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Stream 4: MNC relocation and Europeanization of industrial relations

HRM AND IR: UNEASY BEDFELLOWS?

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ABSTRACT

As multinational corporations (MNCs) operate in multiple countries, headquarters have to apprehend differences in local settings when seeking to coordinate and control its subsidiaries. Among the most important local environments are the Industrial Relations (IR). The local IR-system sets the frame for what kind of human resource management (HRM) a multinational corporation can implement. But another question is if the still stronger MNCs can change the existing IR-systems, directly or indirectly.

The paper discusses two questions: (1) To what extent does a MNC give in to local regulations or to what extent does a local IR-system adapt to the demands of the MNC? (2) Can there be a form of 'dualism within the organisation where HRM coexists with IR?

The paper analyses five Danish enterprises over a 10 years period. While four out of five in 1995 was Danish owned, in 2005 four out the five was taken over by MNCs. Denmark as a case is interesting as the IR-system here has a long tradition for a fine balance between the state, unions and employers' organisation. During the last 100 years the social partners have cooperated closely with the state in defining compromises to develop the welfare state. This stakeholder approach prevails at enterprise level too.

This longitudinal study shows that none of the MNCs directly try to interfere in local IR-relations. However, by excising their management prerogative in a way different than imbedded in the Nordic IR-tradition they do influence the cooperation between employers and employees. The probability of conflict is especially high when a shareholder oriented MNC with 'hard' HRM approach overtakes an enterprise with traditions for stakeholder cooperation. If MNCs indirectly disturb a high-trust IR-system, it might in the long run also affect the stakeholder-oriented welfare state that the IR-system is a part of.

INTRODUCTION

Globalisation has accelerated in ways that was difficult to predict in the 1980's. Economies as well as labour market regulations has been liberalized during the last 15 years. Furthermore, the opening of the East Block and the change of Chinese economy in direction of an unprecedented state capitalism has extended the labour market and made competition on the price of labour very present (Katz and Darbishire 2000, Reich 2005). The growing globalization of markets is a big challenge for companies especially from a managerial perspective. Multinational companies (MNCs) have been seen as means whereby individual economies are integrated into a global economy, with a small number of very large companies accounting for a disproportionately large number of the people in employment (Torrington, 1994). The difference of today's multinationals is in the spectrum of how to approach globalization. In the past, managing MNCs meant transplanting local operations to foreign locations, relying on expatriate staff to run the overseas operation. A global organization today is more responsive to local needs, differences and competitive practices. At the same time this organization has a competitive advantage of global brand, service, technique, and expertise provided to certain extent by its parent company. MNCs are powerful vehicles for transfer of not only financial capital, but also managerial and technical knowledge across nations.

Globalization requires MNCs to develop new forms of cross-border management. MNCs are viewed as a nexus of differentiated practices "ranging from manufacturing to finance to human resources, each of which faces distinct pressures for global efficiency and for local responsiveness" (Rozenzweig and Nohria, 1994: 230). Among those practices, human resource management (HRM) practices - probably more than other strategic areas in a MNC - are subject to dual pressures for local adaptation and internal consistency. Universalistic, usually US-based, models suggest that although there is "no one best way" to manage people, organizations which are adapting most successfully to the new social and economic environment tend to be characterized by a similar set of HRM policies and practices. HQ has an interest in developing HRM policies that are broad enough and appropriate enough for the several local units to adapt to their local environmental and competitive strategy needs (Schuler et al, 1993). However, empirical research (extensively published in outlets such as International Journal of Human Resource Management) shows that parent companies have often failed to homogenize and transfer home practices overseas. Especially with popularity of local based contingency theory and culturally sensitive theories of management (e.g. Hofstede, 1980), such “one best way” ideas began to “suffer from a lack of intellectual and fashionable appeal” (Martin and Beaumont, 1998).

Rozenzweig and Singh (1991) concluded that the profile of HRM practices in MNCs are shaped by the forces of local institutional environment. Similar factors were brought into discussion by different researchers, among those are national business system and corporate isomorphism (Ferner and Quintanilla, 1998), social-cultural and political economic characteristics of the location (Tayeb, 1998), norms and regulation in the host countries (Adler, 1986; Dowling, 1989). One of the elements of the institutional environment that also should be considered here is Industrial Relations (IR) systems of the host country.

Indeed, the diversity of IR-systems across countries poses a challenge to MNCs (Edwards and Ferner, 2000). The local IR-systems set the frames for what kind of HRM a MNC can implement. If unions are strong or if labour market legislation is strict, the leeway for HRM practices is limited – and vice versa. The question is what is happening in the interaction between the HQ-originated HRM practices of MNCs and local IR-systems. Are the IR-systems adjusting to what MNCs need in the light of globalization – or are MNCs ‘transmuting’, that is accepting that they will have to adjust to local IR-systems? In this paper we explore this question by analysing various alternatives for collaboration between HRM and IR. More precisely, this paper will look into the following: (1) to what extent does a MNC give in to a local regulation or to what extent does a local IR-system adapt to the demands of the MNC, offering capital and jobs? and (2) can there be a form of ‘dualism’ within the organisation where HRM coexists with IR? (Salamon, 2000)

The rest of the paper is structured in the following way. First, we discuss possible scenarios of meetings between different kinds of IR-systems and HRM ‘hard’ and ‘soft’ approaches. We use Denmark as a case of a country with strong IR traditions as well as prevalent modern HRM business strategies. In particular we analyze five industrial plants during the period of 10 years. The results of 118 interviews are reported and discussed. This is followed by the implications for actors.

THEORETICAL BACKGROUND

HRM and IR often have conflicting views on the role of employees in organizations. Especially in a European context with long traditions for balanced IR-relations, HRM with its focus on managing employees has been perceived by IR-researchers as an unbalancing force. However, as HRM has grown stronger as a theory and more widespread as a practice, IR-theory has had to take it into account when discussing industrial and labour relations. On the other hand, HRM practitioners as well as researchers have often perceived IR as being subsumed under HRM: "… increasingly a resurgent management has sought to determine many aspects of pay and working conditions at enterprise level on an unilateral and unitaristic basis, linked with the overall business strategy of the firm and the striving for competitive advantage in the market place" (Poole, 1998: 786). So, are these two unlikely bedfellows able to sleep together in a European context?

In the 1980s the concept of HRM had started to be used more widely and eventually developed into a management practice with theories. At that time, HRM was perceived as an answer to the competitive challenges both nationally and internationally, a management strategy, driven by business interests and aiming at creating a committed workforce (Salamon, 2000; Torrington and Hall, 1998). Already back then, HRM was a quite diverse concept, and the challenge for the first generation of scholars in HRM was rather to find a common definition for the new quasi-theoretical trend than to deal with the context it was operating in. A common ground for many scholars seemed to be that HRM was different from personnel policy in that HR-issues became a part of the strategic level in the organisation (Beaumont, 1992; Storey, 1992; Sisson, 1990). Other keywords were commitment, flexibility, quality and individualism.

In 1990s, the theory had come into adolescence, and the more critical HRM-scholars saw two practices exercised – a 'hard' and a 'soft' version (Brewster, 1994; Purcell, 1992). The hard version emphasises labour as an expendable resource, tries to communicate with the employees individually, and ignores collective representation like the union and shop stewards. The soft version of HRM will not generally perceive unions as problem, and in some cases might even use unions strategically as a tool to ease implementation of new work organisations. Blyton and Turnbull (1992) point out that the hard approach emphasise the M (management) in HRM while the soft version focus on the HR (human resources) part. Delbridge and Turnbull (1992) as well as Beaumont (1995) point out that the hard version of HRM tends to negotiate individual contracts directly with employees, sometimes with the deliberate aim to by-pass and marginalise unions. Whereas the hard HRM basically tries to ignore the existence of a conflict of interest between management and employees, the soft version accepts this conflict of interest, recognizes collective negotiations and typically invites unions to the negotiation table.

Any country has an IR-system, defined as a balance between the state, employers (employers' organizations) and employees (employees' organisation, i.e. unions) (Dunlop, 1958). The strengths of each of the three parties can be more or less pronounced, and the balance in the tripartite system is one of the central issues in defining different kinds of welfare capitalisms in different countries or regions. In the western world, there are three or four quite widely accepted models of welfare capitalism (and corresponding IR-systems): the Anglo-American, the North European, the South European and the Japanese (Hyman, 2004). These also define the frame for and the modes of regulation of labour market relations. The Anglo-American system has a liberal approach to ownership and the level of social security is low. On the other hand, the North European welfare state has a strictly regulated approach to ownership and a high level of social security. The corresponding IR-systems differ in the same way. Union density is generally low in the Anglo-American system. As well known, unions have been rolled back over the last 25 years in the UK. This is not the case in the North European countries where union density remains high, and the social partners, i.e. unions and employers' organisations have a big say in any major welfare changes.

Embedded in the various IR-systems are fundamentally different views on whether management of an organization should serve the interest of various stakeholders (other than shareholders) or focus on shareholders' interest and seek to maximize the market value on current shareholders' stock holdings. The two different approaches - shareholder versus stakeholder - are not clear-cut nationally based, but the attitudes are often manifested in different management techniques. In the North European tradition a stakeholder attitude is dominating. This includes the parties in the institutional IR-set-up, on company level, society as well as community, and the environment. The Anglo-American approach emphasizes a stakeholder perspective, i.e. a high priority is given to the owners of an enterprise, the stock market, short term and long term return on investment etc. (Rose 2004).

It is in the meeting between the MNCs HRM-policy and the local IR, the practical problems as well as possibilities arises (de Silva 1998). Conflicts in domestically owned companies will generally be more or less institutionalised since the employers as well as employees are 'born into' the IR-system. There are grievances, but these are dealt with in manners known to the parties, although the parties might try to reformulate the existing order. However, when a MNC takes a domestic company, a new potential for conflict arises. Since the MNC and the subsidiary might come from two quite different IR-systems, a clash between the two parties might take place. So what happens when HRM and IR meet on company level?

Table 1. IR-systems and HRM approaches

	Soft HRM	**Hard HRM**
North European IR	A: Stakeholder/stakeholder	B: Stakeholder/shareholder
Anglo-American IR	C: Shareholder/stakeholder	D: Shareholder/shareholder

Table 1 indicates in a simplistic form four possible scenarios of meetings between different kinds of IR-systems and HRM approaches. In this paper, we take a starting point in the North European IR and consider companies being taken over by different kinds of MNCs, representing different HRM approaches. That is, the paper will concentrate on quadrants A and B in Table 1. In the focus of our analysis is a subsidiary, since at this level the conflicts between the IR and HRM are more visible and the effects are most detectable.

METHODS

Denmark is among the strongest IR-regulated countries in the world. Since the September-compromise in 1899, a tradition for a tripartite IR system has prevailed in which unions, employers organisations and the state have had pretty much equal influence on labour market regulations. Wages and working conditions has for more than 100 years been negotiated between employers' organisations and unions and been determined in collective agreements. While the state has had very limited direct influence on wages and working conditions, any major political decision regarding labour market (e.g. sick leave, holidays etc.) indirectly affects the next round of negotiations on the collective agreements. Hence, a long tradition for a close communication between the labour market parties and the government prevails. Employers as well as unions are heard on any major legislation regarding the labour market.

Hence, the institutionalisation of the industrial relations is high, and the system can be characterised as voluntary in terms of the social partners make the rules themselves (Due et al, 1994). With a union density of around 75 per cent (Rogaczewska et al. 2004), the legitimacy of collective agreements is very high. At the same time, Denmark is an example of a society in which the development of the welfare state is closely connected to balances in the IR-system. This tradition for finding compromises that can obtain the support from all stakeholders is also present on company level. Further, even more issues from the collective agreement have been decentralised to company level during the last 15 years. The collective agreements have opened up for still more opportunities for management and employee representatives locally for making more flexible agreements - agreements that just 15 years earlier was unthinkable.

This also affects HRM practices. Some authors argue that in HRM terms Ireland, the UK, the Netherlands, Norway, Sweden, Denmark and Finland has more similarities than differences (Brewster and Larsen (2000)). However, Brewster and Larsen emphasise one of the differences as the importance of the stock market. This fits well with our distinction between shareholder and stakeholder value systems. Research also shows that HRM in Denmark has another institutional set up than in Anglo-Saxon countries (Navrbjerg, 1999)

In sum, with a strong tradition for stakeholder approach in the IR-system, Denmark offers uniquely favourably conditions for testing what happens when foreign HRM meet strongly regulated IR-systems.

Five companies were chosen for this study: three of them were the main sources of empirical material and two (one local and one foreign) companies were chosen as controls. One choice parameter was that companies were big enough so they have a HRM-manager. In generally, companies with less than 50 employees seldom have a HRM-function, dedicated to that one task. Size-wise, the biggest company had originally 550 employees, and the smallest had 53 employees. The latter is typical for Denmark, where majority of the enterprises are small and medium sized (SMEs). All companies are industrial plants and as such the classical arena for industrial relations. Moreover, the companies were also chosen from a pool of companies that had presented themselves as vanguards on HRM issues on conferences, in newspapers etc. As such, they were thought of as possible benchmarks for the development of HRM in a Danish context.

The companies were visited for the first time in 1995, three revisited in 2001 and four was analyzed again in 2005. The analysis in 1995 was the most comprehensive: 15 to 18 interviews were carried out on each enterprise, with top-management, middle management, union representatives and rank and file employees. All in all, 88 interviews in the five enterprises in 1995, and 9-10 interviews from each enterprise were transcribed. The interviews in 2000 and 2005 were with main actors like HR-managers and shop stewards. Here, some 3-5 interviews were carried out on each enterprise. In 2000, 14 interview was carried out in three enterprises, and in 2005, 16 interviews in four enterprises. In total, 118 interview over 10 years. Table 2 summarizes the background of the case companies as well as control group companies.

The longitudinal design of the study makes it possible to investigate changes in cooperative culture and in management style on each enterprise over 10 years.

Table 2. Background information

	Enterprise I		Enterprise II		Enterprise III		Enterprise IV		Enterprise V	
	1995	2005	1995	2005	1995	2005	1995	2005	1995	2005
Industry	Plastics		Electro mechanics		Automats		Plastics		Machinery	
Ownership	DK	US	DK	US	DK	IT	DK	DK	UK	UK
Number of employees	360	185	80	53	550	380	250	456	335	N/A
Number of blue-collar employees	260	138	50	26	350	295	175	243	200	N/A
Number of white-collar employees	100	49	30	27	200	85	75	213	135	N/A
Ratio white-collar/blue-collar	1:2.6	1:2.8	1:1.7	1:1	1:1.8	1:3.5	1:2.3	1:1.15	1:1.5	N/A

CASES

Enterprise I – US owned stakeholder

The enterprise was taken over by an American MNC in 1999. Until then, the company was domestically owned. The take-over started when the Danish company went on the US market and got sued by an American firm producing the same products. The court proceeding drained the Danish company economically at the same time as the company's dominating position as main mover of high quality product vanished.

Enterprise I's products were not part of the mother company's core products. Both management and employee representatives described the enterprise as the HQ 'cash cow': as long as it delivers a profit, it survives. Unfortunately, the market conditions had changed dramatically during the last 10 years. Through the 1990's, the enterprise had build itself a platform and an uncontested niche for state-of-the art products. Using this product, customers were able to run their expensive machinery four times faster. Gradually, the demand for customers' products on the market was satisfied and even oversupplied. The consequence was that the Enterprise I customers did not need to go high speed and consequently did not need the high quality products from Enterprise I. The company had become just one among many instead of the prime mover.

Before the take-over, the relations in Enterprise I between a charismatic CEO and an equally charismatic shop steward were based on high-trust and confidence. Wages for unskilled workers were the highest in the country, and an agreement between management and the employee representatives secured that the enterprise recruited mainly among unemployed and/or people living more than 20 miles from the plant. The motivation was 1) not to 'steal' employees from low-wages companies in the neighborhood and 2) to secure integration of a potentially marginalized work force. The enterprise clearly was a stakeholder enterprise.

After 1999, this had changed. The HQ did not directly interfere with production. But the mother company had implemented a system of "head-counts", i.e. measurement of performance per employee. Every three months, trimming of the company took place according to these head-counts. Additionally, reduction of waste was under close surveillance. The constant redundancies made it difficult to keep up the product quality due to lack of high-skilled employees. The whole situation had affected the level of absenteeism: in 1995 it was 2 per cent, in 2005 it rose till 4-5 per cent. The number of employee was almost halved over 10 years: from 360 in 1995 to 185 in 2005, adding to the insecurity in the work force. A low trust spiral was replaced a high trust relation.

The HQ did not obstruct the IR systems as such; it was up to the subsidiary management to negotiate the collective agreements locally. However, by interfering in hiring/firing and waste control the local negotiations were affected indirectly: management and employee representatives had to discuss how to keep up the quality and avoid redundancy. One of the solutions found was to freeze the wages or even cut them since they were already among the best in the country. Hence, even though HQ did not influence the IR-relations directly, the implemented HRM policies had a strong effect on local negotiations.

Enterprise II – US owned stakeholder

Enterprise II was family owned through three generations. In 2000, the enterprise was taken over by an American MNC. The take-over was relatively pain free as a new generation of management had to take over anyway within the three to five years. Though the company had had a CEO, the family had always had a heavy weight in the board and thereby in all personnel-related matters.

The overtaking MNC was an investment company with some 675 enterprises (in 2005) all over the world. They expanded with 50-75 companies a year within quite different sectors ranging from building and construction, food production, equipment for planes etc. The HQ had an overarching philosophy that was also implemented in subsidiaries. First, the subsidiaries had to have approximately the same size and turnover – around 15 million dollars and 100 employees as maximum. If a company was bigger than this, it would be spilt into several divisions. The philosophy behind was that bigger companies risked loosing their synergy. Second, the subsidiaries' operations were controlled through key performance indicators that subsidiaries had to deliver once a month. Overall, it was generally expected that each subsidiary should deliver a surplus of 15 per cent, but variations in different branches due to specific market conditions were accepted. Once a year, subsidiaries top management within the same sector met up to share knowledge and exchange experiences, introducing another synergetic element. Third, the whole enterprise was managed along the lines of the old Pareto-principle. Instead of spending 80 per cent of the organisation's resources to achieve 20 per cent of the output, management and employee were encouraged to identify their core competences and invested the majority of human and financial resources to develop them further, thereby constantly optimising the company's performance. This principle prevails in all companies bought by the American MNC. It is supposed to be part of all employees mindset – from shop floor to CEO, internally as well as externally. It was a principle to trim the organisation, but very importantly, it was not used to trim the work force. Danish employees had taken the principle in, but the streamlining of the production had also meant a more tayloristic and less challenging work routine.

In this Danish subsidiary, the work force diminished over the 10 years – but as it was emphasized during the interviews, job security today was significantly higher than 10 years ago. Absenteeism in Enterprise II did not changed over the years – it stayed on the level of 2 per cent. The level of absenteeism had not been affected as employees were informed and heard from the very beginning.

The co-operation culture was described as a high-trust culture. The IR system was not affected by the take-over. HQ requested information on working hours, as they said rather "out of curiosity" than because they wanted changes. The request made management and employee representatives of the subsidiary change an agreement on overtime but it was voluntarily.

Before the take-over, Enterprise II had through three generations been a stakeholder company, and this did not change after the take-over. In fact, the enterprise was in a situation so it could choose whom to be taken over by, and the basic philosophy of the US MNC seemed to fit very well into the stakeholder culture of the local company.

Enterprise III – Italian owned shareholder

The enterprise was taken over by an Italian owned London based MNC in 2000. Originally, the company was a family owned enterprise, but in the 1970's 75 per cent of the company was bought by a (union controlled) investment fond. The remaining 25 per cent was bought in the 1980's.

The buy-out by the investment fond in the 1970's and 1980's changed the management style from a very human and personal paternalistic style to a more cold and maverick HRM management style. Already then a move from a stakeholder approach in the direction of a shareholder approach could be identified.

The Italian MNC made no secret of the fact that the take-over in 2000 was financially motivated. Even though the product line was within the same area as the rest of the MNC's subsidiaries, the goal was to turn the enterprise around and resell it within five years. And at the time of the last revisit in the autumn 2005, the enterprise had just been sold.

The Italian management was very present at the enterprise. Representatives of the HQ were visiting quite often, and their suggestions on changes were orders more than inputs to a discussion. All procurement decisions were centralized: the purchasing department is positioned in Italy. Management in Denmark lost competence and influence, and everybody on the Danish plant knows that the major strategic decisions are taken in Italy.

Immediately after the Italian take over, the former partly team-work based organization was turned in to a Tayloristic assembly line. This was a major surprise to domestic management as well as employees, as the team-work based production was thought of as being the major reason for foreign companies interest. The new work organization was perceived by employees as well as the domestic management as a major step back. The health and safety for the workers was threatened as the work places were too small and crowded. In 2000, this was already a problem – and it had not changed in 2005. However, the Danish plant was benchmarked to other similar plants in the organization, and per employee productivity was lower than in other companies. Interestingly, productivity has increased by some 5 per cent after the introduction of the assembly line.

Domestic management as well as employee representatives tried to communicate with the management and employee representatives in Italy about the new work organization, but without great success. First, management style and traditions for co-operation were very different. Second, working conditions in Italy are in areas that are much more regulated by legislation while in Denmark it is to a high degree regulated by collective agreements. Third, employees in Italy were not represented by independent union representatives but by plant union representatives. Finally, only the top manager and his assistant spoke English, which made any discussions with managers on lower levels very difficult.

Absenteeism was on the same level as it was 10 years ago, around 4 per cent. However, the workforce was reduced from 550 in 1995 to 380 in 2005. The white collar workforce took the biggest blow here: they were more than halved due to the fact that quite a few administrative tasks have been moved to HQ in Italy and London.

Enterprise IV – domestically owned stakeholder (control group case)

The enterprise was 100 per cent domestic and family owned. It was established in the 1950's. As oppose to all other companies in this survey, this company could not be characterised as truly global but rather international. The raw materials were from abroad, and the primarily markets were foreign. Nonetheless, there was no foreign capital invested in Enterprise IV. This set-up is typical for the many SME's in Denmark.

This company represents the classical arch typical domestically based shareholder enterprise. Relations to the environments were stakeholder oriented to a very high degree. Placed in a small municipality, the company was a main employer, thus any action on the side of the company affected the community. Management was very much aware of that. Among other thing, there was a practice of hiring disable and potentially marginalised people. Internally, there was big tolerance towards long time sickness and absenteeism. Yet, during 10 years, the level of absenteeism has gone up just a bit (from 4 per cent to 4.6 per cent) and the workforce expanded from 250 to 450 employees.

Enterprise V – UK owned shareholder (control group case)

Already in the late 1980's, this enterprise was taken over by an English investment fond. At the time of the first investigation, in 1995, this was the only foreign owned enterprise.

The enterprise was controlled tightly by the mother company, and only few and minor important (non-strategic) decisions were taken in Denmark. A HQ-bible had to be accepted by all subsidiaries, and a very hierarchic line of commands had to be followed. Every purchase for more than 4,000 euro had to be confirmed in writing by HQ in the UK. The HQ was very focused on short-term profits, a strategy that was perceived by the domestic employees and management as a result of a strong attention to shareholders – who by the way are UK unions. The enterprise is a clear-cut shareholder enterprise.

The five enterprises compared

All the companies in the survey have experienced drastic changes in their position on the global market. Three enterprises that in 1995 were domestically owned are now taken over by MNC's and have become small players in a big economy. Today, only Enterprise IV is Danish owned. The taken-over enterprises have lost a significant amount of autonomy, and this has affected many things at each enterprise. We will look specifically into changes in management style, level of absenteeism and control level on each company.

A crucial element in any take-over is when the level of **autonomy** is to be decided. How much should HQ decide – and how much should be decided at the subsidiaries? We can identify at least four levels of control from HQ over subsidiaries (see Table 3):

- Level 1 is the most autonomous enterprises. Here, the subsidiary has control over tactical decisions and finances, work organisation, HR issues and IR. Only long term strategic and economic decisions are taken by the HQ
- Level 2 are subsidiaries with autonomous control over work organisation, HR issues and IR. MNC HQ decides local tactical and economic decisions
- Level 3 is a situation where HQ takes decisions on all major areas and HR. The subsidiary has control over the work organisation and IR-issues
- At level 4 the MNC control all areas but IR-issues
- Finally, on level 5, the MNC is trying to control also IR-relations on the subsidiary.

Table 3. Level of influence from HQ to subsidiary

Grey indicating HQ control, white indicating subsidiary autonomy

	1.	2.	3.	4.	5.
Strategy and overall finance					
Tactics and local economy					
HR policy					
Work organisations					
Industrial Relations					

At Enterprise I, we found a level 2 situation, approaching a level 3. The HQ controls local economy. But by using head counts HQ exercise a massive influence on recruitment and dismissals. Hence, it is very close to a level 3 dominance.

Enterprise II is the most autonomous of the foreign owned enterprises. HQ only has autonomy over the key performance indicators that subsidiaries had to deliver once a month. Decisions regarding work organisation, HRM-policy and local economy were made on enterprise level, but the local management had to adhere to the Pareto-principle. Though it was basically a level 1 enterprise, the autonomy was limited by the overall principle that pertain the whole company – from finances over work organisation to HR-policy.

Enterprise III was the most controlled company in this study. Only IR issues were untouched by HQ. Even down to the actual division of labour and the work organisation, the HQ wanted control, and the enterprise is a level 4 organisation. Finally, the last subsidiary, Enterprise V, was clearly a level 2 organisation.

Another aspect of take over is the management style in terms of shareholder or stakeholder approaches. As shown above, Enterprise I has changed from a shareholder to a stakeholder enterprise after the take over, while Enterprise II remain stakeholder oriented after the US take-over. Enterprise III was already on the move from a stakeholder to a shareholder management, but certainly got the last push by the take-over in 2000. As could be expected, Enterprise IV remains a strong stakeholder organisation, while Enterprise V already in 1995 was a shareholder managed company.

Interestingly, no MNC in this study tried to control the local IR system on company level. We will get further into this in the Discussion.

Absenteeism is a classical indicator of employee satisfaction, and in HRM studies it is often used as an organizational-level performance-related indicator of poor morale or sick building syndrome. In a Danish context, absenteeism of around 2 percent is considered very satisfactory.

At Enterprise I, absenteeism was less than 2 per cent in 1995, but had doubled in 2005. Enterprise management as well as employee representatives stated that the continuous head-count, lay-offs and problems with keeping up the quality of work had were to “blame” for this. At Enterprise II, the absenteeism has remained unchanged less than 2 per cent over the years. Here, communication is high level, and from the very beginning of the take over, the MNC management has informed local managers as well as employee about the premises for the take over, the management style and the future of the company. At Enterprise III and Enterprise IV, absenteeism has always been quite high, around four percent. It has not changed much over the 10 years, though both companies have experienced a little rise.

If we compare absenteeism to **management style** (shareholder versus stakeholder), we see a potential trend: absenteeism goes up if management style changes from stakeholder to shareholder (see Table 4). Enterprise I is the clearest example of this, while the data on the other enterprises are less clearcut. Enterprise II has always been a shareholder enterprise, and the take-over did not change this. Enterprise IV, the domestically owned enterprise, has always had a high level of absenteeism, partly due to the fact that the company also hire employees with questionable track record; it is a choice the company has made to brand itself as a stakeholder company. The data on Enterprise V for 2005 has not been available.

Table 4. Five enterprises compared

	Enterprise I		Enterprise II		Enterprise III		Enterprise IV		Enterprise V	
	1995	2005	1995	2005	1995	2005	1995	2005	1995	2005
Absenteeism	< 2 %	4-5 %	< 2 %	< 2 %	4 %	4,5 %	4 %	4,6 %	5-7 %	N/A
Management style	Stake-holder	Share-holder	Stake-holder	Stake-holder	Between stake & share	Share-holder	Stake-holder	Stake-holder	Share-holder	N/A
Per cent employees compared to 1995	51		66		69		182		N/A	

Every company taken over lost a significant amount of employees over the last 10 years, while the Danish owned company expanded. The MNC-owned companies have lost between 31 and 49 percent of their employees, while the Danish owned has expanded with 82 per cent. Some of this can be explained by rationalization in general and the introduction of new technologies in the different sectors. However, other intra-organisational factors played a part too. Interviews on Enterprise III revealed that the MNC had chosen to move administrative functions and some sales functions to HQ. That explained this company's loss of more than half their white-collar employees. Enterprise IV shows an expansion on both white and blue-collar employees – but relatively much more on the white-collar side

These data questions the widespread presumption that the western welfare states (like Denmark) tend to export low-skilled jobs and move up the value chain by doing so. When a company is taken over, the result might as well be that the MNC drain the company of the higher skilled jobs, leaving the manufacturing blue-collar jobs in the subsidiaries – as long as they produce to HQ's satisfaction.

DISCUSSION

This research has shown that a 'hard' version of HRM *can* be implemented in countries with strong unions and a stakeholder tradition. However, this might threaten a long tradition for co-operation.

During the last 15 years, the IR-system in Denmark as well as in many other countries has gone from centralised to decentralised negotiations which take place within a legal framework agreement. This is described by Due et al (1994) as centralised decentralisation. With an IR-system of high trust and fine tuned conflict management throughout the system, this has been a natural development – initiated by a need for more flexibility at the company level and sensitivity to the individual company's needs. However, a prerequisite for such a decentralised system is its original stability, based on all parties' respect for the written and unwritten rules in the system.

Foreign take-overs might challenge this. In fact, there is no evidence of MNC attempting to actually change the existing IR-relations. HQ management did not question the domestic collective agreements, nor did it try to influence negotiations at company level. In one or two cases, the MNC-management expressed their surprise with "the way things are done in Denmark", sometimes questioning the rationality – but not with the explicit purpose to change things.

Still, a number of initiatives on the management side that are within the reign of management prerogative might indirectly affect relations between employees and local management. And by doing so, there might be a long time effect on the collective bargaining system as such. A long-standing tradition in the Danish co-operative system says that management should inform and hear employees' representatives when major organisational changes take place. HQ of Enterprise I and especially Enterprise III ignored it and hence "damaged" the co-operative culture of these enterprises. The balance between management and employees was further disturbed by respective MNCs management exercising their management prerogative to a degree that it undermines a long and strong tradition for co-operation. The head-count at Enterprise I provoked local management as well as employees to change the conditions for local negotiations. One solution was to keep wages down, thereby presenting a better head-count and maybe fewer people have to be laid of. Another possibility was for employees to take back some of the flexibility given in former local negotiations. Finally, when one voice is taken away for employees, another has to be found. The classical collective voice is a strike, but as long as the collective agreement is running, this is illegal. Hence, employees had to make their voice heard in other more subtle ways. The most simple was already found at Enterprise I - absenteeism had more than doubled. This was presumed to be an individual voice. However, respondents linked this directly to the new and harder HRM practices. In Enterprise III, employees had tried to make their voice being heard collectively in two ways: (1) by making a petition to the HQ in Italy to explain the different Scandinavian IR-approach to co-operation and negotiations; and (2) by trying to change the work organisation through the (legally based) health and safety system, pointing out that the new assembly lines are unhealthy for the employees. The second approach is obviously a last resort that was only suggested since it seemed impossible to be heard in the co-operative system.

While management could say that it is just exercising its management prerogative, it underestimates that even management prerogative is based on a more than 100 years old and fine tuned model for co-operation and conflict management. Further the model is specific to the country in question. When management alters the fine balance on company level, it might affect the local negotiations – for example on working hours and other forms of flexibility.

It is interesting that the most controlled company is the Italian (Enterprise III) while the most autonomous one is American (Enterprise II). A widespread preconception is that Anglo-American companies are ethnocentric shareholder-oriented with a relatively hard HRM-policy, while European MNCs are softer stakeholder-oriented. This survey suggests caution with such stereotypes about management styles. Not least, during the process of the Enterprise III take-over, MNC management showed very little interest in co-operating with local management, despite the fact that both the MNC and the subsidiary are European. This was opposite to Enterprise II where local management as well as employees experienced a take-over in which the US-based MNC-management was very informative about changes and involved employee representatives in all major organisational changes. Not implying any generalization, this result questions the presumption that US-ownership entails hard HRM and shareholder management where as European ownership is based on soft HRM and stakeholder approach.

CONCLUSION AND IMPLICATIONS

Now, we can answer some of the questions posed in the beginning of this paper.

The first question was: To what extent does a MNC give in to a local regulation or to what extent does a local IR-system adapt to the demands of the MNC, offering capital and jobs? This study indicates that MNCs do not try actively and directly to alter existing industrial relations at company level. Likewise, the local IR-system seem to be unaffected by the take over. Across the four foreign owned companies, the local negotiations on wages and working conditions seem generally untouched.

However, the study also shows that when hard HRM meet stakeholder orientation on company level, the whole co-operative atmosphere changes. The flexibility of a system is dependent on the level of trust between the actors. If a system of low trust is replacing a high-trust relation (Fox, 1974), the basis for a certain work organisation might be undermined – and one party or both might take back their investment in an agreement. Over the years, this might change the character of a local IR-system.

This brings us to our second question: Can there be a form of 'dualism' within the organisation where HRM coexists with IR? The answer to that is yes, but… Perhaps, the question is too simple. As there are different HRM practices, there are also different IR-systems: in table 1 we conceptually distinguished between four different forms of coexistence between IR and HRM. Further, the case studies show that coexistence can be more or less conflictual, depending on MNCs management style and strength of the IR-system.

So what are the practical implications for the actors? *MNC management* should strategically consider

- What kind of HRM approach is relevant in a given IR-context?
- Can a certain approach annihilate the qualities that were original reasons for the take-over?

Likewise, *unions* should consider

- What kind of HRM-style is to be expected?
- What could be the influence on cooperation and co-determination?
- Does a certain management style indirectly affect the IR-system?

Today, MNCs are rapidly expanding into new overseas markets in an effort to develop scale and scope of economies and establish new customer bases. MNCs are far from being organizations operating independent of national borders: both practitioners and researchers realise that external environment (including local institutional context) might enable or constrain the effectiveness of HRM policies. In this paper we questioned whether HRM policies affect the elements of local environment, in particular the IR-system. While this study makes modest contributions to our understanding of the relations between HRM and IR, additional research is needed to explore their relations further.

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