is a lacking in-depth insight into social interaction and company behavior that sustains particular employment practices. For this reason, I opted for a qualitative comparative in-depth case study of the Dutch company, Electra, and its four subsidiaries producing televisions and home entertainment products in WE and CEE. The similarity of subsidiaries in products, production seasonality and (the lack of) headquarter involvement in employment issues while being at different locations offered a suitable research design. This design allowed me to examine the consistency in internal interaction within the MNC as well as in external interaction between the MNC and host-country actors. Empirical evidence has been collected in the form of interviews with managers, employee representatives and other respondents, and through collection of company reports, documents and newspaper clippings at the factories and at Electra's Dutch and host country headquarters. I used content analysis to study the collected material. Where applicable I reconstructed the qualitative information on forms of social interaction in game-theoretical matrices. This enabled a more systematic analysis of the existing constellation of actors, their power relations and their involvement in shaping variation in employment practices.

The analysis of empirical evidence leads to the following argument. Variation in employment practices is not sufficiently explained by economic and institutional conditions, e.g., differing labor laws, comparative advantages in economic conditions,

social norms and work habits, in WE and in CEE. Even when institutions allow for similar practices across countries (i.e., in organizing working time and flexibility), the MNC has opted for diversity in employment practices, because it better reflects its values and economic interests. Thus, institutions are an important resource for actor's behavior, but ultimately it is the actor who utilizes institutional spaces and consequently generates and maintains variation in employment practices.

9.2 Summary of research findings

To present the argument in a more structured way, I formulate the following five claims. First, the MNC and other micro-level actors with whom the MNC interacts play a central role in shaping employment practices. The role of Electra in employment practices is that its behavior does not lead to convergence in workplace employment practices across Western and Eastern Europe. Variation exists in both labor-cost driven practices (wages and employment flexibility) and in soft employment practices (motivation, employee involvement, fringe benefits). Instead of diffusing best practices or adapting to locally common employment practices, Electra makes the most of local conditions to develop innovative work practices that are not coordinated across the subsidiaries, and often go beyond local standards. Variation is not restricted to differences between Western and Eastern European subsidiaries, but cuts across the regional East-West dimension.

Second, the observed variation in employment practices is not an outcome of Electra's adaptation to legal and economic differences in the host-countries. Instead, in the majority of studied employment practices, Electra goes beyond the host country standards and offers better employment conditions. In employment flexibility practices, Electra deploys an innovative management of flexibility in working time, hiring temporary workers, and encouraging workplace rotation. Such practices are neither coordinated across Electra's subsidiaries, nor fully imitating host-country standards. Drawing on local resources, Electra's behavior in employment practices is thus best characterized as making the most of local conditions without fully adapting to them.

Third, the behavior of Electra in shaping the variation of workplace employment practices is influenced on the one hand by internal resources (profit interests and corporate values) and on the other hand by external economic and institutional realities (product market competition and legal regulation). Electra's economic strategy is not limited to profit-seeking behavior exploiting local opportunities and employees. Building on both internal and external resources, the MNC voluntarily engages in social interaction with local actors. Whether cooperative or competitive, this interaction proved to be central in negotiating and institutionalizing employment practices in Electra's factories.

Fourth, the economic power and international resources that the MNC possesses inform Electra's behavior towards actors outside the company. However, power is not the only relevant attribute in social interaction leading to varying employment practices. The company's moral values shape behavior and interaction to an extent that it differs from interaction based on universal economic rationality and economic power. Under the

influence of values, the MNC's behavior aims at high-trust interaction with local workers and unions, leading to joint (informal) agreements, frequently beyond the legal requirements on collective regulation of employment issues and beyond the employment standards in the host countries. This creates a particular logic of rational behavior and embedded preference building that cannot be detached from company values, local contexts, and particular interaction channels.

Fifth, the above claims lead to the question of whether Electra's behavior and the described way in which actors influence employment practices is sustainable. Beyond the scope of this dissertation, future research may investigate the complementarity of documented actions with the MNC's drive to increase its shareholder value. Electra is an MNC with a leading position in European production markets. In order to maintain its competitive position, good performance, profitability, and shareholder value are the company's priority. In line with better shareholder-oriented governance, Electra underwent several major reorganizations and adopted increased employment flexibility and performance-related pay (Poutsma/Braam 2005). However, the focus on these goals does not mean that Electra disregards the interests of stakeholders, including employees, consumers and the broader society. For employees, higher flexibility and lower job security are balanced by favorable working conditions, cooperative management-worker relations at the shop floor and relatively generous fringe benefits. Thus, Electra may be seen as an MNC balancing its shareholder interest with its stakeholder orientation. The fundamental notion of this kind of behavior is social responsibility and the concern of the MNC with the effects of its profit-driven behavior on the employees and the society.

In the remaining sections of this chapter I present the dissertation's findings and the argument in greater detail. The next section discusses the conclusions in the form of answers to the three research questions posed in chapter one. I then analyze the mechanism of social interaction, drawing together evidence from the studied interaction channels, and elaborate the connection between MNCs' rational behavior, company values and institutional conditions.

9.3 Revisiting research questions

Three research questions were outlined in the introductory chapter. First, attention was paid to *where* – in what concrete employment practices – do we find variation between Western and Eastern European subsidiaries. The second question asked *why* variation exists, or what factors contribute to its continuity and to prospects for convergence. The third question concerned the understanding of *how* the documented variation is maintained, via what kind of MNC behavior and what forms of social interaction between the MNC and host-country actors.

9.3.1 Where is the variation in employment practices?

I studied variation across Electra's subsidiaries, as well as between the factories and local standards in each host country. Figure 9.1 summarizes the most important sources of variation based on the findings presented in earlier chapters.

Figure 9.1 Variation in employment practices

	Evidence	Variation and prospects for convergence
Hard employment practices		
Wages (Chapter five)	Follow local benchmarks and adapt to wage setting standards of other locally based MNCs	Adaptation to local standards; East-West pattern of variation
Employment flexibility (Chapter five)	Dual flexibility in Kwidzyn, employee exchange in Székesfehérvár; permanent, temporary and agency workers in Brugge; permanent and agency workers in Dreux	Utilization of local conditions; unique solutions in all four factories; no diffusion of corporate best practices, no East-West pattern in variation
Soft employment practices		
Performance-related pay, individual/collective motivation (Chapter six)	Collective motivation in Western sites and annual bonuses; individual workplace competition and performance pay in CEE with monthly bonuses	Utilization of local standards and deployment of most effective practices according to local conditions and worker characteristics; East-West pattern of variation but also variation between Brugge and Dreux
Work organization and workplace relations between managers and workers (Chapter six)	Flat hierarchies, encouragement of informal interaction between managers and workers; relatively high level of worker discretion over their work but also managerial control; commitment of Electra to well-performing workers; rewards for individual and collective achievements	Low degree of variation; convergence based on cross-subsidiary diffusion of best practices
Direct employee participation and fringe benefits (Chapter six)	Participation and benefits fostered in all subsidiaries; generous benefits compensate for high employment flexibility.	Benefits and participation above local standards in each case; utilization of local conditions; no convergence; above standard benefits in CEE – not common in other companies; no adaptation to East-West patterns of variation

The most outstanding cross-factory variation applies to employment practices directly related to labor costs discussed in chapter five. Electra actively benefits from given differences in local labor market conditions in Western and Eastern Europe, e.g., unemployment levels, labor turnover rates, wages, or working time standards. Electra's

wages followed local benchmarks and adapted to wage setting standards of other locally based MNCs. Great variation is found in employment flexibility practices. Despite similar production fluctuations in all studied factories, I provided evidence for different local solutions to seasonal shifts in demand for local labor. Differences pertain to balancing permanent and temporary workers in the overall headcount of production workers in the factories, working time organization, encouragement of workplace rotation and exchange of workers with other employers. Electra Kwidzyn is the only one of the studied factories to develop and implement the practice of dual flexibility, which effectively combines working time flexibility with contract flexibility of seasonal workers. Electra Székesfehérvár is the only one of the four factories to advance an innovative concept of employee exchange between Electra's TV factory and an ice cream producer with opposite production seasonality.

In soft employment practices, the greatest variation among Electra's factories exists in worker motivation. Electra fosters monthly performance-related pay and individual competition at the workplace in CEE sites, but not in the Western ones. Evaluation in the Western factories takes place on an annual basis. In Brugge it is not related to a financial bonus. Some individual performance-pay exists in Dreux, but to a lesser extent than in the CEE factories. These practices correspond to common standards in Western and Eastern Europe and confirm Electra's utilization of differing local conditions. In other aspects of soft HRM, namely work organization and workplace relations between managers and workers, variation is limited. In all cases I found flat hierarchies, encouragement of informal interaction between managers and workers, a relatively high level of worker discretion but also managerial control over work organization, commitment of Electra to well-performing workers, and rewards for individual achievements. Employee participation in decision-making and fringe benefits are generous both in WE and CEE. They compensate for high employment flexibility and the growing share of temporary contracts and agency workers. Interestingly, generous fringe benefits are not common in CEE, but Electra maintains its paternalistic practices even in conditions in which market-driven or institutional pressures to provide such benefits are marginal.

The above findings indicate that variation is greater in those practices that are more exposed to external influences, e.g., legal regulation, trade unions, and local standards. This does not imply that Electra had no choice but to adapt to host-country standards. Instead, Electra took advantage of external influences and developed locally tailored practices instead of diffusing them throughout diverse factories.

Two kinds of overall variation in employment practices are identified. The first resembles an East-West divide in employment practices. Interaction of Electra's managers with workers and trade unions in different countries facilitates adaptation of employment practices to local conditions. The MNC acquires information about people's work habits and interests; and assures workplace employment practices to reflect people's needs and local social norms. Social interaction thus assists in constructing a kind of company behavior that reinforces broader societal and institutional differences between Western and Eastern Europe. Adaptation to already established East-West differences in employment

practices applies mainly to employee motivation at Electra's workplaces, performance-related pay, wages, and individual competition at CEE sites, as opposed to collective motivation and more egalitarian approaches to wages, performance pay, and working conditions in the Western factories.

However, differences in work practices do not persist only because MNCs adapt to differing local conditions and to the labor law in different countries. A closer look at Western and Eastern workplaces reveals the second kind of variation, namely, new divergences that do not replicate the stylized East-West differences. In a range of employment flexibility practices (i.e., in external and functional flexibility) every factory documents distinctiveness regardless of its geographical location. Distinctiveness is an outcome of MNC interests in benefiting from particular local conditions, the enabling character of these conditions and the form of social interaction between Electra and local actors. In factories with cooperative social interaction and extensive trust management options for union and worker involvement in employment practices (even without the legal obligations or economic motivation to do so) local actors are more involved in shaping the variation in employment practices. In contrast, in factories with hostile relations and limited informal interaction, Electra has developed its locally optimal employment practices unilaterally, without extensive worker and union involvement.

Variation in employment practices – whether in the form of adapting to local conditions, or in the form of innovative practices different from local standards – is supplemented by a set of practices that are similar across the factories and unrelated to the regional East-West conditions. Factories do share similarities in the willingness to delegate authority, maintain flat hierarchies, encourage open communication at the shop floor, cultivate informal social relations between managers and workers, and pay attention to workers' welfare. In this respect, my findings confirm the company's attempt to diffuse several employment practices as best practices across different countries. The similarity of these employment practices derives from Electra's internal values and the character of technology and production in the factories.

How different are Electra's employment practices from local standards in each host country and the factories' immediate labor market context? The analysis does not reveal a single systematic pattern in the direction of adaptation to local standards (and thus persistent variation in Western and Eastern practices) or diffusion of similar practices regardless of local conditions (and thus company-driven convergence in East-West employment practices). In other words, neither can we speak of full-fledged corporate diffusion of best practices with the purpose of convergence in employment practices for efficiency and profit reasons, nor of full adaptation of employment practices to local standards with the same purpose. Electra understands that successful practices in one case may not have the same effect on performance in other cases due to different institutional and cultural factors. This leads to employment practices that differ from each other in a variety of aspects, in which they are responsive to and embedded in local conditions. Responsiveness to diverse conditions does not equal Electra's adaptation to local work standards. Whereas adaptation would mean Electra's imitation of employment practices

that exist in other locally established companies, evidence documents that especially in CEE, Electra's working conditions and benefits exceed local standards. Therefore, I argue that variation in workplace employment practices at Electra's Western and CEE subsidiaries should be seen as a decentralized way of making the most of local conditions, with elements of diffusion, adaptation, and development of distinctive practices. The subsidiaries benefit from local circumstances and develop locally the most favourable employment practices – unilaterally or through social interaction with local actors. Electra's interest in social interaction with local actors is not imposed on management, i.e., by external pressures, the law or headquarter control; it is the company's voluntary decision in order to benefit from various local conditions in the development of tailor-made employment practices.

9.3.2 Why does variation exist?

Several forces influence variation in employment practices. These forces originate on the one hand within the MNC, on the other hand in the company's external environment. This dissertation argues that variation results from blending transnational and local forces, which are mediated, shaped and recreated by micro-level actors. Actors and their behavior are most important for understanding why employment practices differ between the Western and Eastern European workplaces. In this section I develop the argument for why actors – in particular the MNC – account for variation.

Why can external economic, institutional and societal factors not fully account for variation in workplace employment practices? If societal and institutional effects constrain Electra's behavior in the direction of adapting employment practices to local standards, the findings would indicate extensive similarities between the factories studied and host country standards in employment practices. Such wide-ranging adaptation to local standards has not been found. Alternatively, external factors could facilitate the cross-country diffusion of best practices. Even though the law differs across the studied countries, and MNCs often refer to the law being the main source of variation, host country laws do allow for cross-country similarities, particularly in working time and recruitment of temporary workers. Despite the legal possibility of using some best practices, Electra has chosen cross-subsidiary diversity. In sum, in those dimensions of employment practices where external factors could facilitate Electra's adaptation to local conditions, a full-fledged adaptation has not been found. In dimensions where external (mostly legal) factors enable the diffusion of best practices, widespread diffusion has not been found either. Electra has actively utilized the given institutional spaces to deploy employment practices that are in line with its corporate interests.

The fact that institutional and societal factors do not facilitate Electra's adaptation to local employment practices is especially obvious in CEE where Electra's way of treating workers, unions and the local society, and the generosity of fringe benefits in the subsidiaries, exceed local standards. The quality of working conditions in CEE and collective labor representation to induce such a quality differ greatly from Western Europe.

Due to economic hardship and the uncertainty of employment, workers value their jobs and fulfill management requests without showing eventual dissatisfaction with the managers' decisions. A strong institutional framework, i.e., the legal stipulations and a system of collective bargaining to facilitate workers' welfare, is absent (Meardi 2006; Avdagic 2005; Mailand/Due 2004). Therefore, in CEE MNCs are not under economic or institutional pressures to offer generous benefits and above-average working conditions as stipulated by labor law or collective agreements in WE. Societal pressures, i.e., accepted work practices in other locally established companies that would force Electra to adapt to local standards, are not extensive either. The local environment is relatively conducive to an exploitative treatment of workers by MNCs without obliging the companies to invest in the long-term improvement of labor resources and the enhancement of worker welfare. Had Electra been pushed to adapt to local practices because of external influences (legislation, trade unions, market pressures, employment standards in locally based companies), shared values and cooperation with local actors with the purpose to build trust and to offer more beneficial employment practices would have been less evident than documented. Regardless of these conditions, Electra offers better employment practices than other employers in CEE conditions. In exchange for increased costs, the company obtains stability, industrial peace and a motivated workforce. This is the preferred strategy to short-term profitability and cost reduction (Thelen/van Wijnbergen 2003).

The above paragraphs indicate that external socio-institutional conditions do not directly account for variation in Electra's employment practices. But they are important in facilitating Electra's interest in benefiting from local conditions and in rooting the MNC's employment practices in these conditions. Electra uses the labor law as a resource for interaction with local actors and also as a benchmark for local employment standards.

What elements does Electra effectively combine in its behavior in order to achieve the desired variation in employment practices? I have theorized in chapter two that MNC behavior in shaping employment practices may be informed by the company's economic interests as well as company values. Empirical evidence revealed that the complementarities between economic interests, values and host-country conditions are indeed central in understanding why Electra's behavior – and not the host-country institutional diversity – explains variation in employment practices.

If economic profit had been the only explanation of MNC behavior in employment practices, Electra would have taken more effort in diffusing best practices across different countries in search of universal international competitiveness and profitability (Pauwe/Boselie 2005; Martin/Beaumont 1998). By exclusively following a profit goal in a short-term perspective, Electra would not be motivated to offset flexibility with generous benefits, reward workers for personal achievements and emphasize informal social interaction at the workplace. Additionally, Electra would have invested in voluntary social interaction with trade unions and the local society only if this led to a short-term increase in profits. Since I did not find such empirical evidence, I argue that the universal profit interest alone is not a sufficient explanatory factor of the documented variation in Electra's employment practices.

Profit and efficiency considerations are, however, not unimportant for MNC behavior. This dissertation shows that the means of achieving profits are endogenous and informed by company values and responsiveness to workers' interests in different countries and the company's ability to benefit from institutional resources. Electra attempts to achieve its business goals in a socially embedded way, i.e., by responding to workers' needs that differ across countries, using local benchmarks for the development of generous benefits, and investing in building cooperative social interaction. Values shape the company's perception of what is rational and how to achieve economic rationality in differing conditions. Thus, Electra's rational behavior is contextualized in external social and institutional conditions, as well as it is informed by company values.

Electra's most important and influential values that influence employment practices are paternalism towards workers and local responsiveness. These values have become the MNC's hallmark and the cornerstone of its administrative heritage since the company's establishment (c.f. Bartlett/Ghoshal 2002; Stinchcombe 1965). A company-specific value system was gradually strengthened and permeated managerial thinking at all levels of the organization from headquarters to subsidiaries. Local responsiveness accounts for Electra's interest in developing cooperative social relations with workers. Paternalism accounts for Electra's interest in providing above-average working conditions and building trust with workers and unions regardless of short-term profit expectations.

An important question is whether there are tensions between paternalism and local responsiveness. In other words, how do values coexist and support each other? Paternalism could imply Electra's control over employment practices regardless of local conditions, which would raise tensions between company values. However, as shown earlier, in Electra's case, such tension does not arise. This is because Electra does not define paternalist practices centrally and does not closely control the diffusion of paternalist practices from headquarters to the subsidiaries. Instead, the tightly coupled value system of Electra is balanced with a loose implementation system in differing local contexts.

The selection and training of managers is an important process in maintaining the continuity of the company's value system and its implementation in the subsidiaries. Instead of imposing corporate values on local managers, the company recruits managers whose individual values match the company's values. These managers are then granted large autonomy from headquarters to pursue their local actions. This way, paternalism acquires different meanings in different local conditions and results in differing employment practices in each subsidiary. More research is needed to understand how the complementarity of values is maintained and constantly renegotiated; and whether such functioning of company values is in line with existing sociological theories of organizational values and their stability and change (c.f. Coleman 1999; Elster 1999; Elster 1989).

Electra's values interact with the MNC's business strategy. An outcome of this interaction is a paternalist employment policy specific to Electra and thus more than a reflection of home-country isomorphism or imitation of best practices of similar MNCs. In recent strategic reorganizations, Electra's economic interest has put company values under

pressure, as discussed in chapter four. However, instead of evading paternalism, decentralized HRM and local responsiveness, Electra continuously invests in the maintenance of its values and seeks to find a balance between values and economic interest. Even if the company attempted to disembody itself from its value system, this would not be easy because the values form a path-dependent administrative heritage of the company. Instead of trade-offs between business interests and values, Electra attempts to balance these and avoid potential clashes.

Next to balancing economic interest with values towards workers, Electra attempts to balance its profit goals with its actual behavior that is socially and institutionally responsive to host country conditions. Electra's NOs have always enjoyed great decision making powers. Corporate reorganizations aiming at improving economic performance have not led to a centralization of such powers at corporate headquarters, but have facilitated further decentralization and subsidiary autonomy. This is not the result of Electra's inability to centralize decisions, but the company's belief that the factory is the best organizational level for managing local resources, in particular work issues in different countries. The goal of decentralized HRM is to better reflect the needs of each factory and its workforce. In other words, Electra has combined the search for best economic performance with embeddedness in host-country diversities. The fact that the company itself is willing to utilize these conditions and develop different employment practices in different countries eliminates the tension between a universal rational strategy and the constraints of differing local institutions.

An interactive relationship exists also between company values and local conditions. A tight value system can create tensions in the implementation of these values, especially if they are not consistent with work attitudes and norms prevalent in particular local conditions (e.g., in France). Electra's responsiveness to diverse conditions and a decentralized way of transposing company values to workplace employment practices helps in eliminating these tensions. Through social interaction with local actors company values are maintained but acquire different meanings across different socio-economic contexts, and lead to different employment practices in different countries.

Thus far I have argued why Electra's behavior can, and external conditions cannot, account for variation in employment practices. To underpin my argument, the final point to be discussed is the role of local actors and their responses to Electra's behavior. The power asymmetry between Electra and local actors is obvious both from an objective perspective (international versus local power resources of Electra and local actors) and in the actors' perception. Local actors that are involved in interaction with Electra directly or indirectly support Electra's interest in maintaining variation. First, relevant trade unions in each host country are also interested in maintaining local standards and adapting employment practices to particular local conditions. Unions argue that such strategy better reflects individual workers' needs than employment practices imported from abroad or determined via European legislation. Second, even if unions were to opt for cross-country convergence, I have argued in chapter eight that, due to the competing interests of Western and Eastern European unions, they lack the capacity and power vis-à-vis the MNC to

pursue convergence efforts. This evidence confirms that variation in employment practices is a choice of Electra. Electra's behavior is made possible by the behavior of local actors such as union preference for decentralized workplace interaction and competitive cross-border union relations.

In sum, the second research question, examining the reasons for variation in employment practices, can be answered as follows. Actors and their choices are most important for understanding why employment practices differ between the Western and East European workplaces. The actor with the greatest influence is the MNC, because of its capacity to pursue a behavior combining its rational economic interest with company values while taking advantage of social, economic and institutional spaces. I have discussed how company values interact with rational economic behavior as well as host-country institutional and societal diversities in Western and Eastern Europe. An outcome of these complementarities in Electra's behavior is employment practices that are neither diffused from headquarters nor fully adapted to local standards. Diverse local environments are utilized as a resource for achieving international economic competitiveness and for translating the company's values into concrete employment practices.

What is the actual mechanism behind Electra's behavior in driving variation in employment practices? I theorized in chapter two that social interaction between the MNC and local actors is central for overcoming the MNC's limited local knowledge in deploying workplace employment practices. Chapters four to seven documented that based on corporate interests, market conditions, organizational capabilities, and after an assessment of local conditions, Electra takes unilateral decisions concerning employment practices, or joint decisions via social interaction with local workers and unions. Thus, Electra indeed actively draws on social interaction to embed itself in particular local labor market environments with the purpose to develop suitable employment practices. The functioning of this social interaction, with its diverse forms and channels, is discussed next.

9.4 Unfolding social interaction in a multinational company: the case of Electra

Different forms of social interaction lead to different extents to which Electra and local actors are able to influence workplace employment practices. This section reviews the most important findings in social interaction, its channels and forms, and how social interaction influences employment practices. Social interaction within Electra's organizational units and between the MNC and workers and trade unions in subsidiaries in Western and Eastern Europe relates both to formal structures and negotiation between the MNC and others, and to informal relations, communication, and trust between managers, workers and union representatives. Social interaction is then a situation where the behavior of Electra is influenced by, and influences the behavior of, workers and trade unions.

A decentralized system of HRM at the subsidiary level is the best means for Electra to maintain its corporate interest in variation of employment practices. Behavior of the

studied subsidiaries builds on the corporate economic interest, values, and institutional embeddedness of MNC actions. The factories are the meeting point of Electra's interests, with the interests of local actors and the place where employment practices are developed. Electra is responsive to differing local conditions via values-based cooperation and interactive bargaining with local actors. At the same time, Electra keeps control over its own local embeddedness. The company diversifies the extent to which the subsidiaries interact with different local actors and the extent to which local actors are involved in decisions concerning employment practices. In other words, Electra's interest in maintaining variation in employment practices incorporates a choice of whether decision making in the subsidiaries takes place with or without an active involvement of local actors. For the MNC to take this choice, an enabling institutional context (mainly legal regulation) and a favourable power constellation between Electra and local actors is necessary. The constellation does exist, because of the asymmetric power resources of Electra and local actors. Whereas Electra's power builds on both corporate and local factors, the interest of local workers and unions is shaped predominantly by local economic and political factors, moral values, and an experience with and assessment of the MNC's local behavior.

This conclusion is an outcome of social interaction in a system of four interaction channels: Electra's corporate headquarters and subsidiary managements (α); interaction among Electra's sister factories (γ); interaction between Electra's subsidiaries and local actors (β); and cross-border interaction between trade unions and the EWC to influence local union interests and behavior towards the MNC (δ).

9.4.1 Interaction forms

Electra's corporate headquarters and subsidiary managements (α)

A key assumption in MNC organization is the heterogeneity of interests, as presented in chapter two. In Electra, the most outstanding heterogeneity refers to two issues. The first one is the close control over production targets and supply chain management. The other one is lack of headquarter control over the means of how subsidiary production and employment issues are organized. Headquarters aim at closely controlling strategic and operational business processes, which is in line with the company's fundamental interest in profit. At the same time, Electra fosters a decentralized organization in HRM and assigns great freedom to subsidiary managers to locally determine the employment practices of production workers. Are these interests in conflict with each other? I have argued in chapter four that they are complementary. For Electra, a decentralized organization and locally embedded decision making in employment issues has proven to be the best means to achieve profits.

Electra's value system has two consequences for behavior and headquarter-subsidiary interaction. First, corporate values are diffused and controlled throughout the organization; and headquarters recruit managers to be committed to these values in their operational activities. The selection of subsidiary managers that internalize the above company values

is the precondition for the functioning of values-based cooperation in HRM between headquarters and subsidiaries in Western Europe and CEE. Second, the tightly coupled value system entails a loosely coupled value implementation. By granting a large amount of freedom to subsidiary managements in HRM, Electra's headquarters stay out of directly controlling local employment resources and shaping employment practices. Formal and informal interaction between headquarters and subsidiaries thus focuses on issues of strategic importance, but the employment practices of factory production workers are not directly coordinated via this channel. In sum, social interaction between Electra's headquarters and subsidiary managements in HRM issues is best described as a values-based cooperation with decentralized decision making. Cooperation revolves around the corporate interest to maintain multiple power centers and delegate responsibility to local managers.

The consequences of control over strategic business issues and value-based cooperation in operational HRM issues are that subsidiary managements enjoy greater power than the headquarters to influence workplace employment practices; and their behavior matters most for variation in workplace employment practices. Electra's corporate interests and the headquarter-subsidiary interaction create a feasible precondition for social interaction with local actors with the purpose of adapting employment practices to local standards instead of fostering their cross-country convergence.

Interaction among Electra's sister factories (γ)

I theorized in chapter two that healthy competition between MNC subsidiaries, eventually fostered by headquarters, can have convergence effects on employment practices because of the selection of universally applicable best practices. Evidence from Electra does not support the existence of cross-factory competition in employment issues with this purpose. Instead, managers maintain their locally embedded orientation and claim that local conditions are more important for employment practices than importing practices from sister TV factories abroad. I found close coordination of production targets and supply chain management, which is in contrast to limited coordination of employment issues in cross-factory relations. What binds the factories together is the corporate profit goal and company values (paternalism and local responsiveness). As already discussed, the implementation of these values is fully decentralized and locally specific in each factory. In sum, interaction among Electra's sister factories resembles on the one hand control and bargaining in production issues; and on the other hand values-based cooperation in the employment issues of production workers. The latter involves informal relations and the exchange of general information, but lacks close cross-factory control, competition or bargaining. Sister factories do not have a great impact on the behavior of a particular factory's management in developing workplace employment practices. This conclusion corroborates the internal consistency in Electra's behavior in channels α and γ ; and that interaction in these channels creates a feasible precondition for subsidiary openness to social interaction with local actors with the purpose of tailoring employment practices to local standards.

Electra's interaction with local actors (β)

Emerging from the interaction forms in channels α and γ is the embeddedness of Electra subsidiaries in local economic, social and institutional conditions. Electra's factory managements strive to recognize local opportunity frameworks in order to benefit from local conditions in employment practices. To recognize such opportunities, Electra invests in its knowledge of host country labor laws, work conventions and labor market characteristics. Hiring local HR managers is one way of gaining local knowledge for the MNC. Yet Electra also seeks interaction with local actors for the same purpose, because cooperation with local actors is perceived beneficial to its own corporate interests and in line with company values.

The local society, including municipalities, labor market boards, local media, and other organizations is the first group of local actors with whom Electra interacts in broad terms (channel β_4). Electra maintains interactive bargaining and values-based cooperation with these actors in each of the studied host-country locations. Bargaining concerns predominantly the infrastructure of local services that MNCs benefit from and the use of MNC taxes for the development of the local society. Values-based cooperation is obvious in CEE in Electra's and local actors' commitment to contribute to the functioning of the local society, i.e., by Electra's sponsoring of schools or social events. Electra attempts to be actively involved in the local economic and social affairs and benefit from local resources, e.g., property, educated population, simple administrative procedures and the support of the municipality and labor market boards. Simultaneously with Electra's involvement in the local society, the MNC controls the involvement of the local society in the subsidiaries' internal affairs. Building on international power resources (i.e., the capital mobility, ability to relocate production and work, and past relocations from Western subsidiaries to CEE), the subsidiaries limit the direct impact of the local society on in-house affairs including employment practices.

The second group of local actors with whom Electra interacts is the subsidiary workforce (channel β_1). In comparison to the local society discussed in the previous paragraph, workers have a greater direct influence on employment practices. This is due to Electra's interest in involving workers in the process of achieving factory profitability via applied motivation and empowerment practices (e.g., teamwork, functional flexibility, employee motivation surveys). Workers' involvement is achieved through managerial control over work systems and through values-oriented cooperation between managers and workers in the workplace. In line with Electra's values, managers encourage informal social interaction with workers in all four subsidiaries, take notice of local hierarchies, and draw on local standards in workplace (in)formality. This kind of MNC responsiveness to local social norms improves management-worker interaction and renders workers to be more eager in accepting flexible working hours, teamwork, performance pay and providing feedback on managerial decisions. Next, it is important to recognize that Electra as a paternalistic employer not only cares for workers' interests, but at the same time utilizes its power to keep worker influence on employment practices within the limits of corporate interests. Therefore, rather extensive managerial control has been found in the factories

(i.e., in allocating jobs and performance appraisals). In sum, although less powerful than the MNC, workers in subsidiaries do have a say in factory processes and their input is valued. However, it is impossible to objectively evaluate whether and how worker feedback really permeates managerial decisions. The dominant form of management-worker interaction is control and values-based cooperation. In exchange for cooperative workplace relations and generous benefits derived from shared values, Electra maintains control over employee performance and empowerment; and participation in shaping soft employment practices is only encouraged when beneficial to Electra.

Workplace trade unions do have the largest influence on Electra's employment practices via management-union interaction (channel β_2). Union involvement is to a great extent based on institutional conditions in the host countries. But as argued in chapter seven, actor interests and constellation extensively determine the actual union involvement beyond legal requirements. These include Electra's willingness to interact with unions regarding employment practices, union interests, the coherence of interests if several workplace unions are present, earlier experience of interaction, management-union trust and commitment to informal agreements. Managers in all Electra factories declare interest in cooperation with local unions as the preferred strategy in seeking embeddedness in local conditions. Management-union interaction evolves in the form of interactive bargaining with both distributional (i.e., tradeoffs for a union approval of temporary workers or avoiding dismissals) and integrative elements (i.e., employment flexibility to secure the factory's optimal performance and jobs) and is not limited to formal negotiations based on strategic calculations. Workplace industrial relations obtain their essence from the existence of informal social interaction that rarely relates directly to particular economic benefits for the company or a legal obligation to bargain. I documented the contrast between high-trust factories with cooperative industrial relations in the form of interactive bargaining and values-based cooperation (Brugge and Kwidzyn); and the low-trust factories with competing interests and conflict-based bargaining between management and unions (Dreux and Székesfehérvár). It does not mean that conflict-based industrial relations hinder Electra's interest in variation in work practices. The consequence of union antagonism has been their exclusion from decisions that are reached jointly in factories with cooperative industrial relations. I conclude that the diversity of interaction patterns in management-union interaction (bargaining, cooperation, competition) have led to the distinction in union involvement within and beyond legal requirements in Western and Eastern Europe. Even when encouraging union involvement, Electra controls the power of unions and maintains union influence within limits that are reasonable for company interests. This confirms the assumption on the existence of power asymmetry between Electra and local actors and the utilization of local actors' resources to the MNC's benefit.

The purpose of Electra's interaction with local workers, unions and the local society, albeit showing similar MNC behavior towards local actors, is to make the most of diversity and to develop different employment practices in Belgium, France, Poland and Hungary. Therefore, the consequence of power asymmetry between Electra and local actors, the

unions' and the company's interests, and the diversity of their social interaction forms is variation in workplace employment practices that is not contested by local actors.

International interaction between trade unions and the European works council (δ)

Thus far I have argued that variation in work practices across the factories is actively driven by MNC behavior and social interaction with local workers and unions, influenced by corporate interests and values and by local conditions. To what extent are trade unions able to overcome the MNC's dominance and to increase their power vis-à-vis the MNC via international networking of employee representatives? Chapter eight has explored this interaction channel and concluded that efforts to develop cooperation based on shared values exist between national trade unions confederations. Similar efforts are limited in company-based unions, which are more important direct interaction partners for Electra. Unions in WE and CEE have competing interests and thus the dominant form of their social interaction is competition. Consequently, they lack the cross-border cooperation that can directly strengthen their position against Electra. The EWC has a greater potential to become the MNC's negotiation partner at the European level. However, competition between representatives together with Electra's efforts to limit the influence of this representation body ensures the EWC's current weakness. Competition between unions and EWC representatives thus validates the power asymmetry between the MNC and local actors and the dominant role of Electra in shaping variation in employment practices.

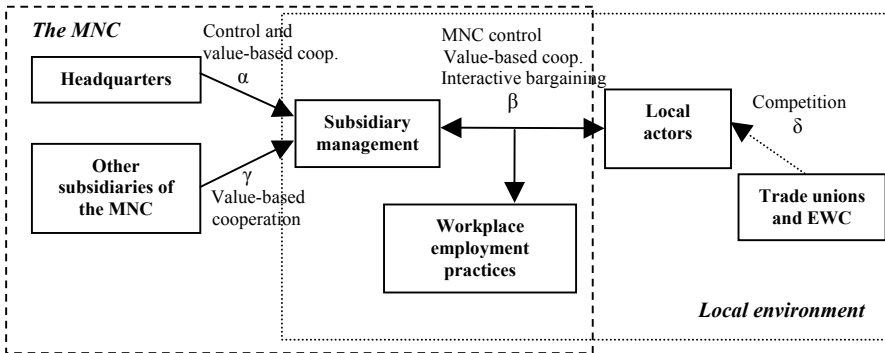
9.4.2 Complementarities in interaction forms and their sustainability for variation in employment practices

Figure 9.2 illustrates the above interaction forms, in particular those that are relevant for workplace employment practices, and relates particular interaction channels to particular forms of social interaction.

There is no single interaction form that describes each interaction channel. Diversity in interaction forms is found across the channels, and also within the channels. Together, the documented interaction forms are complementary and constitute the mechanism through which Electra takes advantage of local resources for the development of tailor-made employment practices.

Electra's interest in profit is not achieved via direct headquarter attempts to control subsidiary behavior. The fact that corporate headquarters are interested in utilizing different host-country conditions eliminates internal competition between sister factories in employment issues. It also creates good grounds for local managers to act autonomously and to seek local embeddedness of their behavior. The constellation of subsidiaries vis-à-vis local actors depends on this corporate influence, but also on local influences and local actors' interests. As a consequence of Electra's and local actors' constellation and interests, values-based cooperation complements interaction by control and interactive bargaining between Electra and local workers and unions. Due to the power asymmetry between involved actors, the MNC is able to limit the influence of local actors and guide it

Figure 9.2 Social interaction channels and forms



in the desired direction – i.e., involving workers in managing soft employment practices, or involving trade unions in developing the variety of flexibility practices in factories with cooperative and high-trust industrial relations. Local unions lack capacities to internationally mobilize against this kind of MNC behavior. Their interests are locally embedded and competing between unions in WE and CEE, thus facilitating Electra’s interest in maintaining variation in workplace employment practices. The complementarities in the above interaction forms are central for the stability of the mechanism and the fact that it leads to variation in employment practices. The stability of variation is not reached via normative institutional constraints on Electra’s behavior, but by Electra’s self-restraint in local responsiveness and utilization of local conditions. This self-restraint originates in Electra’s long existing experience in decentralized business activities and the belief that profit is best achieved by utilizing various conditions and by providing workers in these conditions better working environments than in other companies. In other words, company values and the company’s social relations with external actors building on these values became the means of achieving profit.

Changes in the mechanism can originate either from within Electra, from the local actors, or in external normative constraints such as an introduction of European-level legislation obliging the MNC to harmonize its employment practices across subsidiaries and countries. I have earlier noted that changes in documented variation are unlikely to occur as a consequence of external normative constraints. Under the current normative conditions, a change in the interaction form originating on the side of local actors is more likely to introduce changes in the interaction mechanism and potentially lead to more convergence in employment practices. Especially changes in channel δ could alter the current situation. If trade unions were more extensively committed to cross-border cooperation and able to overcome competing interests, international union networking could strengthen bargaining positions of trade unions vis-à-vis MNCs and their subsidiaries in national settings even if a formalized international bargaining structure had not yet emerged (Arrowsmith/Marginson 2006). In other words, if the interaction form in channel δ were to be cooperation or interactive bargaining with the purpose to harmonize

employment conditions in Europe, the MNC would be under greater pressure to alter its current behavior in the direction of emphasizing more convergence instead of utilization of local conditions.

The sustainability of the documented variation in employment practices and currently existing forms of social interaction is related to several factors and the continuity of their existence. The first of such factors is Electra's belief that contextualizing its behavior is the best way to achieve profitability; and the current power asymmetry between Electra and local actors²²⁴. If Electra were to encourage more centralization of employment issues, and thus headquarters would more closely control subsidiary practices (interaction in channel α would be dominated by control) and foster cross-factory competition (interaction in channel γ would take place in form of competition to identify best practices), the constellation of factory managers to local actors would change. A power asymmetry between Electra and local actors would increase, and as long as external normative constraints allowed, Electra would opt for the diffusion of best practices and thus convergence across subsidiaries. Thus, a change in interaction form in α and γ to more control and internal competition would mean a change in channel β towards greater control of Electra over the influence of local actors, or eventually towards competition between Electra's and local actors' interests.

The second factor that influences the sustainability of interaction forms and variation in employment practices is external normative constraints, of which harmonization of legal regulation in the EU and a close coordination of legal regulation among national governments of EU member states are the most important. Legal regulation of employment issues in EU countries is not yet harmonized to the extent that would foster a cross-country convergence process in employment terms. If legal regulation were to be strengthened and more coordinated in the future, it is likely that Electra would have less choice in those employment practices that are subject to legal regulation. Depending on the strategies of European decision makers, harmonization of legal rules could eventually take employment practices either towards more convergence, or towards more variation. The influence of European legal regulation on convergence in employment practices and MNC behavior is subject to further research.

The third and final factor relevant for the sustainability of variation is the strategy of trade unions and the EWC. I argued in chapter eight that current cross-border interaction of trade unions and Electra's EWC is underdeveloped, particularly at the company level and thus too weak to impose constraints on MNC behavior in a European dimension. However, the role of trade unions can change if the parties were to realize that East-West cooperation is more beneficial for company-level unions. It is unlikely that the current competitive interaction of Electra's unions will change without a third force, i.e., by a European legal rule or an intervention of higher-level union organizations such as the EMF.

²²⁴ Electra's strategy is related to economic factors that may influence the sustainability of variation in employment practices and Electra's relations with other actors. The most important is market pressure on Electra's strategy originating either on global markets or in the host countries; and Electra's perception on comparative economic advantages of the factories' current location.

9.4.3 Externalities of the multinational company's behavior

Who benefits from the described MNC behavior? The effects of company behavior on the society and the company's social responsibility have been widely questioned in the literature (Edwards et al. 2006; Hiss 2006; Friedman 1970). In broad terms, I refer to spillover effects of company behavior that has consequences for the MNC, for its workers' wellbeing, for trade unions, and for the local society.

In an economic logic, the outlined MNC behavior certainly does benefit the company's long-term profit. Earlier evidence has shown that managing companies like decentralized communities via paternalist values brings comparative advantages in terms of motivated workforce, which is indeed the key to company success in the long-term perspective (Pfeffer 2006). Electra's ability to steer employment practices and to influence local actors in the desired direction facilitates the MNC's continued existence in a capitalist society.

For local actors in the host countries, Electra's behavior has both positive and negative consequences. The MNC is more powerful than local workers and unions, and as my analysis has shown, able to determine employment practices in order to secure worker productivity and a profitable subsidiary performance. Trade unions are involved in MNC decision-making upon conditions specified by the MNC. This means that workers and unions are left to the favor of the MNC, even if the particular company provides good working conditions, relatively generous fringe benefits, and fosters cooperative relations with workers and trade unions. Some local actors would maybe prefer more freedom in their behavior towards the MNC. From this point of view, Electra's behavior disadvantages local actors and controls their resources to achieve its own profitability.

At the same time, Electra's behavior does also bear positive spillover effects on local actors. This is obvious in looking at recent trends in working conditions and labor market dynamics in CEE societies. Working conditions in this region have noticeably improved after the settlement of MNCs, job opportunities with better working conditions have increased and MNCs offer higher pay and benefits than local companies. Despite increasing the dependence of workers and local societies on MNCs, these positive externalities benefit the local actors and contribute to their social and economic welfare. The concern with worker welfare is part of Electra's value system regardless of whether it yields higher profits in a short-term perspective. In this respect, Electra is a socially responsible employer, because it maintains its commitment to provide above-average working conditions and benefits even in the market-driven institutional conditions of CEE where such kind of firm strategy is not induced by economic competition or by a legal rule. Social responsibility is not understood here as securing lifelong jobs, but as a voluntary commitment of the MNC to workers' wellbeing, which benefits both the company's profitability in the long-term and the workers' lives.

9.5 Additional reflections on theory

In conclusion I wish to present a few reflections on the dissertation's theoretical framework. The approach taken builds on a combination of attributes of several organizational theories, which were supplemented by sociological concepts on actors and their social interaction. My analysis has confirmed that the relationship between companies and their environments is indeed important in shaping employment practices. MNC behavior is influenced by both company-internal and societal-external factors. The MNC does not act according to universal strategies. But neither does it adapt to contingencies in its environment. The interaction between the company and its environment is a more complex and dynamic process. I am now able to verify that resource dependence theory was a viable starting point for my analysis. Blending this theory with a sociological account of behavior and the relation between MNCs and societal conditions proved to be a viable extension of the organizational theories of companies.

The assumptions adopted in chapter two were a central part of my theoretical framework. I assumed that the MNC involves itself in social interaction for an economic reason – to overcome uncertainty and expand its local knowledge. The dissertation has shown that there are also other reasons for social interaction. These derive from company values and from a voluntary commitment to interact with and involve workers and unions in the MNC's decisions on employment practices. While cooperative social interaction is encouraged, the MNC controls its extent. The company would not welcome their involvement if workers and trade unions were to eventually pose a threat to current MNC powers.

The next assumption was bounded rationality. As the analysis has shown, rationality is not only bounded, but also socially constructed. Perceptions of what kind of behavior is rational change according to different local conditions, but also according to informal relations and trust between the MNC and external actors. This finding confirms also the next assumption, namely the endogeneity and contextualization of company interests.

One of the central building stones of the adopted theoretical approach was the interaction of MNCs with the surrounding society. Normative societal constraints on MNC behavior have been acknowledged in the literature, e.g., in Scharpf's framework of actor-centered institutionalism (Scharpf 1997). Concerning the normative constraints, the findings of my study indicate that Electra obeys the formal rules in each host country. The MNC does not attempt to change them by opportunistic behavior that derives from the company's power position. Changes are incremental and result from Electra's voluntary involvement in social interaction. This is the second way in which MNCs interact with the society. A particularly interesting finding is that trade unions are involved beyond the formal rules in Electra's management of employment flexibility in Brugge and Kwidzyn, two factories with high-trust and cooperative industrial relations. This finding cuts across the argument that unions have more to say in employment issues in WE than in CEE, because their position in the West is formalized in laws, industrial relations systems and collective agreements. The finding shows the importance of voluntary relations, trust, and

the ability of such relations to steer actors' behavior and social interaction beyond formal rules. In future studies on company behavior and social interaction, this kind of voluntary embeddedness and self-imposed soft constraints on behavior need to be acknowledged and studied in greater depth.

In general, the adopted theoretical framework was suitable for structuring the inductive empirical analysis. The main difficulty was its complexity, especially the number of various actors' attributes (interests and values) and societal influences (formal conditions, economic influences, soft constraints in social interaction). In my framework, I did not link these factors and test the theoretical model empirically in Electra. The framework was limited to highlighting the factors that may matter in explaining MNC behavior driving convergence or variation in employment practices. How these factors link together was to be induced in the empirical study.

The overall argument did attempt to link the above factors. However, it is based on a single MNC with a specific company culture. To formulate a more robust and broadly applicable argument, the interdependence and the functioning of the variety of studied factors need to be elaborated in a more universal way and tested on more empirical cases. This limitation opens a range of possibilities for future research.

9.6 Future research agenda

Broader evidence on MNCs, i.e., from different countries, industries, or management styles, is necessary to extend the argument on company values, interest-driven company behavior and the role of social interaction for variation in employment practices. A straightforward way to address this issue is to locate evidence on Electra in a broader comparative perspective, using empirical evidence on interests and practices of other companies. Such research would yield a more systematic and broadly applicable theoretical understanding of how exactly companies interact with other micro-level actors and how work practices emerge given the variety of corporate, global and local influences.

Further issues for scientific inquiry relate to studying the spillover effects of MNC behavior on other actors and on societies. A particularly appealing subject for further study is the character of company values and their influence of MNC values on the power and position of other actors in the labor market. As a starting point one needs to theorize whether company values and interests are adaptable to different situations, or whether they are constant and stable. Next, the character of company values, i.e., paternalism documented in this dissertation, can be compared across different countries in a broader perspective. A related question is whether paternalism in companies strengthens or weakens the power of employees and trade unions. What are its implications for trade union strategies at the company level and at sectoral, national and transnational levels of unionism? To some extent, I have discussed the meanings of Electra's paternalism in operational decisions on subsidiary employment practices. But because the focus of this dissertation was MNC behavior, issues to be further explored include workers' behavior (i.e., the responses of workers to paternalist HRM practices, the level of acceptance or

resistance to company values, or how company values influence the skill levels) career paths and chances of finding alternative jobs and developing careers in Western and Eastern European conditions.

The motivation of companies to provide above average social welfare is also an issue for further inquiry. In particular, the relation or complementarity of the documented company behavior with the economic theory of efficiency wages deserves further attention (c.f. Akerloff/Yellen 1986; Yellen 1984; Akerloff 1982). As a starting point, it can be argued that the MNC commitment to granting better working conditions than in surrounding companies analyzed in this dissertation diverges from an efficiency wage model. The reason is that the MNC is not only interested in an exchange of working conditions for higher productivity and profits. As argued earlier, Electra's behavior incorporates an attempt to invest in local labor resource development in a long-term perspective. This relationship can generate trust, social capital and long-term profits although its short-term effects for MNC productivity are uncertain.

An additional idea for future research is studying whether higher employee involvement and discretion over work tasks indeed leads to higher productivity of companies. To show such causality, more empirical evidence is needed on productivity, financial indicators, and employment practices in a range of companies. The question of whether higher employee involvement pays off for the business and economic success of companies is a prominent one in management literature. However, current evidence offers mixed findings and thus lacks a clear argument for either the direction of causality or influence (Sagie/Koslowsky 2000; Heller et al. 1998).

Studying MNC behavior in distinct institutional conditions is congruent with the framework of varieties of capitalism research in an institutionalist tradition (Hall/Soskice 2001). In the EU, this field of research has been gaining relevance with the increasing economic and political integration of nation states, EU enlargement and supra-national policy making. Behavior of individual socio-economic actors is far from supra-national policies; however, a more nuanced understanding of how these two levels of action interact may improve the success of future policy making, i.e., the EU or government-driven harmonization of labor laws. Do the interests of individual actors, such as MNCs, clash with the interests of governments, are these actors allies with similar interests, or are the actions of one independent of the other? Next to the relevance for policy making, answers to such questions can also assist in enhancing the theoretical mechanism of social interaction between MNCs and governments, which has not been addressed in this dissertation.

From a theoretical perspective, the current study has the potential to be the starting point for nuancing two important theoretical concepts. The first one is the concept of social embeddedness of economic action and the mutual influence of rational behavior, institutions, and values. The second concept is a shareholder plus mode of governance, in which employers voluntarily commit themselves to social responsibility and the provision of welfare to employees.

Related to the first point, the dissertation paid attention to how social and power relations between the company and external actors influence economic behavior (Swedberg/Smelser 2005; Beckert 1996; Granovetter 1992; Granovetter 1985). Despite the popularity of the embeddedness concept in economic sociology, its operationalization in empirical research is often disputed, because it is not clear what kind of behavior is (not) socially embedded, and we lack guidelines for identifying embeddedness more clearly in relation to actors' interests (Beckert 2007). A related theoretical inquiry is the sustainability of behavior and interaction forms in the absence or limited influence of normative constraints on actors (Streeck 1997a) and in the presence of voluntary self-imposed *soft* constraints on behavior. In this case, the commitment to soft constraints derives from particular values and social embeddedness, which need to be studied in greater detail. The mechanism through which embeddedness and commitment to soft constraints is maintained also requires further investigation. The findings of this dissertation can be used as the first step in formulating, exploring, and measuring social embeddedness of economic action of MNCs. I suggest the future analysis to focus on the following three principles:

- *Acknowledging the interest of other actors even if different from MNC interest.* Socially embedded behavior of an MNC reflects other actors' behavior and preferences without direct association with the MNC's rational self-interest. The MNC is responsive to variation in institutional conditions, shows voluntary interest in cooperative social interaction with other actors and interest in the wellbeing of these actors regardless of the MNC's short-term economic interests. In addition, the MNC does not attempt to control other actors by imposing its own goals and interests on others, but is open to social dialogue based on cooperation and shared values.
- *Allowing or actively seeking the involvement of other actors in MNC decision making.* The MNC welcomes negotiation and consultation, or shares its decision making with other actors with a general expectation of future returns. The exact nature of these returns (e.g., direct increase in profits or firm performance) is not specified in advance (Fox 1974: 71). It is uncertain whether the involvement of other actors will lead to MNC's profits, but the MNC interacts with and involves other actors despite a given uncertainty of outcomes.
- *MNC commitment to informal institutions that result from social interaction without the existence of an enforceable binding contract.* The outcome of social interaction between MNCs and other actors depends on the extent of discretion, trust, and commitment of all involved parties without a binding contract to be enforced (Fox 1974). Expected returns are not based on formalized rules, but on less concrete, fragile norms. Trust, or the confidence that other actors will continue its commitment, adherence to rules of reciprocity or fairness even in circumstances in which it might be advantageous to defect (Streeck 1997a: 202), is an informal institution formed in social interaction. Although the employment relationship is to a large extent regulated by formalized institutions, trust is important in everyday interactions between workers

and supervisors, informal agreements between headquarters and subsidiaries, and between the company and trade unions. These stimulate context-specific company behavior that has implications for convergence in workplace institutions and employment practices in a MNC.

The second theoretical concept with the potential to be further developed is the mode of governance in which social responsibility and the provision of welfare is concentrated in companies instead of welfare states. I have discussed that Electra's behavior and commitment stretching beyond short-term profit aspirations is indeed complementary to the MNC's drive to increase its shareholder value. Electra is an MNC with a leading position on European production markets. For the maintenance of its competitive position good performance, profitability, and shareholder responsiveness are the company's priority. In line with a liberal corporate governance system, Electra adopted increased employment flexibility and performance-related pay. But higher flexibility and lower job security are balanced by favorable working conditions, cooperative management-worker relations at the workplace, and relatively generous fringe benefits. Thus, Electra may be seen as an MNC balancing its shareholder interest with its stakeholder orientation and thereby creating a *shareholder plus* model of governance where the welfare of individuals is not provided by welfare states, but largely dependent on the willingness of large capital holders and employers to provide welfare. The fundamental notion of this model is social responsibility and the concern of the MNC with the effects of its profit-driven behavior on the stakeholders and the society. Additional research is necessary to understand the attributes of this kind of a governance mode, its emergence and sustainability, as well as its ability for maintaining employee welfare outside the Western-European style of collective employment regulation.

Appendix

List of conducted interviews²²⁵

Sym- bol	Interview title	Respondent function	Date and place	Language
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Electra headquarters, the Netherlands				
HQ1	Regional HRM policy, labor relations and the European Electra Forum	Industrial Relations Manager, Electra EMEA headquarters	9.6.2004 Amsterdam	English
HQ2	HRM policy of BG Connected Displays and coordination with TV factories	HR Manager, Electra BG Connected Displays	11.6.2004 Eindhoven	English
HQ5	Coordination between BG Connected Displays and TV factories in production	Industrial Manager, BG Connected Displays	29.6.2004 Eindhoven	English
HQ6	HRM policy of Consumer Electronics and coordination with corporate headquarters and subsidiaries	HRM Officer, international projects Electra Consumer Electronics	23.7.2004 Amsterdam	English

Trade unions and the EWC , Electra headquarters, the Netherlands				
HQ-U3	Benchmarking and international cooperation of trade unions and the EWC	EWC Vice Chairman, FNV and Works Council representative, Electra Deurne	27.2.2004 Deurne	English
HQ-U4	International cooperation of trade unions within Electra	FNV Chief Negotiator for Electra Netherlands	15.6.2004 Weert	English

Management Electra Kwidzyn, Poland				
P-M1	HRM trends and agenda	HR Manager, Electra Kwidzyn	16.3.2004 Kwidzyn	English
P-M2 (A)	Production and supply chain management	Supply Chain Manager, Electra Kwidzyn	22.3.2004 Kwidzyn	English
P-M2 (B)	Production and costs	Production Manager, Electra Kwidzyn	22.3.2004 Kwidzyn	English
P-M2 (C)	Excursion across production halls ²²⁶	Shift leader C, Electra Kwidzyn	22.3.2004 Kwidzyn	Polish

²²⁵ All interviews were conducted by the author, face to face, recorded, and transcribed; if not stated otherwise. Positions of the interview respondents are according to their appointment at the time of the interview.

²²⁶ This interview was not recorded.

List of conducted interviews (continued)

Sym- bol	Interview title	Respondent function	Date and place	Language
Management Electra Kwidzyn, Poland				
P-M3	HRM in Electra's business strategy, corporate HRM policy	HR Manager, Electra Kwidzyn	30.3.2004 Kwidzyn	English
P-M4	Coordination of HRM with headquarters	HR Manager, Electra Kwidzyn	20.5.2004 Kwidzyn	English
P-M5	Management and unions, collective bargaining	HR Manager, Electra Kwidzyn	29.3.2004 Kwidzyn	English
P-M6	Benchmarking HRM within BG Connected Displays, employers associations	HR Manager, Electra Kwidzyn	20.5.2004 Kwidzyn	English
P-M7	Working time organization	Personnel Officer, Electra Kwidzyn	29.3.2004 Kwidzyn	English
P-M8	Working time management	Personnel Officer, Electra Kwidzyn	30.3.2004 Kwidzyn	English
P-M9	Work organization (HRM perspective)	Personnel Officer, Electra Kwidzyn	30.3.2004 Kwidzyn	English
P-M10 (A)	Work organization (production perspective)	Manufacturing Manager, Electra Kwidzyn	21.4.2004 Kwidzyn	English
P-M10 (B)	Work organization (production perspective)	Product Manager, Electra Kwidzyn	21.4.2004 Kwidzyn	English
P-M11 (A)	Work organization and working time (shift leader perspective)	Shift leader A, Electra Kwidzyn	21.4.2004 Kwidzyn	Polish
P-M11 (B)	Work organization and working time (shift leader perspective)	Shift leader B, Electra Kwidzyn	22.4.2004 Kwidzyn	Polish
P-M11 (C)	Work organization and working time (shift leader perspective)	Shift leader C, Electra Kwidzyn	4.5.2004 Kwidzyn	Polish
P-M12	Work organization and working time survey ²²⁷	15 Group Leaders, Electra Kwidzyn (response rate 53%)	May 2004 Kwidzyn	Polish
P-M13	Employment flexibility: recruitment	Personnel Officer, Electra Kwidzyn	23.4.2004 Kwidzyn	English
P-M14	Employment flexibility: dismissals	Personnel Officer, Electra Kwidzyn	27.4.2004 Kwidzyn	English
P-M15	Workplace conflict resolution (part I.)	HR Manager, Electra Kwidzyn	22.4.2004 Kwidzyn	English

²²⁷ This survey questionnaire has been excluded from further analysis due to a low response rate.

List of conducted interviews (continued)

Sym- bol	Interview title	Respondent function	Date and place	Language
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Management Electra Kwidzyn, Poland

P-M16	Workplace conflict resolution (part II.)	HR Manager, Electra Kwidzyn	6.5.2004 Kwidzyn	English
P-M17	Communication with employees and with the local society	Total Quality and Corporate Communication Manager, Electra Kwidzyn	20.5.2004 Kwidzyn	English
P-M18	Challenges and strategic opportunities for Electra Kwidzyn	General Manager, Electra Kwidzyn	5.5.2004 Kwidzyn	English

Trade union representatives, Electra Kwidzyn and the Kwidzyn region, Poland

P-U1	Trade union structure, agenda and activities	Solidarność Chairwoman, Electra Kwidzyn	19.3.2004 Kwidzyn	Polish
P-U2	Collective bargaining and agreements	Solidarność Chairwoman, Electra Kwidzyn	29.3.2004 Kwidzyn	Polish
P-U3	Regional trade union structure, cooperation and benchmarking	Solidarność Chair, Kwidzyn Region	11.5.2004 Kwidzyn	Polish
P-U4	Working time and trade unions	Solidarność Chairwoman, Electra Kwidzyn	26.4.2004 Kwidzyn	Polish
P-U5	Work organization and trade unions	Solidarność Chairwoman, Electra Kwidzyn	5.5.2004 Kwidzyn	Polish
P-U6	Recruitment, dismissals and trade unions	Solidarność Chairwoman, Electra Kwidzyn	12.5.2004 Kwidzyn	Polish
P-U7	Unions and workplace conflict resolution	Solidarność Chairwoman, Electra Kwidzyn	19.5.2004 Kwidzyn	Polish

Respondents external to management and trade unions in Electra Kwidzyn, Poland

P-E1	Benchmarking and international cooperation of unions at Electra	International trade union coordinator Solidarność, Electra Piła	10.5.2004 Piła	Polish
P-E2	Position of unions in Poland, international union cooperation	Solidarność International Coordinator at national level	28.4.2004 Gdańsk	English

List of conducted interviews (continued)

Sym- bol	Interview title	Respondent function	Date and place	Language
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Respondents external to management and trade unions in Electra Kwidzyn, Poland

P-E3	HRM at Electra Poland: role of national HRM manager	HR Manager, Electra National Organization Poland	24.5.2004 Warszawa	English
P-E5	Electra Kwidzyn: impact on employment and the regional labor market	Director of Labor Market Board, Kwidzyn Region	14.5.2004 Kwidzyn	Polish
P-E6	MNCs in Kwidzyn: impact on city development and citizens	Representative of Kwidzyn Municipality, Dept. of Investments and Development	18.5.2004 Kwidzyn	Polish
P-E7	Experience with Electra as an employer	Current Electra worker (anonymous)	May 2004 Kwidzyn	Polish
P-E8	HRM and collective bargaining at Electra across Poland, international coordination ²²⁸	Personnel Director, Electra Lighting Pila, Industrial HR Manager, Electra Poland	18.6.2004	English

Management Electra Brugge, Belgium

B-P1	Pilot interview – general information	Deputy HR Manager for production workers, Electra Brugge	13.9.2004 Brugge	English
B-M1	HRM trends and agenda, perception of HRM within the overall Electra strategy	Deputy HR Manager for production workers, Electra Brugge	13.9.2004 Brugge	English
B-M2	Production and supply chain management	Production Manager, Electra Brugge	13.9.2004 Brugge	English
B-M4	Coordination of HRM with headquarters	Deputy HR Manager for production workers, Electra Brugge	24.9.2004 Brugge	English
B-M19	Formal/ informal interaction with trade unions and works councils	Deputy HR Manager for production workers, Electra Brugge	24.9.2004 Brugge	English

²²⁸ Telephone interview with notes taken by the author.

List of conducted interviews (continued)

Sym- bol	Interview title	Respondent function	Date and place	Language
Management Electra Brugge, Belgium				
B-M5	Collective bargaining and collective agreements	Deputy HR Manager for production workers, Electra Brugge	29.9.2004 Brugge	English
B-M6	Benchmarking HRM within BG Connected Displays, employers associations	Deputy HR Manager for production workers, Electra Brugge	29.9.2004 Brugge	English
B-M7	Working time organization	Deputy HR Manager for production workers, Electra Brugge	29.9.2004 Brugge	English
B-M8	Working time management	Deputy HR Manager for production workers, Electra Brugge	1.10.2004 Brugge	English
B-M9	Work organization (HRM perspective)	Deputy HR Manager for production workers, Electra Brugge	1.10.2004 Brugge	English
B-M10	Work organization (production perspective)	Operations/Manufacturing Manager, Electra Brugge	1.10.2004 Brugge	English
B-M13	Employment flexibility: recruitment	Deputy HR Manager for production workers, Electra Brugge	11.10.2004 Brugge	English
B-M14	Employment flexibility: dismissals	Deputy HR Manager for production workers, Electra Brugge	11.10.2004 Brugge	English
B-M15	Workplace conflict resolution	Deputy HR Manager for production workers, Electra Brugge	13.10.2004 Brugge	English
B-M17	Communication with employees and local society	Deputy HR Manager for production workers, Electra Brugge	13.10.2004 Brugge	English
B-M18	Challenges and strategic opportunities for Electra Brugge	General Manager, Electra Brugge	26.10.2004 Brugge	English

List of conducted interviews (continued)

Sym- bol	Interview title	Respondent function	Date and place	Language
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Trade union and works council representatives, Electra Brugge and the Brugge region, Belgium

B-U1	Trade union structure, agenda and activities	ACV Metaal representative for blue-collar workers, Electra Brugge	11.10.2004 Brugge	Dutch
B-U2	Collective bargaining and agreements	ACV Metaal representative for blue-collar workers, Electra Brugge	25.10.2004 Brugge	Dutch
B-U3	Regional trade union structure, cooperation and benchmarking	Regional secretary of ACV Metaal, Brugge (West Vlaanderen)	7.10.2004 Brugge	English
B-U4	Working time and trade unions	ACV Metaal representative for blue-collar workers, Electra Brugge	25.10.2004 Brugge	Dutch
B-U5	Work organization and trade unions	ACV Metaal deputy representative for blue-collar workers, Electra Brugge	25.10.2004 Brugge	Dutch
B-U6	Recruitment, dismissals and trade unions	ACV Metaal representative for blue-collar workers, Electra Brugge	26.10.2004 Brugge	Dutch
B-U7	Unions and workplace conflict resolution	ACV Metaal representative for blue-collar workers, Electra Brugge	26.10.2004 Brugge	Dutch
B-U8	ABVV Metaal: agenda, interaction with management and ACV	ABVV representative for blue-collar workers, Electra Brugge	13.10.2004 Brugge	Dutch
B-W1	Works councils at Electra Brugge: role, activities, experience	ACV Metaal representative for blue-collar workers, Electra Brugge	26.10.2004 Brugge	Dutch

Respondents external to management and trade unions in Electra Brugge, Belgium

B-E1	Benchmarking and international cooperation of unions at Electra, functioning of EWC	Belgian EWC representative, ACV Metaal representative in Electra Belgium	21.6.2004 Turnhout	English
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List of conducted interviews (continued)

Sym- bol	Interview title	Respondent function	Date and place	Language
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Respondents external to management and trade unions in Electra Brugge, Belgium

B-E2	Position of unions in Poland, international union cooperation	National secretary of ACV Metaal, Belgium	19.10.2004 Brussel	English
B-E3	HRM at Electra Belgium: role of national HRM manager	HRM and Labor Law Manager, Electra National Organization Belgium	20.9.2004 Brussel	English
B-E4	Electra, other MNCs and employer organizations in Belgium	National secretary of Agoria employer association, Belgium	28.10.2004 Brussel	English
B-E5	Electra Brugge: impact on employment and the regional labor market	Director and three representatives of Vlaamse Dienst voor Arbeids Bemiddeling, Regional office Brugge	13.1.2005 Brugge	English
B-E8	HRM and collective bargaining at Electra across Belgium, international coordination	HRM and Labor Law Manager, Electra National Organization, Belgium	6.10.2004 Brussel	English
B-E9	ABVV Metaal in Belgium: experience with Electra, international coordination	ABVV Metaal National Organization representative, Belgium	28.10.2004 Brussel	English

Management Electra Székesfehérvár, Hungary

H-P1	Pilot interview – general information	HR Manager, Electra Székesfehérvár	12.11.2004 Székes- fehérvár	English
H-M1	HRM trends and agenda at Electra Székesfehérvár, perception of HRM within overall strategy of Electra	HR Manager, Electra Székesfehérvár	19.11.2004 Székes- fehérvár	English
H-M2	Production and supply chain management	Operations Manager Home entertainment division, Electra Székesfehérvár	22.3.2005 Székes- fehérvár	Hungarian

List of conducted interviews (continued)

Sym- bol	Interview title	Respondent function	Date and place	Language
Management Electra Székesfehérvár, Hungary				
H-M4	Coordination of HRM with headquarters	HR Manager, Electra Székesfehérvár	26.11.2004 Székesfehérvár	English
H-M19	Formal/ informal interaction with trade unions and works councils	HR Manager, Electra Székesfehérvár	8.12.2004 Székesfehérvár	English
H-M5	Collective bargaining and collective agreements	HR Manager, Electra Székesfehérvár	8.12.2005 Székesfehérvár	English
H-M6	Benchmarking HRM within BG Connected Displays, employers associations	HR Manager, Electra Székesfehérvár	26.11.2004 Székesfehérvár	English
H-M7	Working time organization	Personnel Officer for production workers, Electra Székesfehérvár	19.11.2004 Székesfehérvár	Hungarian
H-M8	Working time management	Personnel Officer for production workers, Electra Székesfehérvár	19.11.2004 Székesfehérvár	Hungarian
H-M9	Work organization (HRM perspective)	Personnel Officer for production workers, Electra Székesfehérvár	2.12.2004 Székesfehérvár	Hungarian
H-M10	Work organization (production perspective)	Production Manager Home Entertainment division, Electra Székesfehérvár	26.11.2004 Székesfehérvár	Hungarian
H-M13	Employment flexibility: recruitment	Personnel Officer for production workers, Electra Székesfehérvár	2.12.2004 Székesfehérvár	Hungarian
H-M14	Employment flexibility: dismissals	Personnel Officer for production workers, Electra Székesfehérvár	22.3.2005 Székesfehérvár	Hungarian
H-M15	Workplace conflict resolution	Public relations and HR Officer, Electra Székesfehérvár	7.12.2004 Székesfehérvár	Hungarian

List of conducted interviews (continued)

Sym- bol	Interview title	Respondent function	Date and place	Language
Management Electra Székesfehérvár, Hungary				
H-M17	Communication with employees and local society	Public relations and HR Officer, Electra Székesfehérvár	7.12.2004 Székesfehérvár	Hungarian
H-M18	Challenges and strategic opportunities for Electra Székesfehérvár	General Manager, Electra Székesfehérvár	18.3.2005 Székesfehérvár	English
Trade union and works council representatives in Electra Székesfehérvár, Hungary				
H-U1	Trade union structure, agenda and activities	Video trade union leader, Electra Székesfehérvár	2.12.2004 Székesfehérvár	Hungarian
H-U2	Collective bargaining and agreements	Video trade union leader, Electra Székesfehérvár	7.12.2004 Székesfehérvár	Hungarian
H-U3A	Regional trade union structure, cooperation and benchmarking	Regional leader of MEDU and LIGA trade union	9.12.2004 Székesfehérvár	Hungarian
H-U3B	Regional trade union structure, cooperation and benchmarking	Regional leader of Vasas trade union	22.11.2004 Veszprém	Hungarian
H-U4	Working time and trade unions	Video trade union leader, Electra Székesfehérvár	8.12.2004 Székesfehérvár	Hungarian
H-U5	Work organization and trade unions	Video trade union leader, Electra Székesfehérvár	8.12.2004 Székesfehérvár	Hungarian
H-U6	Recruitment, dismissals and trade unions	Video trade union leader, Electra Székesfehérvár	9.12.2004 Székesfehérvár	Hungarian
H-U7	Unions and workplace conflict resolution	Video trade union leader, Electra Székesfehérvár	15.12.2004 Székesfehérvár	Hungarian
H-W1	Works councils agenda and activities, relationship with trade union, EWC effects on workplace works council activity ²²⁹	Works council leader, Electra Székesfehérvár	15.12.2004 Székesfehérvár	Hungarian

²²⁹ This interview was not recorded; notes taken by the author.

List of conducted interviews (continued)

Sym- bol	Interview title	Respondent function	Date and place	Language
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Respondents external to management and trade unions in Electra Székesfehérvár, Hungary

H-E1	Benchmarking and international cooperation of unions at Electra, functioning of EWC	Regional leader of Vasas trade union, Győr and Vasas trade union representative in Electra Győr	1.12.2004 Győr	Hungarian
H-E2	Position of unions in Poland, international union cooperation	Vasas trade union President	13.12.2004 Budapest	Hungarian
H-E5	Electra Székesfehérvár: impact on employment and the regional labor market	Senior representative of regional labor market board, Székesfehérvár	18.3.2005 Székesfehérvár	Hungarian
H-E6	Electra and other foreign companies in Székesfehérvár: interaction and impact on the city and regional development	Senior representative of municipality and mayor's office, Székesfehérvár	22.3.2005 Székesfehérvár	Hungarian
H-E8	HRM and collective bargaining at Electra across Hungary, international coordination ²³⁰	HR Manager, Electra Győr and Industrial HR Manager, Electra Hungary	19.1.2005	English

Management Electra Dreux, France

F-M1	Employment, HRM trends and agenda at Electra Dreux ²³¹	HR Manager, Personnel Officer, Electra Dreux	19.10.2005 Dreux	English
F-M4	Coordination of HRM with headquarters ²³²			
F-M2	Production and supply chain management	Manufacturing Manager, Electra Dreux	18.10.2005 Dreux	English
F-M10	Managing work organization, interaction between management and workers			

²³⁰ Telephone interview; notes taken by the author.

²³¹ This interview was not recorded; notes taken by the author.

²³² This interview was not recorded; notes taken by the author.

List of conducted interviews (continued)

Sym- bol	Interview title	Respondent function	Date and place	Language
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Management Electra Dreux, France				
F-M19	Formal/ informal interaction with trade unions and works councils ²³³	HR Manager, Personnel Officer, Electra Dreux	19.10.2005 Dreux	English
F-M5	Collective bargaining and collective agreements			
F-M6	Benchmarking HRM within BG Connected Displays, employers associations, local image of Electra ²³⁴	HR Manager, Personnel Officer, Electra Dreux	19.10.2005 Dreux	English
F-M7	Working time organization	Personnel Officer for working time and communication) Electra Dreux	18.10.2005 Dreux	English
F-M8	Working time management			
F-M9	Work organization (HRM perspective)	Personnel Officer for recruitment, Electra Dreux	18.10.2005 Dreux	English
F-M15	Workplace conflict resolution			
F-M13	Employment flexibility: recruitment	Personnel Officer for recruitment, Electra Dreux	18.10.2005 Dreux	English
F-M14	Employment flexibility: dismissals			
F-M17	Communication with employees and the local society	Personnel Officer for working time and communication, Electra Dreux	18.10.2005 Dreux	English

Respondents external to Electra Dreux, France				
F-E5	Electra Dreux: impact on employment and the regional labor market	Director of Manpower, Regional office Dreux	17.10.2005 Dreux	French
F-E6	MNCs in Dreux: impact on city development and citizens	Director of the Cabinet, Dreux Municipality	17.10.2005 Dreux	French

²³³ This interview was not recorded; notes taken by the author.

²³⁴ This interview was not recorded; notes taken by the author.

List of conducted interviews (continued)

Sym- bol	Interview title	Respondent function	Date and place	Language
Respondents external to Electra Dreux, France				
F-E8	HRM and collective bargaining at Electra across France, international coordination	HR Manager and Industrial Relations Manager, Electra national organization France	20.10.2005 Suresnes	English

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Het beste maken van diversiteit. Sociale interactie en variatie in arbeidsvoorwaarden in een multinationale onderneming

Uitgaande van een case studie van de Nederlandse multinational Electra, geeft dit proefschrift een beeld van variaties in arbeidsvoorwaarden tussen dochterondernemingen in West- en Oost-Europa. Het proefschrift stelt de vraag wat het belang van de multinational is om deze variatie terug te dringen of te behouden, en wat de factoren zijn die het gedrag van de onderneming beïnvloeden. Het proefschrift evalueert in het bijzonder of en hoe sociale relaties die de onderneming ontwikkelt met werknemers in de dochterondernemingen, de vakbonden, en andere lokale actoren, resulteert in convergentie of juist variatie in arbeidsvoorwaarden.

Het overkoepelende argument is gebaseerd op de volgende stellingen: Allereerst leidt de rol van Electra ten aanzien van arbeidsvoorwaarden niet tot convergentie in arbeidsvoorwaarden op de werkvloer in West- en Oost-Europa. Ten tweede is de waargenomen variatie in arbeidsvoorwaarden niet het resultaat van een aanpassing van Electra aan wettelijke regelgeving en economische verschillen in de gastlanden. Ten aanzien van een meerderheid van de bestudeerde arbeidsvoorwaarden gaat Electra een stap verder dan de maatstaven in het gastland, en biedt betere arbeidsvoorwaarden. Het gedrag van Electra kan dus het beste getypeerd worden als het beste maken van de lokale omstandigheden zonder volledige aanpassing daaraan. Ten derde is de rol van Electra in het creëren van variatie in arbeidsvoorwaarden niet beperkt tot winstmaximalisatie door uitbuiting van de lokale mogelijkheden. Sociale interactie met werknemers en vakbonden speelt een centrale rol in onderhandelingen over arbeidsvoorwaarden. Het niveau van betrokkenheid van lokale actoren bij de arbeidsvoorwaardenvorming binnen Electra is vaak hoger dan de vereisten vanuit lokale wetgeving en economische druk. De vierde stelling tenslotte is dat de economische macht van Electra niet het enige relevante kenmerk is in sociale interactie met lokale actoren. Onder invloed van normen is het gedrag van de onderneming gericht op het creëren van een vertrouwensrelatie met lokale actoren. Dit resulteert in gezamenlijke (informele) afspraken, veelal verdergaand dan de wettelijke vereisten omtrent de collectieve regulering van arbeidskwesties en arbeidsstandaarden in de gastlanden.

Het theoretisch uitgangspunt van het proefschrift is uiteengezet in *hoofdstuk 2*. Het uitgangspunt voor de theorie is de heterogeniteit van de belangen van een multinational en de onzekerheid van externe omstandigheden. Deze factoren zetten de multinational aan tot sociale interactie met actoren in het gastland, rekening houdend met het unieke karakter van wettelijke regelgeving en economische omstandigheden aldaar.

Sociale interactie tussen de multinational en de lokale actoren wordt gestructureerd door een stelsel van interactiekanalen en -fora. Deze zijn geoperationaliseerd in *hoofdstuk*

3. Hoofdstukken 4 tot 8 geven een overzicht van bewijsmateriaal voor elk interactiekanaal en construeren geleidelijk het argument over de consistentie van Electra's gedrag. *Hoofdstuk 4* bespreekt het bedrijfsbelang van Electra en de sociale interactie tussen het hoofdkantoor en de dochterondernemingen. In plaats van het toedelen van een gelijke rol voor elke dochteronderneming en het stimuleren van interne competitie, gelooft het hoofdkantoor dat de afzonderlijke fabrieken tot taak hebben om het bedrijfsbelang te vertalen naar de diverse lokale arbeidsmarkten.

Hoofdstuk 5 onderzoekt de lokale aanwezigheid van de multinational in de gastlanden. De focus ligt hierbij op betrokkenheid in de lokale gemeenschap, invloed op de lokale arbeidsmarkt en arbeidsvoorwaarden op de werkvloer. Het hoofdstuk betoogt dat Electra's lokale gedrag in een aantal aspecten noch lijkt op aanpassing aan lokale standaarden noch op het verspreiden van 'best practices' over de dochterondernemingen.

Electra's benutting van lokale omstandigheden blijkt eveneens uit de sociale interactie tussen het management en werknemers, beschreven in *hoofdstuk 6*. Door het stimuleren van competitie tussen individuele werknemers en prestatiegerelateerde beloning in Centraal- en Oost-Europese fabrieken, maar niet in Westerse fabrieken, draagt Electra bij aan het versterken van bestaande verschillen in sociale normen tussen West- en Oost-Europa. In overige 'zachte' arbeidsvoorwaarden (i.e. secundaire arbeidsvoorwaarden) hebben Electra's bedrijfsnormen geleid tot coöperatieve relaties tussen management en werknemers en royale voorwaarden, zelfs in Centraal- en Oost-Europa waar dergelijke voorwaarden niet gemeengoed zijn.

Hoofdstuk 7 geeft een beeld van de diversiteit in interactievormen tussen management en vakbond, en analyseert de consequenties daarvan voor variatie in flexibele arbeidsvoorwaarden. De belangrijkste factor is Electra's belang bij coöperatieve arbeidsverhoudingen; en vertrouwen en sociale interactie tussen lokale managers en vakbondsvertegenwoordigers. Ik betoog dat sociale interactie doorslaggevend is voor betrokkenheid van de vakbond bij arbeidsvoorwaarden dan de economische strategie van de multinational of de bestaande wettelijke regelgeving in de gastlanden.

Betogend dat vakbonden een cruciale rol spelen in Electra's arbeidsvoorwaardenvorming op de werkplek, analyseert *hoofdstuk 8* de status van grensoverschrijdende sociale interactie tussen vakbonden en werkgeversvertegenwoordigers in West- en Oost-Europa op drie niveaus (nationaal, bedrijfsniveau en de Europese ondernemingsraad). Als gevolg van de zwakte van internationale vakbondsonderhandelingen op bedrijfsniveau en de afstand tussen vakbondsinteractie op nationaal niveau en het management van de multinational, wordt Electra in de uitvoering van haar decentrale strategie niet geconfronteerd met zware internationale druk en obstakels.

Hoofdstuk 9 sluit af met het argument dat variatie in arbeidsvoorwaarden voornamelijk wordt bepaald door individuen; in een uitgebreide verklaring moeten niet alleen institutionele factoren onderkend worden, maar ook het samenspel tussen instituties, individueel gedrag gebaseerd op belangenafwegingen, en sociale interactie in processen op microniveau.