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

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This article argues that the institutional "home" and "host" country effects on employment policy and practice in multinational corporations (MNCs) need to be analyzed within a framework which takes more account both of the multiple levels of embeddedness experienced by the MNC, and processes of negotiation at different levels within the firm. Using in-depth case study analysis of the human resource (HR) structure and industrial relations and pay policies of a large U.S.-owned MNC in the IT sector, across Germany, Ireland, Spain, and the United Kingdom, the article attempts to move towards such a framework.

Introduction

The issue of employment relations in the foreign operations of U.S.-owned multinational corporations (MNCs) has attracted the attention of researchers for many years. The extensive literature has pointed to MNCs of American origin being more standardized, formalized, and centralized in international policy making when compared with those of other nationalities

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(Young, Hood, and Hamill 1985; Negandhi 1986; Yuen and Kee 1993; Harzing 1999). It has also indicated that U.S. MNCs are particularly hostile to collective worker representation, and more likely to deploy HRM practices such as direct forms of employee involvement (Enderwick 1985; Dunning 1998; for a review, see Edwards and Ferner 2002).

Within the industrial relations field, however, many such studies have lacked a clear theoretical framework. One approach to revealing the nature of employment relations in the foreign operations of U.S. firms has been to compare them with either a sample of local firms or groups of MNCs from other countries, and to attribute residual differences to the "American" influence (Buckley and Enderwick 1985; Innes and Morris 1995). However, this is not a means of explaining differences, it is merely a model of attribution.

A second approach can be termed "culturalist" in that the focus is primarily on the values and attitudes prevalent in the United States and the way that these shape the choices made by senior managers in determining employment practices. One variant of this approach is the use of Hofstede's (1980) dimensions of national cultures (Ngo et al. 1998; Bae, Chen, and Lawler 1998). It is sometimes used in conjunction with the residual approach in that differences between groups of firms are ascribed to the influence of national cultures. However, this too does not provide an explanation for the home country influence since it simply begs a further question: Why do particular sets of values and attitudes characterize a given country?

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

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

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

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

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

First, *country of origin effects* refers to elements of the behavior of MNCs which can be traced back to the characteristics of the national business system from which the MNC originates; in other words, the interlocking relationships between societally constructed institutional forms in areas such as industrial relations, training and education, the welfare state, the nature of interfirm and intrafirm coordination within the economy, the firm-level division of labor and of management roles, and the nature of corporate finance (Maurice, Sellier, and Sylvestre 1986; Esping-Andersen 1990; Whitley 1992, 1999; Rubery 1994; Hall and Soskice 2001). There is controversy as to the extent to which such effects remain prevalent within globalizing MNCs (for opposing views, see Ohmae 1990; Hu 1992). One strand of the literature claims that "transnational" corporations are no longer best viewed as hierarchies, with the home country headquarters at the apex and foreign operations as subordinate, but as networks of related affiliates (Nohria and Ghoshal 1997), where managerial decision making is dispersed rather than concentrated, lateral linkages between subsidiaries are significant, and control is primarily exercised through normative integration (Birkinshaw and Morrison 1995: 737). Such claims are frequently exaggerated, however, not least because capital provision remains predominantly based in the country of origin (Doremus, Keller, Pauly, and Reich 1998), and control tends to be exerted by nationals of the home country; for example Ruigrok and Van Tulder (1995) found that 25 of the 30 largest U.S. MNCs had no foreign nationals on the board of directors. Moreover, it has been argued that the globalized nature of MNC operations has been exaggerated, with activities, particularly strategic functions such as R&D, being disproportionately concentrated in the country of origin (Pauly and Reich 1997; Hirst and Thompson 1999).

Turning to the specific nature of U.S. country of origin effects on employment relations, research has repeatedly shown that U.S.-owned MNCs are more likely than those from other countries to have relatively centralized and formalized systems of human resource and industrial relations management (Ferner et al. 2004). Effectively, U.S. MNCs have tended to export the organizational forms and management methods that were established in the United States to serve continental-wide markets. They have thus introduced to other countries the multidivisional organizational form, allowing the management of discrete businesses through strategic central control and devolved bottom line responsibility, and encompassing a division of management functions into distinct and highly specialized areas such as production, finance, and personnel (Dunning 1998). Equally, the relative reluctance of U.S. MNCs abroad to engage with systems of collective employee representation can be traced back to the particularly hostile relationship between capital and organized labor in the United States, as well as a more general opposition to state regulation of the employment relationship, both of which have strong socio-historical roots (Jacoby 1997). It has also been argued that the strong market-based norms behind the employment relationship in the United States have led to U.S. firms being keen to export systems of performance appraisal and performance-related pay (Muller 1998), and that the effects of the civil rights movement and antidiscrimination legislation in the United States have led U.S. MNCs to adopt relatively strong formal policies on "diversity," which are often exported overseas, such that the managers of foreign subsidiaries are assessed against diversity targets (Ferner, Almond, and Colling: forthcoming).

Second, the concept of *dominance effects* refers to the idea that dominant or hegemonic states are able to exert organizational, political, and technological influences that invite dissemination and adoption across the global capitalist system (Smith and Meiksins 1995). For instance, there is substantial evidence that in the post-WWII era, there were widespread state-sponsored and voluntary initiatives within subsidiaries of U.S. MNCs to diffuse American managerial and production techniques in western Europe (Dunning 1998; for further discussion see Carew 1987; Djelic 1998; Clark 2000). At the level of the firm, dominance effects create an incentive on the part of firms to emulate the practices that they perceive to contribute to the success of firms in dominant countries. Conversely, firms that originate in dominant countries have an incentive to take advantage of what they see as the factors that give rise to the economic strength of the country of origin by "exporting" key practices to their foreign subsidiaries.

Third, international management specialists have made much of increased *pressures for international integration* within MNCs (Prahalad and Doz

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

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

Finally, *host business systems* vary in terms of how "open" they are, making them more or less amenable to external management styles (Whitley 2001). In other words, the scope for home country-based "innovation," taken here to mean practices that are unfamiliar in the host context, may be related to the degree and embeddedness of national regulation, such that "innovation" in this sense may be easier in less actively regulated business and employment systems. However, as is sometimes recognized among U.S. HR and IR academics, institutions may serve as resources as well as constraints (Kochan and Osterman 1994; Levine 1995), meaning that high value-added resources may well be located in high-skilled and highly regulated economies. Host country effects do not only capture, as is sometimes implicitly assumed, the constraining (and enabling) influences of legislation or of national collective bargaining and representation structures, but also incorporate the societally informed rationality of host country managers (Broad 1994; Wächter and Müller-Camen 2001).

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

Towards a Dynamic, Multilevel Institutional Analysis. One reason for undertaking micro-level qualitative research in this area is to help establish what effects apparent changes to national business systems, such as the widely documented development of the "shareholder value" model of corporate governance in the United States, have on the reasoning of actors and on choices made. Equally, macro-institutionalist approaches risk attaching too much emphasis to extra-firm institutions, and too little to organizational politics at different levels within the firm. Different actors at all levels of the organization will always retain some scope to pursue aims and goals of their own. Even where actors at corporate level issue explicit guidelines or edicts, these may sometimes be circumvented or interpreted liberally. There is, of course, a wealth of evidence from the organizational sociology literature on the space that actors possess within institutional constraints. For example, in a classic study of the nature of bureaucracy in two French public sector organizations, Crozier (1964: 189) argues that even those actors in a low position within a hierarchy operate with a degree of autonomy:

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

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

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

Methodology

The data analyzed in the paper are drawn from a 3-year case study of a large U.S.-based multinational in the IT sector (referred to as ITco), which has formed part of a broader program of research into the HRM policies and practices of U.S. MNCs within the EU. The key issue underpinning the research concerns the dynamics of the relationship between home country, host countries and globalizing pressures in order to investigate whether MNCs with U.S. origins can be said to be peculiarly "American" in this respect. This research program has involved collaboration between teams of researchers in the United Kingdom, Germany, Spain, and Ireland, with the four teams working to common objectives and studying the same firms as far as possible.

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

The concentration on a single case study has the limitation that case studies are difficult to replicate and do not allow empirical generalizations to be made. However, such cases are crucial to uncover patterns and practices that were previously undocumented but subsequently turn out to be widespread. A case study allows resources to be concentrated in a particular firm, thereby extending the depth of the analysis and facilitating a greater range of concrete examples to be elaborated upon. Perhaps most significantly, single case studies can be "critical cases" in that they provide particularly interesting conditions in which to explore a phenomenon (Edwards, Belanger, and Haiven 1994: 9). In relation to the issues at the heart of this paper, the case study can be thought of as "critical" if the firm exhibits a highly distinctive management style that is common in the country of origin and which is transferred to its operations in quite different national IR systems.

ITco is just such a critical case. In the United States, ITco is a classic "welfare capitalist" firm (Jacoby 1997); there has been a distinctive and lasting influence from the founding father; historically, a strong internal labor market was linked to very high job security and very low turnover; pay is still seen as relatively good and the company pioneered a range of fringe benefits, such as sickness and holiday pay; and the management exhibits an ideological antipathy to unions. While this welfare capitalist approach has been challenged in recent years by the internationalization of product markets and the evolution of the financial markets, its heritage remains evident. Because the company has significant operations in every country in Europe, it is not the case that it has simply avoided those national systems which present particular institutional barriers to its preferred way of managing labor. If it is to implement an anti-union, welfare capitalist management style internationally, it is likely to be considerably more difficult in the more regulated labor markets in which tightly knit institutions constrain management's room for maneuver than in more deregulated labor markets.

The case study involved these distinctively American home country effects being examined in quite different host country environments. Germany is the most highly regulated of the four, with the complementary role of unions and works councils clearly codified (Jacobi et al. 1998). This not only constrains a multinational's approach to employee representation but also requires companies to negotiate the introduction of practices in a range of areas (Muller 1999). Spain also has regulations concerning employee representation at firm level, but representative bodies tend to be weaker than in Germany, both in terms of their formal powers and their influence in practice. The Spanish labor market has more generally undergone a phase of deregulation in recent years, particularly affecting the ease with which firms can lay off workers (Martinez Lucio 1998). The United Kingdom and Ireland are much more deregulated than the other two countries, with much weaker structures of employee representation (Edwards et al. 1998; Gunnigle, McMahon, and Fitzgerald 1999). They are also major bases for U.S. MNCs in Europe; it is estimated that FDI stock from U.S. firms amounts to $3000 per head of population in Ireland, as compared to $2000 in Britain, $500 in Germany, and France, and $200 in Spain (Economist 1997; OECD 2000).

The research design allowed the national research teams to choose to examine the part of the company which has most significance within their country. For instance, in Ireland, manufacturing is by some margin the biggest division in terms of employment and this is where fieldwork was conducted. In the United Kingdom, by contrast, the IT services division has grown markedly in recent years, so it was this division that was the focus of the study. While this approach does not enable us to compare identical operations across countries, it has the advantage that it enables us to examine issues of great significance in each country, and to relate these to features of the host country's national business system. In other words, to compare similar facilities across countries would to some extent miss the point of how the company operates an international division of labor for its activities within Europe. Moreover, given that ITco's operations are highly stratified across countries in that the nature of the activities performed varies from country to country, comparing identical operations would be extremely difficult, sometimes impossible.

The focus of the fieldwork was twofold. First, we investigated the managerial structure within which HR policies were controlled and coordinated, including the relationships between corporate, European regional, divisional, and national levels of management. Second, we report on the substantive issues of pay and performance management and employee representation. We might expect the need for MNCs to adapt their practices in a way that makes them similar to other companies operating in the host environment to vary across the two substantive issues. Specifically, pay and performance management systems, particularly for managerial and professional staff, are likely to be less subject to local isomorphic pressures than the nature of employee representation. Both pay/performance and attitudes towards collective representation are, however, key elements of the "welfare capitalist" model that ITco has historically typified and are, therefore, issues over which we might expect the HQ to exert a significant degree of influence.

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

The primary method of gathering data has been the in-depth interview. Interviewing followed a common template across the various countries covering such issues as the locus and mechanisms of HR decision-making, the organization of the HR function locally and cross-nationally (including its link with business planning systems), and the detail of practices in the two substantive areas of employment practice identified above. This common approach did not prevent interviewers in using their discretion in adding questions appropriate to the particular national context or to the particular type and level of respondent concerned. In total, the case study comprised 58 interviews.

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

Key Findings

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

HR Processes and Structure. One striking aspect of the coordination of HR policy across countries in ITco is the way in which the extent of central influence has shifted over time. Until the 1980s, the company was characterized by a number of global policies issued by the corporate HQ which national managers were expected to implement. Some limited room was afforded for these to be adapted to the demands of the various national systems in which the firm operated, and country HR and other senior national managers were accountable to those at corporate level for such accommodations. During the late 1980s, the firm moved away from this highly centralized approach, allowing more influence to national level management to develop policies that suited their local circumstances. For example, national level managers gained the autonomy to develop job evaluation systems independently of the U.S. system, with the different European subsidiaries building their own national systems based on a model developed in the French subsidiary—a variation of this model later became global policy, and hence used in the United States, although respondents claimed that, in practice, the job evaluation system still retains elements that do not allow direct comparison across different countries. The decentralizing tendency was reversed in the early 1990s, and there has followed a period during which strong coordination of HR policies between countries has been reestablished. This takes place within a matrix structure consisting of geographical regions (North America, Europe/Middle East/Africa, Asia–Pacific, etc.) and product-based business units.

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

Meanwhile, at business divisional level, HR specialists have been relabeled “business partners,” who act as internal consultants, dealing with issues such as appraisal, pay and benefits, and recruitment and attempting to reconcile ITco corporate strategy with policies that best fit the business needs of the business division (e.g. software, IT services, etc.). These partners operate in conjunction with divisional line managers, and frequently have responsibility for the detail of HR policy in a number of countries within that division. Consequently, it is difficult to characterize this group as being part of a national HR function.

Our interviews confirmed that corporate HQ had a strong preference for uniformity globally. One quote, from an Irish employee relations specialist, summarizes a fairly common feeling across subsidiary managers; “the United States would like everyone to do everything the same across the world. I think that’s an American thing, not just an ITco thing.” The Spanish respondents also felt that regionalization was a new form of centralization: “By now real power is in (European HQ). The local country manager works to assure that local efforts are in line to achieve the corporate and business divisions’ strategies” (finance director, Spain). The centralizing tendency in HR policy is perhaps best summarized by the Spanish HR director.

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

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

There is also some evidence that national subsidiaries retain the capacity to develop strategies which are to some degree autonomous of corporate approaches. This can occur in the area of HR policy itself. For instance, within the German employment system, initial vocational training is of paramount importance. As budgets have become more important than headcounts in HR planning, the German subsidiary has to justify this investment in terms of profitability and expenses. One way to do this is to sell it as a local way to achieve the corporation's aim to build a highly qualified workforce:

> "We have to discuss very intensively every year within the scope of planning the vocational training, . . . how to defend the investment in the corporation" (German HR manager).

More broadly, national subsidiary managers are aware of the possibility of relocation of some facilities, and attempt to develop country-specific strategies to defend and develop corporate investment in their host countries, often related to competitive advantage in terms of HR. For example, much of the employment growth in ITco and other U.S. MNCs in Ireland has been in the manufacturing area, the country being initially attractive as a location for FDI as having a relatively lightly regulated employment system, a favorable fiscal system, and low labor costs compared to its EU competitors. Recent economic growth in Ireland, wage inflation and labor shortages, and the expansion of the EU endangers this position. Irish management is attempting to address this problem:

> We are at the moment close to 60 percent manufacturing dependent. Our (business) strategy is to get that down to maybe 30 percent over 3 or 4 years on the basis that the jobs they are doing now will not be sustainable or competitive in this environment. We have to find ways of moving up the food chain (country manager, Ireland).

Despite the oscillation of central influence over time, the growing influence of regions and divisions, and the moves by national level managers to retain an influential role within the company qualify the picture of central control in ITco, a distinctive influence from the corporate HQ on employment relations was still evident in the company. For example, while the precise design and operation of the service center was left to regional managers, the model was based on an earlier innovation in the United States. Aside from the necessarily greater complexity and variety of workforce nationality within the European center in order to deal with the linguistic and legislative differences within the region, the functions of the centers differ in that the U.S. center has wider responsibilities, including the administration of the benefits program. The European version has not followed suit, partly because of the national differences in legislation concerning benefits within the European region. However, the two centers are very similar in terms of their setup and work organization.

More broadly, while most respondents agreed that the European headquarters was of increasing significance in the transmission of policy, its influence in the creation of policy was still limited:

> I am of course part of the global team and we have regular exchanges, but just to show you a practical example, when we meet on a global level . . . you will find one representative, that is me, from Europe, my counterpart from Asia, and then you will find 18 Americans in the room! . . . Of course we will try to (exert) some influence here, they're all very polite to us, it's very open, but at the end of the day they will, more or less, from their understanding they will (tell) us what they have developed (and ask us) how and if we can roll that out in our geography and maybe there's a preliminary step that they inform us that they intend to do something, but usually they are very much U.S.-centered. And then they just implement these things in our geography, so to be very honest it's not a global team where we say okay this is a global company let's have equal representation, sit down at a round table and decide what to do here, to cater for the needs of the countries outside of the United States, we are very much dominated by our support by U.S. needs and then we have to see how we can live with it or how we can adapt it here (Senior European-level HR manager).

The influence of corporate HQ also shows up in the operation of policies in the two substantive areas of HR/IR considered in this paper.

Industrial Relations. The impact of the home country shows up very clearly in the area of employee representation. The welfare capitalist, American roots of the firm in Europe are evident through a strong preference for avoiding unions wherever possible. While this does not take the form of a formal central policy, managers in all of the countries we examined are aware of the parent company's nonunion heritage. Moreover, its corporate culture, which is emphasized in induction programs and in formal value statements, places great emphasis on "individualism." In practice, as explained in more detail below, this translates into our host country's operations as an unambiguous nonunion approach in the United Kingdom and Ireland. In Germany, the firm left its sectoral agreement in the 1990s to negotiate a firm-level agreement with a moderate union, but continues to work within the works councils system. In Spain, ITco has no engagement with sectoral bargaining, although it does not break with its provisions, but does largely ignore works councils which, at least in ITco, are very much weaker than in Germany.

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

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

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

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

The historic means of retaining nonunion status, or of restricting collective influence in more institutionalized systems, remain to some extent present. Paying above market rates, open door policies and a good working environment were mentioned by a variety of respondents, and seen, particularly by Irish respondents, as being in place specifically to forestall attempts at union organization. However, the picture is necessarily more complex than this. Most fundamentally, there are industrial relations systems in which simple union avoidance is not an option.

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

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

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

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

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

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

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

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

In ITco Spain, however, where works councils are significantly weaker, the managerial approach is much less compliant. Spanish labor law gives works councils the right to information and consultation, with the aim of reaching agreement, on decisions which will lead to substantial changes in work organization or contractual relations (cf. EIRO 2003). If management and works councils fail to agree, but managers implement a change in any case, the works council has the right to challenge the move in a labor court. However, in ITco, the HR director was confident that such challenges would be unlikely in the event of disagreement. This is primarily because of the weakness of organization of the works councils in ITco in Spain.

Turning to the less regulated host countries, there is virtually no evidence of collective employee representation or union presence in Ireland. The same statement was also true in the United Kingdom until recently, but the business decision to enter the outsourcing market, and hence take over the existing workforces of client organizations, has to some extent weakened the nonunion ethos. This is partly because the operations ITco is taking over often have high union membership (interestingly, in Spain, where the same pattern emerged, this was one stated reason for splitting the legal identity of the various divisions). While this has not transformed the general picture of a predominantly nonunion operation in the United Kingdom, it has to some extent eroded it. As one respondent put it:

> What has happened of course is ITco UK is intent on staying nonunion and what has happened of course since they've brought people in from other

> companies and they've brought in trade unions, and they've been willing to do that. Now that would not have happened, certainly it could never have happened easily . . . (in the past). The company believed . . . that people couldn't get a better deal with trade unions. . . . It didn't really want to encourage an independent force. Then suddenly this gets pushed to one side by market conditions, because it would be quite difficult to service a number of companies unless you took in their labor force, and their labor force was already trade unionized anyway (retired HR director, UK).

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

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

However, at the same time as the company and employee bulwarks against unions are weakening in the outsourcing operations, another factor is weakening the structural basis of viable unionism there, namely the capacity for remote service provision which makes outsourcing work internationally mobile to some extent. This is a relatively new phenomenon for ITco's service sector employees, and while ITco is likely to require significant numbers of employees in each country for the foreseeable future, the threat of relocating work to lower cost countries (mainly in eastern Europe) operates as a constraint on collective organization and an implicit threat for employees wishing to unionize, as well as a disciplinary mechanism on unions in those countries where they are present.

There is evidence that national differences in negotiation and representation have had some substantive impact. For example, in Germany, a workforce reduction of 40 percent in the early 1990s was achieved without compulsory redundancies. As with other companies in Germany, voluntary early retirement and redeployment were the preferred methods, supported by the works council. As budgets were more important at ITco than headcount, an unpaid increase in weekly working hours as a result of a new company collective bargaining agreement was used by German managers to argue that half of the labor cost reduction requested had already been achieved.

Spanish, UK, and Irish managers, however, strongly indicated in some cases that the firm's commitment to employment security had lessened over recent years, although efforts were still made to redeploy those seen as good performers. The following quotation is typical.

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

Yet, according to the HR manager and the works councilor interviewed, ITco Germany still follows an employment security policy. The main change with the past is that a specific job position is no longer guaranteed. Various training programs and initiatives have been deployed to increase the long-run flexibility of employees, alongside a clause in the company collective agreement which grants employees a right to training. As a result of redeployment combined with natural attrition, ITco did not have to dismiss employees in the latest round of cost cutting. It does therefore appear that collective representation in Germany, perhaps combined with qualitative flexibility, has affected substantive outcomes, in that employment security remains stronger for ITco's employees in this country than elsewhere, as a result in part of managers' willingness and ability to negotiate change in a relatively consensual manner.

In summary, ITco's overall style of managing industrial relations can clearly be traced back to welfare capitalist assumptions arising from embedded features of the American business system. Clearly, however, in continental European employment systems, a straight transfer of this style is not feasible. In general, ITco makes a series of adaptations to local institutional regimes. However, these adaptations, which are devolved mainly to host country managers, are clearly designed at preserving some degree of functional equivalence with the parent company's policy and philosophy.

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

The global policy in this area can be divided into several components. First, in the area of job grading, ITco changed its system radically in the 1990s. Until then the corporation relied on a very detailed "job post"-based system, historically typical of larger U.S. firms (Marsden 1999), that was administered by compensation managers. This included over 5000 positions that were allocated to 24 salary grades. At that time, a new system was introduced that relied on just three factors (skills, job scope, and leadership) and 10 broad bands. Responsibility for assigning employees to bands was devolved to line managers, with business unit-level targets for the percentage of employees in each band. The UK respondents in particular emphasized the links between these broad bands and globally established "career paths" governing the internal labor market. The grading system operates more or less uniformly across our four countries, although there is some works council involvement in the allocation of individuals to bands in the German subsidiary.

The company's system of performance appraisal is uniform globally for all employees, and based on performance against agreed objectives under a number of broad foci, namely how the individual contributes to ITco's overall strategies, how the individual performs relative to defined goals, and how the team or group engages to achieve the goals or strategy. Managers across Europe agree that this system, which replaced a much more detailed performance matrix, was a European initiative. This is now incorporated into the corporate policy, including the United States, and forms part of the appraisal for every ITco employee in the divisions we examined. It is clear that the performance review process is seen as critically important in ITco, reflecting a strong performance-driven culture linked to performance metrics at individual, department/team and plant/unit-level.

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

These two mechanisms of linking pay to performance were evident in all the countries. The company's principle that the lowest performers should not receive a salary increase is translated into practice relatively easily in some countries such as the United Kingdom and Ireland, in that there are no significant regulatory barriers to its operation. There was, however, some evidence that the practice of the forced distribution was not followed uniformly in the United Kingdom, with some line managers and units apparently disagreeing with the principle of "forcing" and not applying the system fully. Particularly, some line managers in smaller units refused to place any individuals in the lowest performing group, as they perceived this to be unfair.

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

Given the publicity surrounding the General Electric model of "culling" the lowest performers in a forced distribution (Lawler 2002), and the potential difficulties in applying such a system in some European employment systems, we explored whether there were consequences for the poorest performers beyond the issue of pay. This is potentially a problem in a

European context because by definition a forced distribution does not necessarily identify employees who are failing to conform to the requirements of their job, but merely compares performance against other employees. In other words, forced distribution, when used to make decisions on employment security, is dependent on the principle of "employment at will," which is not present in European employment systems.

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

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

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

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

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

> The ones that don't move would be managed out. Now that would be a very small amount of people across the board (business partner, Ireland).

> I think if you got a four, the next thing would be your P45 (termination of employment form). I suppose in that situation, your manager would definitely be telling you before the event if you were going to be a four (employee, Ireland).

In Spain, where the legal barriers to the dismissal of permanent employees are high, the consequences of being in the lowest part of the forced distribution are similar to those in Germany, with the significant difference that the Spanish subsidiary does not deal with unions in relation to this matter. If after extensive training the lowest performers are not able to change their marks over a maximum of 2 years, they are "invited" to leave the company, but receive severance pay which is usually over the legal minimum in order to avoid union conflict. The UK situation is similar to the Irish case. However, one important contingent factor is that while core employment in ITco Ireland has grown significantly recently, the ITco UK has been prone to restructuring and downsizing. It was acknowledged by managers that performance ratings were used to identify candidates for redundancy during these periods.

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

To summarize, ITco appears to be somewhat less willing to admit derivations from its global policy in the area of pay and performance management than with regard to industrial relations. Clearly, pressures for international integration are felt strongly in this respect, as the desire to centralize this aspect of policy is driven both by the desire to create an internal labor market with international flexibility, and the ability to monitor performance centrally. While ITco is a "deviant innovator" with regard both to industrial relations and the management of pay in its European subsidiaries, the latter, for which control is predominantly at the regional and global levels, appears to be less adaptable to national-level institutions, even where this means that subsidiaries operate on the limits of the law.

Conclusion

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

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

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

Our analysis has also demonstrated that there are significant barriers to the combined push for uniform policies based mainly on home country lines. Host country effects have taken the form of the need to engage in systems of collective bargaining and accept workplace representation in Germany, France, and Spain, and to be more tolerant towards representation in the United Kingdom. However, a central theme of the findings from all the countries has been the "malleability" of host country systems. The apparent willingness of managers in Spain to overrule the views of the workplace representatives and risk a legal challenge which rarely materializes is one illustration of this, while the opting out of the metalworking collective agreement in Germany so that the firm can deal with a more moderate union is another. At least in the latter case, the firm's actions were also greatly facilitated by changes in the host business system, namely the weakening of the German sectoral bargaining system under the twin pressures of globalization and reunification.

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

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

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

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

Third, by adopting a single case study method, we cannot address the potential role of corporate characteristics in mediating the influence of institutional pressures leading to variations between MNCs in how these effects are played out at firm and site level. It is inevitable that studies in MNCs in other sectors, of different vintage and size, pursuing different strategies, adopting different modes of entry, and from different countries of origin would produce findings at variance with those presented here. Further qualitative research is needed in order to establish the different ways in which the "four influences" operate in different structural, market and national settings.

Research into HRM within MNCs should, therefore take account of the four influences: country of origin, dominance effects, pressures for international integration, and host country effects. Naturally, these influences do not operate uniformly across the population of MNCs; for example, in some respects all four influences may be partly sectoral or even occupational, rather than purely national. Moreover, the nature and strength of the influences alters over time, because of wider political, economic, and institutional change.

It is important to point out, however, that these influences, even if applied to a specific MNC, as in this paper, cannot simply be read off as elements of a contingency model. Taking account of the agency of MNCs and of actors within it is fundamental to a viable research framework. For example, the power of MNCs themselves, either individually or *en bloc*, to affect the nature of "social space" within host country business systems through lobbying or "deviant innovation" is a significant issue here. However, as we have illustrated equally importantly, actors at a variety of levels within the MNC have some power to interpret the nature of such influences at the level of the firm, or its subsidiaries, or both.

In summary, further qualitative research into the transfer of HR policy within MNCs is required, investigating outcomes in a variety of structural, business strategic and national settings. It is important that research programs are developed in which fieldwork investigates all levels of the firm with an influence on the practice of HR, from the workplace to the corporate headquarters. Such work needs to be institutionally informed, while avoiding deterministic assumptions about the effects of institutional influences. The framework developed here, which takes into account institutional influences but which examines organizational agency within them, would, in our view, be a useful starting point for such efforts.

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Appendix: Interviews

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

TABLE A-1
THE INTERVIEWS

Country	HR	Other Mgt	Employees	Total
UK	4	1	12	17
Ireland	5	8	4	17
Spain	3	2	2	7
Germany	2	0	3*	5
France	1	—	—	1
Euro HQ	7	—	—	7
Corporate HQ	4	—	—	4
Total				58

*Employee representatives.