Towards « Participative » Multinationals
Syndicats et multinationales

Malcolm Warner and Riccardo Peccei

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Article abstract
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Towards ‘Participative’ Multinational

Malcolm Warner
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In recent years, the policies of multi-national firms have become an important focus of both political discussion and academic research. In particular, critical opinion and organised labour have expressed growing concern over the impact of multi-national companies on employment levels, wages and conditions of work, and on the structure and composition of the labour force. In addition, and even more fundamentally, trade unions have criticised the way in which multi-national firms conduct their industrial relations and the way in which they make important policy decisions, in which by implication it seems they have little chance to participate either formally or informally.

PARTICIPATION AND MANAGEMENT IN MULTI-NATIONAL CORPORATIONS (MNC)

Whatever previous commentators have pointed out, the very posing of the question of whether MNC’s challenge national sovereignty, in itself implies that the country in which the MNC operates has its own laws, and these must be complied with. The MNC, it is said, has to operate according to their laws and in varying degrees the culture of both this and their country of origin. By and large, most MNC’s do this across the board, and in particular with respect to the laws relating to worker participation. It will be noted in a recent case concerning union recognition, that one well-known American-owned firm had not yet come to terms in this sense with the unions in the United Kingdom, but had been obliged to do so in Sweden and Germany, presumably because of legal obliga-

WARNER, M., Professor and Research Coordinator, Joint Graduate Programme, Administrative Staff College, Brunel University, England
PECCEI, R., Research Associate, Industrial Sociology Unit, Imperial College, London

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tions. As far as Britain is now concerned, with the change in the law, there is little question of it being able to evade its responsibility in this direction. The fact that conformity is apparent vis-a-vis the law of course does not mean that there is anything beyond passive acquiescence in many cases. Nonetheless, the fact remains that in Germany, for example, corporations whatever their country of origin, whether German or foreign, have to have a workers' council if they fall into the categories laid down by the revised acts of 1972 and 1974.

Some MNCs may however attempt to change the law both at home and abroad, the latter being in the country of operation for example, Germany or Turkey, whatever the character of the labour law. This is clearly an active stance, and may take the form of challenging a particular piece of legislation concerning worker participation in the Courts specifically, or indeed a general principle in the broader discussion concerning any revision of institutional arrangements. They may do this individually or through some collective representation, like the American Chamber of Commerce in Germany challenging the extension of worker representation on supervisory boards in German industry. They may do it overtly or covertly. They may do it by open political lobbying, by the use of pressure groups, or by diplomatic channels. They may try to influence public opinion by placing advertisements in newspapers in the country concerned or indirectly financing campaigns through «front» bodies to indirectly affect legislative outcomes. At the present time certain British companies are worried about proposed legislation concerning worker representation at board level on the parent company in the country of origin. One of the arguments being used is that this will lead to workers in their foreign subsidiaries being unrepresented on the board and with the implication that this is unfair. What they probably fear is that the workers on the British parent-board may not sanction the export of jobs to countries with low labour costs, or tolerate certain practices which perpetuate payment of low wages and the maintenance of poor conditions in such countries. In the British case this is not merely a question of the MNC changing the law on participation, but even trying to prevent a law introducing such participation coming into being.

The MNC has to decide whether to be conformist or deviant vis-a-vis the culture of the country in which it is operating: if it is the former, then this is a passive position. It can be argued that this is a final stage of equilibrium, as we have argued elsewhere (see Warner et al, 1973), where the MNC establishes itself in a particular country and attempts to operate as if it were still at home in its industrial relations.
behaviour, but soon finds that this produces many difficulties, and «settles down» eventually. This may come about with or without legislative enforcement, as it may receive adverse publicity from attempting to run its affairs as if it were still, for example, operating in Detroit, as some argue has been the case with certain American car manufacturers producing in the British market. Whether coming to terms with trade unions is necessary a good thing from the point of view of manufacturing efficiency, and/or profit making is another question. Where there is considerable nationalism in the country of operation, even without the law forcing the MNC to introduce participation, it may feel that it should do so even for the sake of a good public-relations image.

Another reason why an MNC may wish to appear to adapt to the contemporary industrial relations culture particularly as far as participation is concerned, may be that it wishes to anticipate coming legislation, and/or appear to be ‘progressive’ vis-a-vis government, particularly where it is seeking financial support from the state, as has been the case in the recent example of Chrysler UK Limited.

Further, where the law specifically institutionalises «participation» the MNC has to comply, and this is a very specific passive role. This is a particular instance falling under the second point we have discussed above, that it is very directly related to those countries which have rather developed worker participation institutions, as opposed to rather minimal legislation. A good example here would be Yugoslavia, where many firms, often American, set up «joint ventures», which are firms operating in Yugoslavia but which are jointly owned by the MNC and Yugoslav enterprise concerned, the latter having 51% of the share, and controlling the policy. Nonetheless the joint venture has 100% Yugoslav-style self-management arrangements, (see Warner, 1975).

Where the MNC operates in a culture which encourages participative practices, it may tend to conform and this is a passive role. This proposition is akin to the one above which suggests that a final equilibrium position will ultimately be achieved in the sense that the firm will «settle down» in the industrial relations culture in which it finds itself. This does not necessarily imply that there is an institutionalisation of participation, but there may be forces such as a highly educated labour force, a highly organised labour movement, and egalitarian norms in the culture which may exert pressures on foreign firms operating there to manage their affairs in a relatively more participative manner than they might do either at home or in another country. This may take place at different levels, and may directly affect the way in which managers themselves participate in decision-making. An example
of this may be that an American firm operating in Japan, may have to go along with the consensus management style of Japanese enterprises, as it is, or may be using Japanese managers, although there is not necessarily institutionalised workers’ participation in Japan.

Again, where the MNC has developed a «participative» structure and/or culture at home it may try to «export» it, and we can definitely regard this as an active role for the purposes of our analysis. It is certainly true to say that many American MNC’s have a particular management style which is often relatively more ‘progressive’ with respect to human relations type management, and they take it with them when they set-up business in overseas areas. Whether or not we can call this «participative» is another question, but we do often find examples of the replication of such structures and/or climates in organisations operating in countries abroad. This particular factor may run counter to the passive roles set out in the propositions above, in the sense that we have here structures and/or processes which are imposed rather than adaptations to local laws and/or culture. An example of this is a company like IBM which tends to have a style which it uniformly attempts to operate with throughout the world; another example may be the Ford Motor Company, and so on. When the MNC starts up operations abroad, it is not only taking with it the «hard» technology relevant to its sphere of operations, but also the «soft» technology of managing the capital involved. We are not so much concerned with the former here, but with the latter which of course will either promote or in many cases hinder either participative structures and/or processes. As far as the former is concerned, the technological constraints may, if the determinists are to be believed, limit the range of control-structures which can be implemented; nonetheless, we find that there seems to be very little limitation as far as the range of technologies introduced into, say, joint venture companies, which as we have seen above have locally prescribed control-structures at least as far as their formal characteristics are concerned.

As the MNC is likely to be large (global) it may ‘export’ its internal culture because it is more formalised than national companies, and this can be regarded as an active stance. If it has adopted a worldwide style, it may simply impose this via a highly developed manual of operating practices, and this quite often will run counter to, if not national laws, then local culture in the sense of custom and practice. If the style being exported is participative then it will be less likely to clash; if it is non-participative, or participative in a different sense from that of the indigenous culture, then there will be conflict.
Other things being equal, the MNC being larger than national firms, will have more difficulty in adapting to both local laws and culture, and this may be taken as an active stance as in the proposition above. The fact that it is larger will mean that its structure is denser, and that there is a higher degree of bureaucratisation via formalisation, standardisation, and specialisation. On the other hand research (see Child, 1972; Hickson et al, 1974) has suggested that these factors are highly correlated with decentralisation as companies become larger, and therefore managers at local levels may have the ability to take decisions which may possibly lead in the direction of adaptation, although given the wide use of operating manuals in American-owned MNC's worldwide, this may not necessarily mean that they will fit into the industrial relations culture any more easily. Whether or not the key decisions are centralised for a wide range of activities in an objective sense is irrelevant if it is widely believed by at least those employees organised into trade unions, that «all decisions are made in Detroit». Even if there is conformity to both national participative institutions, and culture, there may well nonetheless be a feeling that the participation is a sham.

It is possible that the MNC will be likely to come into conflict with local pressures especially where these originate via «participative» institutions, and this can be regarded as an active stance. This is analytically separate from the proposition considered above in the sense that it is not simply a question of the MNC conforming to the law or culture, but actually having to deal with local pressures resulting from active opposition to company policy originating in the works council or through worker directors on boards. The pressure may also result via collective bargaining bodies.

Last, it may be hypothesised that the MNC is more likely to be pro-active than reactive as far as the question of participation is concerned, as a general principle, as it is directly concerned with not only managerial authority in the subsidiary itself, but also the basic de facto sovereignty of the parent company. We can conjecture that in more cases than not, the MNC will positively try to avoid having such constraints in the form of participative institutions it might have to deal with.

One clue to a more profound understanding of the factors discussed above is to examine the objectives of the multi-national enterprise. One observer (Vernon, 1971) in discussing these objectives concedes that the multi-national enterprises covered in his study are nearly identical with the largest US corporations, and that «all generalisations on the subject of corporate behaviour represent a heroic sim-
plification of reality» (1971: 115-116). He goes on to say that in the course of his study, «the simplifying model of the behaviour of large US corporations that has proved most useful is one quite far removed from the classical model» (1971: 116). The characteristics he describes of oligopolistic competition, uncertainty in the decision-making process, the «sheer size and diversity of these entities» (1971: 117), etc lead him to conclude that these firms are different from small businesses in their essential nature, and he concludes that they often given, «the impression of a group of co-operating forces joined together in one organization but managing to retain distinguishably different goals within it» (1971: 117).

It order to weld together the various parts of this glomeration to respond to problems in a way that is consistent with its collective goals, an organizational structure has to develop of a very special kind. The result, brilliantly described by Vernon, leads to a way of reaping the benefits of an international division of activity but at the same time resolving the problem of internal supervision. As he puts it, «Out of this metamorphosis, the various main organizational forms emerged. Some were based mainly on a geographical breakdown, some mainly on a product-basis, and others on a mixture in which neither clearly predominated», (1971:128). If the corporation had comparatively few products it retained its international division and if it had a wide range of products it seemed drawn to a structure of a more complex kind. The main consequence with the discussion we have been involved in concerning multi-nationals and participation, is that whether a product-centered or area-centred scheme of organization is adopted, the identity of the subsidiary extends beyond the boundaries of the specific country involved. The form of organization is that of the enterprise’s invention and not that as laid down by the State. Thus we have a principal source of tension between the multinational corporation and the State, but even more importantly for our discussion, the various forces that are contained within the State, including organized labour.

When we are discussing the collective goals of the multi-national corporation, it may well be the State and that contained within it may wish to pursue quite different goals, or at least qualify the goals which the corporation claims to be pursuing. Moreover there may be disagreement about the means by which a commonly agreed end may be achieved. Given that the main role of the multi-national corporation is in the first instance with the development of strategy and the co-ordination of control, and if a product form of organization is adopted, there can be real conflicts between the headquarters country of the MNC and any
national unit or its parts. Where there is a regional form of organization, the problem may be less severe insofar as participation structures could be set up for say the European area group, and it is certainly envisaged when the «European» multi-national company is ultimately set-up that it will have a European-wide works council as well as specific councils in individual national plants. But in this particular direction, it is still early days.

Whether there is product or regional forms of organization within the MNC, the perception of the enterprise will usually be different from that of governments insofar as perceiving the ultimate determinant of authority, (see Vernon, 171:131). At the moment the perception of organized labour in individual countries is usually based on the identity of national interests, and therefore coincides with that of the State. There is some movement towards labour seeing these factors operating at a higher international level (see e.g. the writings of Levinson 1972; Warner et al, 1973). Nonetheless the main discussion for some time to come will essentially focus on participation in national subsidiaries of MNC’s, and indeed in individual plants.

DECISION-MAKING, DECENTRALIZATION AND PARTICIPATION

Insofar as we have reviewed research findings in the field, and indeed carried out research ourselves in a large British-based MNC, (see Peccei and Warner, 1977), we have come to the conclusion that certain decision-making areas are explicitly centralized, for example, finance and the appointment of senior personnel; and in addition several others may be apparently decentralized, but there may well be a latent degree of control exercised and implicit in the very nature of decentralization and delegation.

The first strategy is to attempt to retain as much control as possible over financial decisions, such as capital investments and wages. This tendency will increase as the economic environment becomes more problematic. The extent to which headquarters is able to centralize these types of decisions varies depending on size of subsidiary. The fact that financial decisions are among the most centralized issues irrespective of size of unit, however, suggests that control over these types of questions is particularly important to headquarters. This is an accordance with previous findings in the literature suggesting that these are indeed critical areas of decision-making over which top management usually attempts, and often succeeds, in retaining quite a substantial degree of control.
(See for example, Brooke and Remmers, 1970). In this connection, in fact, it may be suggested that in order to contain risks within acceptable limits it is not necessary for headquarters to centralize to have quite a high degree of autonomy over a whole series of IR issues as long as it is able to retain a fair degree of control over a few critical areas of decision-making.

The second strategy for reducing risk is through the process of selection of personnel. It is in this context that we are to understand the emphasis which is placed on the appointment of senior managers in large units. The fact that this is the most centralized decision in large subsidiaries suggests that in order to reduce risks headquarters may have to do more than just retain a substantial degree of control over financial decisions. A second line of defence is needed. Given that local managers in strategic plants are in a position to become relatively autonomous, one of the ways in which headquarters can reduce the possible risks involved in such a situation is by retaining control over the appointment of local managers. By doing so headquarters can insure that the managers in charge of subsidiaries are in fact chosen in terms of certain criteria of competence and loyalty thus reducing the risks involved in having to operate within a more decentralized system of decision-making.

Board policy in regard to employee participation was summarised as follows:

«To ensure that its management is educated and keeps itself informed on all aspects of participation.

To organise the exchange of knowledge worldwide.

To require all units to specify in the business plans the kinds and degree of participation they propose and to relate their proposals to the commonly accepted level of practices in the country and industry concerned.

To encourage such participation, including new initiatives, as local unit management feels confident will lead to better results and greater satisfaction for employees.»

This official description of company policy appears to be congruent with the twin strategies described earlier, and indeed the spokesman invoked the socialization mechanism involving senior personnel by which policy on participation was co-ordinated:

«(At) our Group Management Training Centre,... employee participation has been receiving a lot of attention in the programmes followed there and on other courses at all levels held elsewhere. The management in our operating companies are well aware of the need to develop the pattern most
appropriate to their local context and indeed many would claim that a participative style has been evolving as a normal process of good management for some time past. However, in general it is too early to expect anything much in the nature of case histories and we would not wish to press our managers in this regard.

Three points emerged from our empirical investigation, as follows:

(a) The company’s plants based in Western Europe appeared to be significantly more autonomous than the subsidiaries based in the UK, making the same product.

(b) In the case of almost every decision, in fact, managers in the European plants enjoy a greater degree of autonomy than do their counterparts in the UK.

(c) A further important point which emerges from our data is that foreign-based and UK subsidiaries also differ in terms of their pattern of centralization. Apart from the appointment of senior managers, the type of decisions which are most centralized varies depending on the location of the subsidiary.

CONCLUDING REMARKS

Even if it can be demonstrated that considerable managerial autonomy exists at the country and/or plant level, and indeed that the acceptance of participation structures there constitutes further decentralization, it nonetheless remains likely that the parameters of policy are set at the very highest level in the MNC’s structures, especially in the key areas we have discussed, and that although such attempts at worker participation may be very often a source of irritation to the MNC and indeed worse still perceived as potentially very subversive, in reality their countervailing power may be very circumscribed. On other hand, decision-making is more complex and fragmented than many observers believe.

We are forced to conclude that the most potentially effective countervailing power may be that of organized labour in the national country. If the labour movement is strong, this may not only simultaneously make for more effective participation at the national subsidiary/plant levels, but also via pressure on the State, to very much limit the role of the MNC. But one can agree with Vernon (1971:249) that differing social systems and the MNC are not necessarily incompatible. Again, where there is a strong organized labour movement, in a multi-party social-democratic society, such as Israel or indeed the Scandi-
navian countries, the MNC’s and worker participation can peacefully co-exist. Further, the power of organized labour internationally may affect the policy-level decision-making of the MNC’s (see Levinson, 1972), particularly in the future. If indeed the European Draft Company Statute is eventually implemented, there may be a Works Council & Worker Directors on Group-level Supervisory Boards to directly affect policy at the highest levels, rather than with respect to decisions already decentralized from headquarters-country. But the Commission has also proposed for collective agreements to be concluded between the European multi-national and the unions represented in its plants. The national works council would continue to operate and to carry out the tasks not covered by the European Works Council. This is probably a sensible solution, but the problem of representation at the highest level remains and is unresolved, as is the question of non-European multinationals. Whatever the formal constraints developed by either the EEC, or UN agencies (such as the ILO), the labour movement would be wise to develop its own constraints both nationally and internation­ally.

REFERENCES


Syndicats et multinationales

L'Auteur de cet article étudie le comportement des sociétés multinationales en pays étranger, sujet qui a suscité, depuis quelques années, beaucoup de débats «politiques» et de recherches approfondies. D'une façon particulière, les critiques et les syndicats ont montré un grand intérêt touchant l'influence de ces entreprises sur le taux de l'emploi, les salaires et les conditions de travail ainsi que sur la structure et la composition de la main-d'œuvre. En outre, les syndicats ont critiqué la manière dont elles traitaient leurs employés et la façon dont elles prenaient leurs décisions en matière de relations de travail.

La question fondamentale consiste à savoir comment la multinationale réagit vis-à-vis la législation et la culture du pays où elle s'implante. D'une façon générale, elle a tendance à respecter la législation du travail, pour peu que les lois soient assez strictes. Toutefois, cette obéissance est plutôt passive. Quelques-unes, cependant, s'efforcent d'obtenir des modifications aux lois ou à certaines des stipulations qu'elles contiennent. Elles le font individuellement ou par l'intermédiaire des organismes patronaux existants, les chambres de commerce par exemple. Elles peuvent le faire ouvertement ou en catimini, faire du lobbying politique, mettre en branle des groupes de pression ou agir à travers les canaux diplomatiques.

Elles peuvent aussi tenter d'influencer l'opinion publique par la publication d'annonces dans la presse ou en finançant certaines campagnes d'action politique.

Lorsqu'une multinationale s'installe dans un pays, elle essaie d'abord de fonctionner comme si elle était chez elle en matière de relations de travail, mais si les choses ne vont pas, elle s'assagit bientôt devant les critiques que son comportement soulève, la crainte de se voir imposer des restrictions légales ou d'être mal considérée dans l'opinion publique. Ainsi, elle cherchera à s'entendre avec les syndicats de façon à assurer l'efficacité de la production; de même, dans les pays à fortes tendances nationalistes, elle se montrera prudente de façon à conserver son image; elle tâchera enfin d'anticiper les événements à venir, principalement dans les milieux où l'on prône la participation du personnel à la vie de l'entreprise. Si le degré de participation est déjà assez marquée dans son pays d'origine, elle ira jusqu'à prendre les devants. Concernant les pratiques administratives, elle adoptera le style de direction commun au pays où elle s'établit. D'ailleurs, le comportement est différent d'une multinationale à l'autre.

L'Auteur observe aussi que, si la multinationale est plus grande que les entreprises locales, elle aura plus de difficulté à s'adapter aux lois et à la culture du pays, surtout parce que sa structure est plus dense, qu'elle est davantage «bureaucratisée».

En règle générale, la première stratégie de la multinationale consiste à garder le meilleur contrôle possible sur les décisions financières, comme les investissements et les salaires. Cette tendance s'accentuera quand la situation économique devient plus problématique. Le degré de centralisation varie selon l'importance de la subsidiaire. Quand la chose s'impose, le quartier général laisse une certaine marge d'autonomie à la direction locale.
La deuxième stratégie consiste à réduire les risques en contrôlant le processus de la sélection du personnel. C'est dans ce sens qu'il nous faut comprendre l'attention qui est apportée au choix des cadres supérieurs à l'intérieur des grandes unités. Une seconde ligne de défense est nécessaire. Étant donné que les gérants locaux dans les établissements considérables se trouvent en position de devenir relativement autonomes, une des façons pour le siège social de diminuer les risques est de garder la maîtrise de désignation de ces gérants. En agissant ainsi, le siège social peut s'assurer que les gérants des subsidiaires sont choisis selon certains critères de compétence et de loyauté, ce qui diminue les risques d'émancipation lorsque la prise des décisions doit être décentralisée.

L'Auteur estime que, même s'il est démontré beaucoup d'autonomie dans les sociétés multinationales à la direction locale ou au niveau d'un pays donné, il n'en reste pas moins que les paramètres politiques sont établis aux plus hauts degrés de la structure de la multinationale, et que la participation des travailleurs à la direction peut être considérée comme très subversive. Cependant, la politique décisionnelle est plus complexe et plus fragmentée que ne le pensent beaucoup d'observateurs, de sorte qu'il faut conclure que le mouvement syndical peut la contrebalancer. Lorsqu'un mouvement syndical est puissant, non seulement il peut atteindre à un degré de participation efficace, mais, grâce aux pressions du gouvernement, limiter passablement le rôle de la multinationale. De même, la présence d'un mouvement syndical puissant, dans un pays où domine la démocratie sociale, comme en Israël et dans les pays scandinaves, peut favoriser la coexistence sous un régime de participation ouvrière fort développé. Enfin, la puissance du mouvement syndical international peut exercer une influence sur la politique décisionnelle des entreprises multinationales.