The embeddedness of US multinational companies in the US business system: implications for HR/IR

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Abstract
This paper lays the groundwork for understanding the employment relations behaviour of American multinational companies in Europe by putting forward a conceptual framework drawing on the concept of national business systems. It is argued that multinationals are ‘embedded’ in their country-of-origin business system, which in the case of the USA has a number of distinctive features stemming from its historical pattern of development. These features relate to the nature of various business institutions: markets, corporate governance, the role of the state in the economy, the nature of the personnel function, and the evolving system of work relations. On the basis of these characteristic institutions, the paper puts forward a series of propositions about the likely behaviour of American multinationals in relation to human resource and industrial relations issues. It also considers how the influence of their American business origins is likely to interact with the institutional arrangements of the different European host countries in which they operate.

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1 Introduction

The literature on international human resource management (IHRM) – that is, the way in which multinational companies (MNCs) manage their workforces across national borders – has been dominated by a number of powerful biases. One is the implicit but pervasive assumption that the behaviour of American MNCs provides a kind of template against which MNCs of other provenance may be measured. As the representatives of the dominant economic power of the postwar period, US MNCs are seen as the future to which economic organisation and behaviour are naturally tending. The US model of IHRM is in some senses regarded as a universal model matching the requirements of increasingly internationalised operation in a world economy dominated by the tenets of free-market liberal capitalism.

A second bias – often in practice present alongside the first – is that differences in the behaviour of MNCs from different countries of origin can be explained by reference to simplistic indices of cultural difference. Many studies thus link aspects of international management – say, the degree of centralisation of management of subsidiaries – to variations in Hofstede’s key cultural differentiators such as ‘power distance’ or ‘uncertainty avoidance’ (Hofstede 1980). However much subsequent studies have replicated Hofstede’s findings, the fundamental problem with this approach remains that it explains very little about underlying differences in the way different business systems operate.

The popularity of the culturalist approach has meant that the IHRM literature has made much less sustained use of another, highly important, strand of literature on national differences: the institutionalist literature represented by Whitley (1992), Lane (1989; 1995), and many others. This sees persistent differences in capitalist organisation deriving from the national development paths pursued by different countries, and by the institutions that have been generated out of the interaction of social groups and classes. (Cultural explanations can be integrated into such approaches (e.g. Whitley 1992), but cultural phenomena are seen as emerging out of and interacting with evolving societal institutions rather than as free-floating, ahistorical givens.) Even with the pressures of globalisation, the ‘path-dependent’ distinctiveness of national forms of capitalist organisation remains (e.g. Berger and Dore 1996; Crouch and Streeck 1997; Doremus et al. 1998; Hollingsworth and Boyer 1997a). This is not to say, however, that each national business system is entirely distinctive: as Chandler
(1990), for example, argues national development paths may be contrasted in such general terms as ‘competitive’ vs. ‘cooperative’ or ‘personal’ vs. ‘managerial’ capitalism.

This paper tackles the question of IHRM from a comparative ‘institutionalist’ perspective: that is, one rooted in the understanding of a national business system organised around distinctive institutions that remain – even in an age of globalised capitalism – the basis of the national system’s engagement with the international economy. More specifically, it examines the way American MNCs are embedded in a business system that is distinctive. The following section briefly outlines the elements of an institutionalist approach. The third part of the paper provides a stylised account of the main features of the American business system that are relevant for an understanding of IHRM. The final part explores how MNCs are embedded in – and thus influenced by – their parent country business system, and puts forward a set of propositions as to how characteristics of the specific US business system are likely to influence IHRM in American multinational companies.

2 The institutionalist approach

One of the most heated of current debates concerns the impact of globalisation in encouraging convergence between different national business systems, and promoting the homogenisation of ways of operating within the international economy. Though a full exploration of the debate is beyond the scope of this paper, one of the prime challenges to convergence theory comes from an institutionalist approach which sees varieties of capitalist economic organisation, based in nation states (though sometimes in sub- or supranational regions), as providing alternative and often competing modes of operating in the global economy. Though competition between national systems at the international level leads to much borrowing and diffusion of practices, it does not necessarily promote convergence, since borrowings are integrated into pre-existing and nationally distinctive complexes of business practice. However, with the growing integration of the international economy after 1945, national systems have become increasingly intertwined, resulting in more systematic mutual influence. As a consequence, as Djelic argues in her account of the influence of the American ‘system of industrial production’ on other western economies, there are complex patterns of both ‘convergence and persistent differentiation’ (1998: 1).

Despite many variants, the underlying notion of the institutionalist approach is that national (or regional) ‘business systems’ – or ‘social systems of production’ as Hollingsworth
and Boyer (1997a) call them – are constituted by interlocking structures and institutions that fundamentally shape the nature of markets, competition and business activity in general. Though the following definition of the concept of social system of production (SSP) is taken from Hollingsworth and Boyer, relatively similar formulations are to be found in the works of Whitley (1992); Lane (1989; 1995) and others.

…institutions or structures of a country or a region are integrated into a social configuration: the industrial relations system; the system of training of workers and managers; the internal structure of corporate firms, the structured relationship among firms in the same industry on the one hand, and on the other firms’ relationships with their suppliers and customers; the financial markets of a society; the conceptions of fairness and justice held by capital and labor; the structure of the state and its policies; and a society’s idiosyncratic customs and traditions as well as norms, moral principles, rules, laws, and recipes for action.

(Hollingsworth and Boyer 1997b: 2)

A second key facet of an institutional approach is that institutional arrangements reflect a historical dynamic: the system’s evolution over time shapes future choices without, however, determining them rigidly. Key historical influences on the subsequent development of national business institutions include the nature of the transition from pre-capitalist to capitalist production systems, and the timing of industrialisation in relation to the political organisation of social classes (e.g. Fulcher 1988). Thus Crouch’s study (1993) of the relationship between industrial relations and ‘European state traditions’ goes back to the respective roles of church and state in the process of modernisation to explain the emergence of patterns of corporatism in Europe; Crouch also explores the way in which features of modern industry such as the German system of vocational training reflect aspects of a pre-capitalist legacy of guild organisation which survived industrialisation.

The dynamic of capitalist development leads to the evolution of systems over time: the rise of new industries and associated social groups may be out of kilter with institutions emerging from earlier phases of economic development, but the interlocking nature of the institutional arrangements means that they tend to persist. There may be much change, but its direction is strongly constrained by linkages between institutions (Hollingsworth 1997a); thus change in one element is difficult without change in others. Nevertheless, ‘critical turning points’ (p. 267) such as wars, economic crisis and political turmoil may expose the limits of a
system and force more radical institutional change. New institutions often emerge out of such
critical historical junctures in which, for example, the relationship between capital and labour
is redefined (e.g. Sisson 1987). Social relationships then once more become crystallised in
institutions that persist over time, frequently long after the transitory configuration of social
forces that gave rise to them. A key American example is the New Deal, including a new
framework for labour relations based on highly codified collective contracts, an institutional
arrangement seen by scholars as particularly appropriate to an era of industrial development
based on standardised mass production (see below).

A central aim of institutionalist approaches is to establish a conceptual framework
allowing comparative study of different national systems. Most writers (e.g. Whitley 1992;
Lane 1989) cover major institutional ‘complexes’ such as the nature of markets (product,
labour, and capital), the organisation of firms, the role of the state, and systems of vocational
education and training and of industrial relations. One approach, which implicitly informs
most of the others, is to compare the relative weight of different ‘governance’ mechanisms,
that is the systems whereby economic activity is coordinated. Hollingsworth, Schmitter and
Streeck (1994) add to the two mechanisms of markets and hierarchies recognised by
mainstream economics those of the state, informal networks, and ‘associations’ (see also
Ouchi 1980). The latter two mechanisms of inter-organisational coordination have
historically been important in European business systems and in Japan. Hollingsworth et al.
(p. 6) define informal networks as ‘loosely joined sets of individuals or organizations in
which transactions are conducted on the basis of mutual trust and confidence, sustained by
stable, preferential, particularistic, mutually obligated, and legally nonenforceable
relationships’, kept together by value consensus and/or resource dependency. Associations, of
which employers’ associations and unions are the most important examples, are forms of
‘private interest government’, defined (p. 7) as ‘collective organizations formed among
specific categories of actors in identical, similar or adjacent market positions that define and
promote public… goods’, by enforcing cooperative behaviour on their members and on that
basis engaging in collective contracts with other associations.

These elements will underlie the analysis of the American business system that
follows: the interlocking nature of institutions, their historical evolution and ongoing legacy,
and the relative weight and nature of different governance mechanisms. This will provide the
basis for subsequent argument about the nature of the relationship between MNCs and the
business system in which they are embedded.
3 The components of the US business system

The argument of this part is, first, that the US business system, far from being the universal template towards which all other economies are inexorably tending, represents a unique historical and institutional configuration of interrelated elements. And, second, that this provides a distinctive formative environment for US MNCs.

3.1 Firms and product markets

The first characteristic of the US business system has been the emphasis on market competition. Chandler (1990) characterises the US system as ‘competitive managerial capitalism’, contrasting both with Germany’s ‘cooperative managerial capitalism’ and Britain’s ‘personal capitalism’. The basic difference between the USA and Germany was that US businesses had to compete for market share by improving products and production processes and by expanding into new markets, while German businesses ‘often preferred to negotiate with one another to maintain market share’ (Chandler 1990: 12).

Second, the size of markets led in turn to the early growth of large firms engaging in mass production as well as techniques of mass marketing. These market possibilities led to the introduction of innovative organisational structures capable of supporting them, notably the multidivisional form (Chandler 1962), which in turn encouraged further expansion. (Such developments took place only much later in Europe – see Chandler 1990; also Djelic 1998: ch. 1.) Finally, anti-trust legislation favoured intra-organisational rather than inter-organisational coordination, thus encouraging further corporate consolidation through waves of mergers. This historical pattern of development of the US market had a persistent effect on the size of firms (Chandler 1990: 19). At the same time, small firms have represented a much lower proportion of total employment than in Germany, Italy or France (Djelic 1998: 3-5).

The third distinctive element of the American business system, strongly related to the foregoing characteristics, was the emergence of mass production as the prime way of serving mass markets, taking advantage of the economies of scale (e.g. Piore and Sabel 1984; Dertouzos et al. 1989; Lazonick 1998). A large and growing population, combined with a relative homogeneity of tastes (in the absence of an aristocratic legacy) and stable, gradually evolving markets, encouraged the production of standardised consumer goods as well as chemicals and machinery. ‘Standardised mass production’ in turn stimulated the growth in firm size, to take full advantage of scale economies. Its influence on the American labour
market, and on the organisation of work, was profound (see below). In the middle of the twentieth century mass production was the dominant strategy in such sectors as semi-perishable packaged goods (e.g. breakfast cereals, cigarettes); regional or national markets for perishable products (meat processing); consumer durables (office equipment, cars); standardised production goods (pumps, lifts); and capital-intensive sectors using continuous production technology (chemicals, oil refining, rubber) (Hollingsworth 1997b: 139).

A further consequence of the consolidation of large firms serving mass markets and employing mass production methods was the early emergence in America compared with Europe of formalised management hierarchies – the ‘visible hand’ (Chandler 1977) – to coordinate and control operations. This promoted the professionalisation and specialisation of American management into distinct functions such as production, marketing and finance and personnel – together with the development of an infrastructure of management education (e.g. Locke 1996). The emergence of multidivisional firms from the 1920s to become a dominant organisational form after the second world war led to further differentiation, between the ‘strategic’ functions of the head office and the operational role of business divisions. This stimulated the development of forms of management control such as planning and budgeting disciplines and the scrutiny of returns on capital invested, in companies such as du Pont and General Motors (Chandler 1962; 1977; Locke 1996: ch. 1; Sloan 1987). In the post-war period, the strengthening role of financial markets and hence of external investor scrutiny of bottom-line performance (see below) gave a further push to the introduction of sophisticated forms of control and evaluation of the financial performance of operational units.

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As Chandler (1990) and Djelic (1998) emphasise, there was considerable diffusion of these models – particularly of M-form structures – to European systems after 1945. Nonetheless, the American business system was characterised by the early emergence and consolidation of such features, at a time when more traditional forms of competition, ownership patterns and organisational structures predominated in Europe. Moreover, Chandler argues (1990) that the dynamic created by the development of mass markets in the USA enabled large American firms to build ‘organizational capabilities’ – in production, marketing and distribution as well as in areas such as financial control – that in turn provided the foundation both for diversification and for international expansion. As a result, US firms became pioneers of internationalisation in sectors such as engineering, food and (along with
German firms) chemicals, some as early as the last decades of the nineteenth century, with a major outflow of direct investment in the early decades of the twentieth (see also Dunning 1998: ch. 1). The experience of managing foreign operations then enabled these firms to develop yet further their existing organisational capabilities.

3.2 Role of the state and interest associations

The predominance of economic coordination through markets and hierarchies in the USA partly reflects the relative under-development of both the state and of inter-organisational mechanisms of governance such as networks and business associations.

Historically, the US business system has been characterised by the weakness of the state as an economic actor. According to Jacoby (1991: 176) ‘Before the New Deal, the United States had the weakest government in the western World’, small in size and lacking in cohesion as a result of the federal structure. Below the federal level, the state has operated in an extremely fragmented way, with e.g. intense competition between states for investment through tax investments and ‘right to work legislation’. This weakness of the state has been traced back to the absence of feudalism which in Europe led to the establishment of strong monarchical states (ibid.), and to the relatively early onset of the industrial revolution.

Thus the state’s main role has been to set parameters for the behaviour of other economic actors, in particular to create a favourable climate for private sector investment, and it has not intervened to coordinate and plan economic activity in the same way as say the Japanese state, or to make up for a late start to industrialisation as in continental European states such as Germany and France in the nineteenth and twentieth century. Decisions on investment, production and distribution are left to private companies, and there is no explicit ‘industrial policy’. Nevertheless, the sheer size of state purchasing in defence and aerospace in particular has given it a more significant role in these sectors.

The state’s regulatory role has also, and unusually, strongly shaped the conditions of economic activity outside the domestic market by acting to consolidate American economic hegemony in the world economy. In the post-war period of the cold war, the priority in foreign policy was to consolidate liberal free-market economic values in the face of the threat to American dominance from Soviet and other non-capitalist systems. This led to a series of well-documented interventions of which the most notable was the Marshall Plan (see Clark 2000). In more recent decades, the liberalisation of world trade, manifested in successive
rounds of GATT and its transformation in the 1990s into the World Trade Organisation, has continued as a major strand in US foreign policy. This has been bolstered by domestic legislation such as the Omnibus Trade and Competitiveness Act of 1988 which, together with the related Structural Impediments Initiative, aimed to achieve access to ‘unfairly’ restricted national markets abroad (Dicken 1998: 121).

The weakness of business associations can partly be attributed to the weakness of organised labour (see below), but also to the large size of the country leading to sheer number of firms and the diversity of their interests (Hollingsworth 1997b: 135), and to the strong cultural and statutory bias against cartels and trusts, as manifested in the Sherman Act of 1890. This has also restrained inter-firm networks on the German or Japanese model, as has the short-termism of market-driven relations (see below), although important networks have emerged in high-tech areas including defence, computers and pharmaceuticals, often coordinated by the federal or state government and involving close links with university researchers (Hollingsworth 1997b: 141-3; O’Sullivan 2000: 122-44). However, attempts to strengthen networks in the market-driven mass-production industries such as automobiles – for instance through longer-term relationships with suppliers – have generally foundered as short-termist market pressures assert themselves (Harrison 1997: ch. 8).

More fundamentally, US business never had to define itself collectively in opposition to entrenched feudal or aristocratic interests in the way that European capitalists did. This did much to favour a highly individualistic ideology – individualism ‘sounds through the business creed like the pitch in a Byzantine choir’ according to Sutton et al. (1956: 253) – and an egalitarian political culture with its emphasis on getting ahead through individual effort and enterprise (e.g. Hollingsworth 1997b). Late nineteenth and early twentieth-century American employers did not have to share power or make alliances with other social groups or the state and hence, in Jacoby’s words (1991: 177), ‘developed an especially strong belief in the virtues of free enterprise and apotheosized themselves as self-made men’.

These features meant that the market (and intra-organisational hierarchy) assumed prime importance as means of economic coordination, with a resulting emphasis on atomistic, arms-length, contractually-driven relationships between firms rather than trust-based long-term links as in Germany or Japan. Similarly, a market logic prevailed in the supply of both capital and labour. Long-term, stable relationships between firms and suppliers of financial capital or of labour, were discouraged by the logic of the system.
3.3 Financial markets

The most striking characteristics of the American financial system are, first, the absence of the close long-term relationships between financial organisations and industrial firms typical of the German and Japanese business systems; and second (and relatedly), the development of a strong ‘market for corporate control’ particularly in the 1980s (O’Sullivan 2000: ch. 5). The consequences of this model of ‘shareholder capitalism’ for corporate behaviour generally and for the management of HR/IR in particular are profound.

Historically, banks were important providers of investment finance to the railways and other industries. But anti-trust legislation and government intervention to impose a clear distinction between commercial and investment banking worked against their assuming the role of their German or Japanese counterparts (Doremus et al. 1998: ch. 3; Hollingsworth 1997a: 292-6; Kester 1996). The relatively weak role of banking in corporate finance encouraged the early development of equity markets. The number of listed companies and the size of capitalisation as a percentage of GDP continue to be very much greater in the USA than in Germany or France (Fukao 1995: ch. 2).

The equity markets’ traditional importance in financing emergent firms and the consequent concern for small investors led to much tighter restrictions on ‘insider trading’ compared with other major countries, inhibiting effective communication between large shareholders and management (p. 36). ‘Exit’ rather than ‘voice’ was the primary action open to shareholders (Fukao 1995; Appelbaum and Berg 1996: 203-7; Kester 1996; Nooteboom 1999). Partly as a result (and unlike Japan, which also has a highly developed capital market), the US market has very rapid turnover of shares. These traits enabled the emergence of the classic pattern of ‘managerial capitalism’ explored in depth by Chandler (1990), in which ownership was separated from effective corporate control exerted by professional managers.

The evolution of the financial market has been seen as a force for short-termism in US firms, since in the absence of long-term relationships between companies and shareholders, the latter have tended to evaluate corporate performance using easily accessible measures such as quarterly reports and announcements of workforce reductions, and to invest or divest accordingly. The outcome has been to put strong pressure on companies to take a short-term approach to investment in such intangible areas as training and R&D which are not capitalised under US accounting rules (Appelbaum and Berg 1996: 200; Dertouzos et al. 1989: ch. 4). The financial market thereby reinforces a systematic bias against firms ‘that set
strategic goals, designed to ensure the survival of the organization, but that do not lend themselves easily to present-value calculations’ (Appelbaum and Berg 1996: 200).

In recent decades, major changes have taken place in the financial system resulting from factors such as the growth of international competition; the shift of share ownership from individuals to institutions, such as pension funds and mutual funds, with statutory obligations to maximise their gains; and financial deregulation (O’Sullivan 2000: ch. 5). Together, these factors have sharpened investor short-termism and increased pressures for higher returns, privileging ‘support for financial liquidity at the expense of commitment’ (p.154). The average length of time for which shares are held has declined steeply, and the size of transactions has sharply increased. The 1980s saw the growth of a strong ‘market for corporate control’. In sharp contrast to Japan or Germany, hostile corporate take-overs were a key mechanism for disciplining ‘under-performing’ management. As a result much managerial time and energy in companies taking a ‘strategic’ approach to investment was devoted to fighting off unwanted attentions of corporate raiders mounting takeover bids on the back of junk bond financing (e.g. McKibben 1998).

As difficult competitive conditions undermined the ability of US manufacturing firms to achieve steady profits and sales growth, shareholders had increased incentives for activism. This was manifested in the strong surge in the ideology of ‘shareholder value’ in the 1980s and 1990s (O’Sullivan 2000: ch. 5): ‘in an increasing number of companies, shareholder value became the overriding goal of strategic company decisions’ (Appelbaum and Berg 1996: 207), reflected in the rising percentage of profits distributed as dividends. At the same time, the traditional distance between shareholders and corporate managers was diminished as executives’ remuneration became increasingly tied to share price through performance-related pay and stock options (Appelbaum and Berg 1996: 208-9; O’Sullivan 2000: 196-204).

One notably consequence of these developments was that many companies used ‘downsizing’ – severe, rapid reductions in workforce numbers – as a short-cut to maintaining investor confidence and share prices (O’Sullivan 2000: ch. 6). The extent and breadth of downsizing in the 1980s and 1990s was unparalleled, affecting professional and white-collar employees as well as blue-collars, and older and more educated workers, in all economic sectors (Cappelli et al. 1997: ch. 2).

Nonetheless, observers see the structure of US financial markets as advantageous to the development of new business by funding small firm start-ups with venture capital,
particularly in comparison to the risk-averse Japanese or German financial systems (e.g. Hollingsworth 1997b; Fukao 1995). As a result, the US system has tended to excel in the development of new products and industries, although the short-termist logic has arguably often prevented consolidation and innovation in established industries where potential returns are less enticing to risk-taking investors.

### 3.4 Labour markets

US labour markets have been characterised as extremely flexible. Standardised mass production helped create external labour markets based on the transfer between companies of workers with simple, standardised skills. This has been further encouraged by the short-termism of financial markets, since labour is seen as a cost to be minimised; the burden of adjustments in times of market difficulties is generally borne by employment levels through downsizing (or traditionally in cyclical industries by lay-offs and rehirings), rather than by working hours as would be the case in Japan (Fukao 1995: 43-4) or by employee earnings.

There are few of the institutional (and indeed cultural) constraints on ‘numerical flexibility’ to be found in systems such as the Japanese or the German. As a result, employees stay in jobs for significantly shorter periods in the USA compared with other major economies. Osterman (1999: ch. 2) argues that job tenure has grown significantly less secure in recent years, particularly for men. Flexible external labour markets have been seen (e.g. Hollingsworth 1997b) as a factor in the emergence and rapid growth of new business sectors in the USA, by providing a ready supply of mobile workers in mid-career.

The prominence of the external labour market applies not just to rank-and-file employees but to managerial employees as well. Career structures in US corporations have been characterised by much greater mobility between firms than would be the case in say German or Japanese companies (Evans et al. 1989; Jackall 1988). This has been greatly intensified in recent decades by the strengthening grip of ‘shareholder value’ and consequent downsizing and ‘delayering’ that has affected whole strata of middle management. As a result, a labour market ideology of ‘employability’ has emerged, with an emphasis on the acquisition of a portfolio of portable management skills.

Flexible external labour markets have traditionally combined with highly rigid internal ones, at least in the unionised sector, in which jobs were very tightly delineated through detailed job descriptions, there were sharp horizontal and vertical demarcations
between jobs, and the criteria (usually seniority-based) for progression up job ladders were clearly defined (e.g. Kochan et al. 1994: ch. 2).

Compared with continental European or Japanese labour markets, the US labour market has traditionally been relatively untrammeled by institutional constraints (with the exception of government regulation on issues such as equality of employment opportunity). As a result, the labour market has been ‘a place where anything goes’ (Kochan et al. 1994: xiii). This absence of regulation has permitted one of the most notable recent features of the US labour market, in response to such interrelated factors as ‘shareholder value’, corporate restructuring and international competition: its increasing turbulence, manifested in the devaluing of internal labour markets, growing ‘dislocation’ and insecurity of tenure, increasingly polarised earnings, and a trend to ‘contingent’ (atypical) employment such as temporary, agency and contract work (Osterman 1999: ch. 2).

A final, mutually supporting aspect of the labour market is the lack of incentives for companies to invest in firm-specific skills, since firms would fear poaching of such skills on the external labour market, and are unable (and unwilling) to offer the security necessary to workers to invest in long-term skill acquisition (e.g. Dertouzos et al. 1989). This is buttressed, first, by the impact of the historical dominance of standardised mass production, because the standardisation of processes has meant that relatively low-level skills are required to service them; and, second, by growing influence of financial short-termism, which has deterred firms from making long-term investments in diffuse workforce skills whose impact on the ‘bottom-line’ is difficult to quantify.

3.5 Capital and labour in the American business system

The American system of industrial relations has been profoundly different from those of continental Europe and indeed from the British system. Its keynote has been a deep anti-unionism on the part of employers which the New Deal model of industrial relations, based on company-level bargaining (see below), only partially and temporarily deflected. The other side of employer anti-unionism has been union weakness, again masked for a relatively short period in the middle decades of the last century.

3.5.1 Deep-rooted anti-unionism

According to Jacoby (1991), employer anti-unionism derives from many of the features identified above: the extreme, market-orientated individualism, reflecting business’s
economic and political dominance in the American system, in the absence of a feudal heritage and of a strong state. To these, Edwards (1986: 201-13) adds the circumstances of rapid industrialisation in the second half of the nineteenth century in which US companies needed to establish their authority. This helped explain employers’ hostility to craft unions, whose traditional authority and emphasis on job controls would have impeded employer attempts to create large plants and companies based on bureaucratic rules and procedures.

In a self-reinforcing process, anti-unionism weakened union density and growth and impeded the emergence of a radical labour movement (Jacoby 1991). It favoured a moderate, workplace-orientated unionism as represented by Samuel Gompers at the end of the nineteenth century. In such conditions, employers had strong incentives to maintain anti-unionism, since bargaining took place at company or plant level, rather than at industry level as in much of Europe. (This was reinforced by the emphasis on the 1935 Wagner Act on support for union recognition – certification – at the level of individual plants or companies.) Hence unionised employers were at a competitive disadvantage compared with the non-unionised. This heightened the resolve of employers to resist union organising drives.

Another factor pointed to by Jacoby (1991) in explaining employer anti-unionism was the absence of countervailing pressure from the state – with the notable exception of the New Deal period, and in some respects during the world wars. Indeed, so much was the state apparatus dominated by employer interests that it was frequently put at the disposal of employers in their attempt to repress union organising drives by force. Jacoby notes that the USA has had the most violent and bloody labour history of any major industrial power. Nor did American employers have to rely solely on state repression: they deployed a range of violent tactics, including the use of private armies, labour spies, and arsenals, as exposed in the hearings of the LaFollette congressional committee during the 1930s.

The extent of repression was one factor in the absence of a successful radical labour movement in the USA. Others had to do with the fact the nature of the working class itself: a great degree of ethnic and cultural diversity, high rates of social mobility with fluid inter-class boundaries, absorption of the individualist ethos, the individual ‘safety valve’ provided by the availability of land for settlement on the frontier. Moreover, the American working class (or at least the white majority) did not have to fight the battles for basic political rights that characterised the emergence of the European labour movement.
The chronic impact of anti-unionism can be seen in the fact that union density only reach significant levels for a relatively brief period in the wake of the New Deal reforms. From a figure of 13 per cent in 1935, membership as a percentage of the non-agricultural labour force rose to 27 per cent in 1940, peaking at 36 per cent in 1945 before suffering a slow decline during the 1950s and a sharper one from the mid-1970s (Kochan et al. 1994: 3) down to a low-point of around 12 per cent in 1990, the same as in 1930; subsequently it recovered slightly, to 14 per cent at the end of the 1990s.

3.5.2 The ‘New Deal industrial relations system’ and its demise

Kochan et al. (1994: ch. 2) have provided a well-known characterisation of the IR system that emerged out of the New Deal, in particular the Wagner Act of 1935 and the National Labor Relations Board, and of this system’s apparently terminal decline from the 1970s. The Wagner Act established collective bargaining as the ‘cornerstone of labor-management interactions’ (p. 25), building on the traditions of sectors like coal and clothing where bargaining was already established. It provided mechanisms for unions to win employer recognition, and once a union was recognised the employer was obliged to bargain in good faith. The New Deal IR system helped shape the postwar US economy.

The essence of the IR system was ‘job control unionism’ entailing ‘highly formalized contracts and quasi-judicial grievance procedure to adjudicate disputes during the term of these contracts’ (p. 28). Collective contracts established employees’ rights and obligations linked to sharply defined jobs, and pay was determined through the attachment of set rates to specific jobs. Negotiated rules, usually based on seniority, regulated promotion and layoffs. As a result, there was a profound proceduralisation of workplace relations, in which the central responsibility for corporate industrial relations managers on the one hand and union officers on the other was the administration of the detailed formal rules of the collective contract during the lifetime of the agreement.

The New Deal industrial relations system may be seen as a constraint on management’s ‘freedom to control’ Nonetheless, it was a model particularly suited to the needs of standardised mass production, at its apogee in the period from 1940s to the 1960s. Mass production industries required stability and predictability of production schedules in order to exploit economies of scale. Such conditions were provided by the system of workplace order established under collective contracts. Agreements conceded pay and benefits to workers in return for no-strike clauses and complex grievance settling procedures
that kept the industrial peace. Collective bargaining came to set the wages of the majority of blue-collars in several industries including vehicles, clothing, textiles, steel and rubber, and influenced wages in non-union sectors (Kochan et al. 1994: 30).

From the 1960s, however, the New Deal system was put under increasing strain. The upshot was what Kochan et al. (1994: ch. 3) refer to as the ‘emergence of the nonunion industrial relations system’, manifested most strikingly in the pattern of union decline described earlier. In Jacoby’s words (1997: 238), ‘Among the nation’s larger firms, modern welfare capitalism appeared to have triumphed over modern unionism’.

This responded both to structural features of the economy and to related changes in managerial strategy, with a resurgence among employers of non- or anti-union bias. Among the former features were changes in the structure of industry and employment – away from ‘rustbelt’ manufacturing towards rapidly growing new industries such as computing, electronics and services. Major new non-union firms such as Microsoft, Walmart, and Federal Express emerged. These structural changes were accompanied by a shift away from blue-collar occupations towards white-collar and professional employment; as Jacoby notes (1997: 258), the values of educated workers were consonant with non-unionism and an emphasis on individual rather than collective pay determination. As a result traditional union recruiting grounds shrank while unorganised sectors grew. Farber (1985, quoted in Kochan et al. 1994: 54) estimates that some 40 per cent in the decline in unionisation from the mid-1950s to the late 1970s was due to such structural shifts.

Nonetheless, as Kochan et al. (ch. 3) emphasise, much of the move away from a union-based model of IR reflected a change in employer strategy. This was influenced by growing workplace militancy from the 1960s; by the rapid emergence of radical new technologies; by the increasing volatility of product markets and consumer demand; by the intensification of foreign, particularly Japanese, competition from the 1970s; and by the strengthening ‘market for corporate control’ over the same period. As Jacoby (1997: ch. 6) and others argue, US employers’ resistance to unions and collective bargaining had never gone away and merely awaited the re-emergence of the right conditions in order to resurface.

All these factors had the result of reducing employer preference for stability in IR and increasing their sensitivity to short-term prices and labour costs (cf. Kochan et al. 1994: 65). Employer responses in previously unionised sectors and companies included the relocation of operations to greenfield non-union sites by such firms as General Electric as far back as the
1950s, often in geographical regions in the south and west of the USA were unions were traditionally weak and where state ‘right to work’ legislation favoured employers and undermined union organising drives. This process accelerated in the 1980s and 1990s.

3.5.3 The non-union model

The non-union strand in US employment relations survived the onslaught of the Depression and the subsequent heyday of the New Deal industrial relations relatively unscathed. While non-unionism covered a heterogeneous set of practices in a wide variety of companies, a key strand among larger non-union employers was ‘welfare capitalism’. As summarised by Jacoby in his impressive account, Modern Manors, American corporate ‘welfare capitalism’ offered a distinctively American answer to the labour question: ‘the business corporation, rather than government or trade unions, would be the source of security and stability in modern society’ (1997: 1). Whereas in Europe, welfare capitalism gave way before an increasing state role in welfare, and the incorporation of unions into the regulation of employment, in America it persisted, fostered by an environment of ‘large firms, weak unions, and small government’ (p. 4).

Embodied in such firms as the three covered in detail by Jacoby – Eastman Kodak, Sears Roebuck, and Thompson Products (subsequently TRW) – as well as others such as Johnson Wax, du Pont, Eli Lilly, IBM, Procter & Gamble and Standard Oil, welfare capitalism presented a durable and systematic non-union alternative to New Deal industrial relations. It profoundly influenced the union sector (and was also influenced by it), and when the latter began to decline from the 1960s, provided a model for employment practices for many of the ‘de-unionising’ firms and sectors. It also strongly influenced – although Jacoby does not explicitly make this argument – the emergence of a model of employment relations encapsulated in the ideology and practices of ‘human resource management’.

The model of ‘sophisticated’ non-unionism has several features that mark it out from New Deal unionism. First, it has grown up from a tradition of ideological opposition to unionism, in which the practices of welfare capitalism were used to keep both organised labour and the state at bay. The ideological commitment to non-unionism – what Foulkes (1980: 47-55) refers to as ‘doctrinaire’ non-unionism – permeated company culture; as Jacoby writes of Kodak (1997: 49), ‘it was well understood by Kodak managers of the 1950s that a sacred tradition would be broken if a union came into the company on their watch’. Non-union companies took the lead in the movement for reform of labour law leading up to
the Taft-Hartley Act of 1947 (pp. 195-205), and spent large sums on ‘education’ programmes for their employees. One company studied by Foulkes (1980: 51) issued handbooks to supervisors entitled ‘The Supervisors Handbook on Maintaining Nonunion Status’. Jacoby terms this activity the employers’ ‘ideological holy war’ against the ‘twin evils of collectivism and statism’ (1997: 228; 234-5).

Second, however, although non-union companies used at times robust anti-union techniques and touched the fringes of legality with their tactics (e.g. in the use of company unions and other dubious ‘employee representative systems’), they were not merely anti-union but also spurred the development of innovative techniques designed to win the commitment of employees to the company. These included general welfare programmes and more tangible benefits: pensions, health care systems, unemployment insurance, and attractive remuneration. They were thus the first to develop systems of performance-related pay through profit-sharing and gainsharing schemes, and were pioneers in tailoring policies to new labour market segments through, e.g. family-centred policies.

Third, they were distinctive in terms of pay and benefits. Although constant emulation and leap-frogging between non-union and union firms led to the diffusion of pay levels and benefit innovations between the two sectors, essential differences remained (pp. 250-3). Pay systems tended to be relatively informal and tied to individuals rather than to jobs, and there were fewer across-the-board pay increases. Pay was (at least in theory) more related to individual merit determined by performance appraisal. Remuneration was more flexible than in unionised companies in that it was almost never fixed by multi-year agreements. Pay strategies emphasised profit-sharing schemes (Foulkes 1980: ch. 12). In the unionised sector by contrast, profit-sharing posed problems both for unions, which saw it as an obstacle to standardisation of pay across firms, and for employers, who feared it would bring labour involvement in management decision-making.

Fourth, non-union firms practising welfare capitalism often adopted a very different approach to the labour market from the picture sketched above, emphasising the long-term relationship between the employee and the firm. Many of the companies described by Jacoby (1997) and by Foulkes (1980) were committed to strong internal labour markets based on promotion from within. Unlike the unionised sector, where negotiated contracts generally specified the rules and criteria for selecting staff for layoffs during seasonal or cyclical downturns, non-union firms gave de facto commitments on employment security and in some
cases this was an explicit cornerstone of the corporate philosophy. In these companies, the burden of economic adjustment typically fell not on workforce numbers but on the profit-related element of remuneration and on working hours. Companies used a wide variety of techniques to stabilise employment: hiring freezes, attrition, resorting to temporary or former employees, building up stocks, using subcontractors, overtime buffers, voluntary leave of absence, vacation banking, early-retirement programmes, retraining, and work sharing (Foulkes 1980: ch. 6). The internal labour market strategy was often aided by a firm’s location in small towns or rural areas, where it constituted the major employer of local labour (pp. 21-6). One corollary was that these firms developed sophisticated techniques of recruitment and selection. If turnover was low and the company was hiring people for a career rather than a job, it was necessary to ensure that new recruits possessed the right characteristics. Screening techniques were also used to make sure companies were not recruiting employees sympathetic to unions (pp. 72-3).

Fifth, the internal labour market operated much more flexibly in non-union firms than in unionised companies with their rigid job categories, career ladders and seniority rules. Non-union firms had fewer, broader job grades and job descriptions, allowing much greater flexibility in the deployment of workers between different tasks, departments and geographical locations. This functional flexibility was facilitated by the widespread use of merit pay, which weakened the linkage between pay and job structures. The whole was underpinned by the strength of the companies’ commitment to long-term employment. These elements enabled them to respond with agility to downturns in demand by transferring and retraining existing staff, rather than laying them off. Another outcome was that secure and flexible employees were less resistant to new technology than those in unionised firms where technological innovations threatened to disrupt the Taylorised division of labour as codified in the collective contract. As a result, new team-based, high performance work systems were more rapidly adopted in non-union companies (Jacoby 1997: 259).¹

Sixth, non-union firms were pioneers in the use of social science techniques (Jacoby 1997: 220-8; 246). By contrast, unionised firms confronted obstacles to the use of the behavioural sciences: they could face hostile responses from unions aware that employers would be able to gauge accurately which union demands had strong employee support and which did not (p. 244). Methods such as employee attitude surveys (Foulkes 1980: ch. 13), communications programmes, and individual- and small-group orientated psychological approaches were particularly suited to the increasingly important groups of employees with
high levels of education in white-collar and professional jobs. These techniques were used to build employee loyalty to the company, and also to ward off unions: for example, employee questionnaire surveys, such as Sears’ ‘employee inventory’, served as ‘early-warning systems’, identifying potential union supporters or discontents that could provide purchase for union organising campaigns.

All these features constituted what Jacoby calls a *Gemeinschaft* orientation (1997: 40, 47, 238), taking up the German notion of an industrial ‘community’ of interests between employer and workforce. Thus stability of employment and favourable pay and benefits were partly but not solely to ward off unions. They were also seen as ways of creating an employee commitment to the company and as an alternative to Taylorised work organisation and bureaucratised internal structures. As in the German model, employment security meant that employees were more likely to be seen as assets rather than costs to be minimised, and hence firms had the motive to invest in employee training and development. The emphasis was also on co-operation, in contrast to the marked adversarialism of the unionised model. The *Gemeinschaft* approach was often underpinned by a strong (often philanthropic) relationship to a local community, and by a distinctive corporate culture reflecting the guiding hand of the founder (Foulkes 1980: ch. 3; Jacoby 1997) and imbued with strong philosophical values. This culture was usually formulated in explicit statements, and interpreted and consolidated by subsequent generations of corporate leaders.

A number of structural factors favoured the adoption of the non-union model of welfare capitalism (Foulkes 1980: ch. 2; Jacoby 1997: 26-7). First, relatively stable product demand over the business cycle underpinned the ability of firms to offer employment stability, making possible developments in resource planning that would have been difficult in cyclical markets such as cars, tyres and producer goods. Second, relatively high capital intensity and, consequently, relatively low labour costs allowed companies more leeway in the investments needed to make the sophisticated non-union model function. Industries such as soap, petroleum refining and food canning provided propitious environments for such firms (e.g. Procter & Gamble, Standard Oil). However, they were not likely to emerge in sectors such as traditional steel-making where capital was ‘lumpy’ and output could not be reduced gradually in a downturn. Third, economic health gave companies the resources to invest in non-union strategies.
As noted earlier, many previously unionised companies moved towards deunionisation from the 1960s. The traditional non-union companies then provided a model for them to follow. Nonetheless, the developments of the 1980s and 1990s, particularly the intensification of competition and technological change, and the pressures of the financial markets, have posed severe problems for the non-union model. Most dramatically, while new firms such as Microsoft in sectors such as information technology have been taking up the baton of sophisticated non-unionism, several of the most famous names, including Kodak, Polaroid, Digital and IBM, were afflicted by the downsizing frenzy of the end of the century (Jacoby 1997: 259), and the basis of employee commitment in these firms was being seriously eroded as a result. Moreover, as O’Sullivan argues (2000: 86-9, 139-43), the sophisticated approach to HR in non-union firms was very partial. In electronics, for example, the integration of employees into the firm through devices such as employee share ownership tended not to extend to production workers; internal dual labour market predominated, with an elite of managers and professionals treated very differently from workers in standardised production jobs in the plants. Moreover, even among larger firms, non-unionism was far from universally of the welfare capitalist strain; in sectors such as fast-food or retail, for example, highly competitive product markets could combine with high labour intensity and low skills to encourage more ‘low road’ variants of non-unionism.

At the same time as non-union firms were losing some of their distinctiveness, certain unionised firms (e.g. GM Saturn) were adopting many of the elements of the sophisticated non-union model, including teamworking, single-status and profit-sharing. In broad terms, while significant differences of employment culture and approach remain between the unionised and sophisticated non-union segments of American business, the dualism characteristic of much of the postwar period has become more muted as a result of these developments. Nevertheless, the distinctive traditions and their dynamic interaction over many decades have profoundly shaped the evolution of American employment relations.

3.6 Work organisation and skills

The American pattern of work organisation, in contrast to countries such as Germany, has been strongly influenced by the legacy of standardised mass production (Jacoby 1985; Lazonick 1998; Piore and Sabel 1984). Mass production provided the habitat in which the scientific management movement could thrive. The application of Taylorism resulted in an intensive division of labour in which specialised machinery allowed the separation of task
conception from execution and the breakdown of production tasks into simple elements capable of being performed by unskilled or semi-skilled labour (e.g. Braverman 1978: ch. 4). This in turn promoted a tradition of industrial engineering (e.g. Noble 1977) concerned with measuring and scrutinising the performance of subdivided tasks and with designing the organisation of the production process to allow maximum managerial control.

In stark contrast to the models of work organisation in Germany, Italy or Japan (e.g. Lane 1989), American mass production techniques involved a systematic assertion of management control over areas of craft activity. As Lazonick (1998: 206) argues, ‘what made US industrial corporations unique among their counterparts in the advanced economies was their dedication to a strategy of taking skills, and hence the possibilities for craft learning – much less corporate learning – off the shop floor’. This model of ‘hierarchical segmentation’ meant that American companies relied almost exclusively on managerial organisation for the development of new productive capabilities (p. 207; see also O’Sullivan 2000). The mass production model was reinforced by the upsurge in unionisation and bargaining from the New Deal (Kochan et al. 1994). As Jacoby argues (1997: 44), ‘confronted with scientific management as a fait accompli, the new industrial unions pragmatically constructed their regulatory systems around the division of labor wrought by the Taylorists. Hence unionism’s contractual restraints reinforced Taylor’s unimaginative approach to work design.’

Standardised mass production and scientific management also implied the development a mass education system turning out potential employees with basic skills and industrial discipline to work in mass production sectors (Dertouzos et al. 1989: ch. 6). The training of rank and file workers was subsequently ‘brief, narrow and job specific’ (Hollingsworth 1997b: 140), leaving employees vulnerable to rapid obsolescence (Dertouzos et al. 1989: 81). This contrasted with Japan or Germany where on-the-job training was commonly used to expand more general skills, creating a greater adaptability in the face of change. The US model was suited for standardised mass production, but not appropriate for a system of production based on multiple sophisticated skills and flexibility (e.g. Lazonick 1998; Streeck 1997). The pattern of skills reinforced and was reinforced by the role of the external labour market. The system was premised on low-skilled, interchangeable workers who could be laid off and rehired according to the phase of the business cycle; there was therefore little incentive for companies (or workers) to make long-term investments in training and complex skills, particularly if other firms were not also doing so, since trained workers could easily be poached by ‘free-riders’.
The mass production model has come under increasing challenge since the 1970s as an outdated strategy no longer appropriate in an era of intensifying international competition (e.g. Dertouzos et al. 1989: ch. 3). Quality of design and product performance became criteria of commercial success as important as low-cost production. Technological innovation had to be more flexible and more adapted to fragmented and changing consumer demand, rather than to long runs of standardised designs. The reappraisal of standardised mass production was brought to a head by Japanese investment in the USA from the 1970s and particularly by the well-known developments in the automobile industry (Womack et al. 1990) which exposed US producers to a model of production based on flexible automation, a different organisation of work, a radically different approach to quality, the use of teamwork, and close, long-term relationships between producers and suppliers. At the same time, worker and union discontent with the numbing impact of the mass production system (e.g. Fairris 1997: ch. 5) led to the growing interest from the 1960s in QWL (Quality of Working Life) issues, and to attempts to reform the way work was organised (Kochan et al. 1994: ch. 6).

The upshot has been the widespread introduction in recent years of at least some elements of what Appelbaum and Batt (1994) call ‘high performance work systems’ based on greater worker discretion, more flexible job specifications and payment systems, a greater commitment to training and organisational learning, and greater worker involvement in decisions affecting the organisation of work. Osterman (1999: ch. 4) presents survey data showing a significant spread during the 1990s of such practices as quality circles, job rotation and total quality management (see also Cappelli et al. 1997: ch. 3). However, self-managed work teams were less common, and they did not consolidate their presence during the 1990s.

There have been some high-profile examples of radical change in work organisation in plants, like GM’s Saturn facility (e.g. Fairris 1997: ch. 8), GM’s NUMMI joint venture with Toyota, or the Corning plant described by Appelbaum and Batt (1994: 88). In the Corning case, employees ‘were actively involved in the design and layout of the plant and equipment’, teams worked autonomously without shift supervisors, communicated directly with engineers, and underwent cross-training and job rotation. Moreover, there is evidence that such work systems outperform the traditional model (Osterman 1999: 101-2).

Nonetheless, there have also been severe constraints on the adoption of new forms of work organisation such as semi-autonomous multi-skilled work teams in the American environment (see esp. Lazonick 1998). First, as Kochan et al. (1994: ch. 4) suggest in
reference to QWL initiatives, the model of New Deal collective bargaining was intimately associated with mass production technologies. These gave rise to internal labour markets, job categories, career progressions, and so on, that were institutionalised through collective contracts. Managerial and union interests grew up around this pattern of ‘shopfloor contractualism’ (Fairris 1997). QWL challenged such arrangements, provoking fears that ‘QWL processes would undermine the role of the local union and the sanctity of the collective bargaining contract’ (p. 150). Such fears were exacerbated by the fact that many innovative elements of work organisation or of participation were pioneered in non-union firms; TRW, for example, was in the vanguard of work organisation based on teams (Jacoby 1997: 259; Kochan et al. 1994: 96-9).

Second, as a result of the skills base of the American workforce, combined with the predominance of semi-skilled production jobs, only a ‘select group’ of the workforce appeared to have the necessary characteristics to operate teamwork successfully (Kochan et al. 1994: 99). Indeed, as Turner (1991: 159-62) argues, while teamwork in the German car industry emphasised raising skill across the board, US team experiments in the car industry focused on broadening the skills of the already-skilled. In the typical team, production workers performed repetitive tasks in short cycle times with occasional job rotation.

Third, the wider institutional context in the USA allows firms to pursue the ‘low-road’ option of using low-skill, low-cost labour to operate standardised production processes (Appelbaum and Berg 1996; Ichniowski et al. 1996; see also Pil and MacDuffie 1996). Financial short-termism militates against the heavy investments in technology, logistical redesign of the work site, and intensive training of workers required to introduce high-performance work systems. Moreover, the trust required by high performance work systems is extremely difficult to build when the pressures of financial markets and the pursuit of ‘shareholder value’ have impelled companies to downsize. Trust has also been undermined by the relocation strategies of companies, which have led to the uneasy cohabitation of union and non-union industrial relations in the same company (Ichniowski et al. 1996: 328).

As a result of such factors, high-profile examples of extensive innovative work organisation, such as the Saturn project, have become isolated experiments whose practices have not widely diffused to similar plants and companies. Moreover, ‘lean production’ models have been adapted to the US business environment: they are, for example,
distinguished from the original Japanese model by the absence of such structural features as employment security and intensive training (Fairris 1997).

3.7 Organisation of the personnel/IR function

One of the consequences of the American model of business organisation and development is that the personnel function within large firms has developed its own distinctive characteristics. First, as Lawrence (1996: ch. 9) argues, it is notable for its ‘proactivity’, in contrast to German personnel management, for example. The reasons for this lie in interrelated strands of the US business system. The deep-seated aversion to unionism led companies towards systematic policies for deterring unions, both through aggressive anti-union measures, but also through strategies to encourage the material and moral commitment of workers to their firms. As seen above, these included innovative pay and benefits policies; the harnessing of behavioural science to develop methods of evaluating potential recruits and of directly gauging and influencing employee morale and attitudes; and de facto safeguards of employment stability.

Another impulse to proactivity comes from the fact that, with the state’s role weaker than in other advanced industrial countries, the collective provision of welfare functions has remained under-developed. As a result, American employers retained a major role in providing welfare, including health care through insurance systems (Jacoby 1997).

Finally, proactivity stems from the way in which the system of industrial relations in the unionised sector has put the focus on the company level, in contrast to the strongly sectoral bias of collective bargaining in continental European countries. Though the balance has been shifting in recent years (Ferner and Hyman 1998), the personnel function in the European company is more orientated to implementing and interpreting agreements reached at higher level than in setting its own distinctive bargaining agenda. Moreover, in several European countries, the model of employee participation in companies is strongly defined by statutory regulation or national collective agreement. As a result, personnel managers have as part of their function the implementation of consultation and participation systems already shaped by higher-level regulation, imparting a strongly administrative flavour to personnel management (e.g. Lawrence 1991). American personnel managers, by contrast, have no statutory model of employee involvement to conform to. There is consequently a much greater latitude, allowing a wider range of policies.
A second broad feature of American personnel management is its ‘bureaucratisation’ and formalisation. The growth of large firms, organised in complex structures based round head offices and functional departments and, later, multidivisional structures, promoted the creation of professional personnel departments from the early decades of the century with a role in propagating general rules and policies for operating units and later for different business divisions. Moreover, the adoption of scientific management brought with it specialised functional requirements to do with the conduct of time and motion study, the codification of job requirements and job descriptions (Baron et al. 1986). The growth of white-collar occupational groups particularly in new service sectors from the 1960s led to the development of bureaucratised job structures and careers and performance evaluation as key elements in the control of these workforces (e.g. Edwards 1979).

Tendencies to bureaucratisation were heightened by government intervention in the two world wars (Baron et al. 1986; Jacoby 1985: ch. 5), aiming to strengthen manpower planning for the war economy. The federal government imposed hiring controls and required certain kinds of information on labour utilisation, turnover, classification systems, and promotion paths. This encouraged firms to expand their personnel functions in order to be able to document their jobs by skill and wage categories. It also boosted the use of such techniques as employment testing, job evaluation and internal career ladders. As a result, there was a major increase in the number and size of personnel departments over the period 1939-45 (Jacoby 1985: 260-2).

In the post-war period, government intervention has focused on areas such as equality of employment opportunity (Wheeler 1996), through gender, ethnic or disability legislation. This gave a further boost to the bureaucratisation of personnel, leading to the establishment of new management tasks, usually located within the personnel department, to monitor compliance. Affirmative action programmes also required the systematic collection and analysis of data on personnel levels and flows (Kochan et al. 1994: 43).

The final major influence consolidating the bureaucratisation of personnel was the rapid development of company-based collective bargaining especially from the second half of the 1930s to the 1960s. The experience of the Depression had given unions an overriding concern with the regulation of issues of employee security, and a key element in the bargaining agenda was the establishment of a seniority-based ‘web of rules’ regulating layoffs, rehiring and promotion (Jacoby 1985: 243-7, 250). Because of the tensions arising from
fragmented and inequitable wage structures that had grown up from a pattern of decentralised and uncoordinated wage setting by plant managers and foreman, personnel managers as well as unions had an interest in bureaucratising and rationalising the wage-setting process, for instance through the use of job evaluations. In non-union firms, such action was important for defensive reasons to ward off unionisation; systems such as merit-rating forced foremen to adopt fair and consistent criteria of treatment. Collective bargaining also institutionalised the resolution of conflict through complex grievance procedures and arbitration provisions written into collective contracts.

The third major feature of American personnel management is the systematic differentiation between union and non-union firms, and in the former between industrial relations and the personnel (or later, HR) function. In the large, sophisticated non-union companies, the personnel function came to develop a strategic role from the early decades of the twentieth century. In the companies studied by Jacoby (1997) and Foulkes (1980: ch. 5), the top personnel executive was typically a strong figure, part of the corporate group of policy-makers, and an interpreter of the corporate founding philosophy. Foulkes (1980: 76) refers to ‘employee relations czars’ close to the company founder, who used the union threat as a weapon to get their way in turf wars with line management. At the same time, personnel management in non-union firms was a crucial component of the ‘indulgency’ pattern described by Jacoby, a ‘third force’ mediating disputes between workers and line managers and regarded as the ‘guarantor’ of employee rights; such a role was more difficult to play in unionised firms with a generally adversarial model of employee relations (1997: 240-1).

In the unionised sector, the growth of collective bargaining gave rise to a distinctive employment function, that of managing industrial relations, with its own organisation and interests: the labour relations specialists who were responsible for administering the ‘increasingly abstruse world of collective bargaining’, had careers bound up in the development of collective bargaining in all its technical complexity (Jacoby 1997: 8). As Kochan et al. (1994: 36) put it, ‘by stabilizing union functions and the position of union leaders, labor relations managers ensured the need for their own expert help and role. Thus a symbiotic relationship developed between the union leaders and industrial relations professional staffs’. These managers had a ‘status quo’ orientation, highly centralised and resistant to innovations such as worker participation experiments and QWL programmes that might erode their key relationship with union leaders (pp. 41-2). They also opposed
behavioural science techniques, which did not mesh well with the world of collective contract negotiations and grievance handling procedures.

These developments led to a differentiation between the personnel department and the industrial relations function in unionised firms. The former increasingly took on new roles: monitoring compliance with government employment regulations, and human resource planning (Kochan et al. 1994: 43). The balance was further tilted in the direction of personnel management by the declining influence of unions, and by structural changes in the labour force. The growth of professional, managerial and technical staffs, for whom a collective employment approach was seen as inappropriate, led to the consolidation of ‘human resource management’ under the control of personnel managers, not labour relations specialists.

In short, therefore, American personnel management has followed a distinctive trajectory: proactive, focused on firm-level strategies, bureaucratised and formalised in its structure and policies from an early period, institutionally and philosophically bifurcated between labour relations and personnel roles, and intensely preoccupied – for much of the past century and over a significant portion of American business – with devising policies capable of winning commitment of employees to the industrial community of the corporation rather than to the collective values of trade unionism. This last factor, together with the parallel changes in labour force structure, can be seen as the driving dynamic behind the development of the ideology and practice of ‘human resource management’ from the 1980s.

3.8 Conclusion

Thus the US system business comprises a set of distinctive and interrelated institutions that have emerged from a contingent historical trajectory of development. The above discussion has tried to indicate how different elements interact in complex ways to influence the development of HR/IR within the firm.

One conclusion is that the American system is marked out at a general level from other business systems, particularly in Europe, by institutional under-development in many areas. This feature is seen, first, in the far weaker role of the state in determining many aspects of the business system, including the institutional frameworks of work relations; and, second, in the absence of the labour and product market constraints that result in countries such as Germany from the strength of business associations and the dense patterns of inter-organisational networks. This permits a greater range of strategic choices and outcomes for
firms and managers. As Turner (1991) argues in his comparative study of the car industry in
the USA and west Germany, the greatest difference in industrial relations and work
organisation between the two countries is that the range of outcomes in Germany is narrow,
while in the USA, the range is very wide, ‘extending from innovative nonunion to traditional
(including both adversarial and cooperative variants) to innovative unionized (including both
relative successes and failures)’ (p. 154). As a result, one may observe a greater *diversity*
across actors and a higher degree of *changeability*, even volatility, over time in the strategies
and behaviours of firms and other actors than one would expect in many more
institutionalised continental European systems.

In other respects, however, American companies may be *more* constrained than their
European or Japanese counterparts. Notably, financial markets impose a discipline on
managers that operates against long-term and strategic decisions on markets, R&D, and
investment. Moreover, the historical pattern of work organisation has given rise to
institutional constraints at firm level (but also at societal level in terms of vocational
education and training) that constrain the adoption of ‘high performance’ work systems.

A second general conclusion is that, in contrast to the implicit evolutionary premises
of much research and writing on international and comparative HR/IR, the American system
does not represent some vision of a universal business model to which other less-developed
business systems are tending (if not aspiring). On the contrary, it is sui generis. As ever, there
has been borrowing and convergence, but, equally, national business systems have retained
distinctive ways of organising markets, structuring firms, shaping skills, and so on. While, as
writers like Djelic (1998) have made clear, some elements of the American business system
have been easily transferred abroad, others have not; and those that are transferred may well
be assimilated into a different business context.

This consideration is of vital importance in considering the transfer of elements of
‘HRM’, since as discussed above, HR practices in the US context have emerged out of an
interrelated set of deeply-rooted aspects of the American business system, notably the
dynamic interaction between union and non-union firms, the persistence of corporate welfare
capitalism, and the distinctive evolution of the personnel function itself.
4 The implications of the characteristics of the national business system for the behaviour of MNCs

This section sketches some of the implications of the American business system for the behaviour of US MNCs. It starts by raising some issues for the conceptualisation of the link between national business systems and MNC behaviour, and then identifies some hypothetical implications of distinct US business traits for the management of HR/IR in US MNCs operating in different European countries.

4.1 MNCs and national embeddedness

This paper starts from the assumption, supported by much empirical data, that despite globalisation MNCs remain strongly embedded in their parent system (for a summary of the debate, see Ferner 1997). Doremus et al. (1998) maintain, for example, that ‘idiosyncratic national histories’ have shaped such domestic institutions as the systems of corporate governance, investment financing and industrial innovation. The challenge, as the authors comment, ‘is to relate such factors in a systematic fashion to corporate behaviour’ (p. 16).

The conceptualisation of these linkages, however, remains underdeveloped. As Westney (1999) comments, the literature on comparative economic systems has paid little attention to MNCs. However, there have been some significant recent attempts to integrate MNCs into the comparative systems approach, most notably in Lane’s (2000) assessment of the impact of internationalisation on the characteristics of the German business system (see also Sally 1995). Whitley (1999) classifies different business systems according to broad traits, and assesses the consequences for MNC behaviour. He depicts the US and the UK as environments with arm’s-length contractual relationships between firms. They have highly flexible market entry and exit, with rules facilitating the delegation of authority within firms from owners to agents (i.e. managers). Whitley argues that firms originating in this atomistic market type of environment will be better-suited to operating in the international economy than those from, for example, the ‘collaborative’ environments of Japan or Germany where actors’ destinies are locked together through institutions encouraging cooperative behaviour. This is because the weakness of institutional regulation across national borders means that the international business environment is less organised and predictable than national economic environments. The lack of regulation in the international economy discourages collaborative
strategies but is a good fit for firms from ‘arm’s-length’ environments, which are less dependent on links with domestic partners for competitive advantage.

Whitley’s argument seems to be based on a questionable premise: while the international economy as such may be poorly regulated, in practice MNCs’ operations are not based in specific national host economies where they are subject to particular environmental and institutional constraints. Why should a firm from an arm’s-length environment be particularly successful in operating in a collaborative environment, unless it adapts its practices to the host’s institutions? Nonetheless, the paper is a useful contribution to conceptualising the relationship between country systems and MNC behaviour.

A full consideration of the issues is far beyond the scope of this paper, but a number of points may be made.

4.1.1 Cross-national ‘isomorphism’ and differentiation

A key issue is how far parent-country behaviour is reproduced abroad and how far different behaviour is adopted. The reproduction of domestic behaviour may be labelled ‘cross-national isomorphism’: the behaviour of the subsidiary is (in specified respects) similar (isomorphic) to the behaviour of the parent (Ferner and Quintanilla 1998). The adoption of different behaviour in the subsidiary may be called ‘differentiation’. Isomorphism or differentiation within the MNC may reflect the choice of corporate decision-makers. An example of ‘differentiation by choice’, for example, would be the division of labour between core domestic and peripheral overseas activities of Japanese MNCs, described by Dedoussis (1995). Moreover, as the debates on relocation suggest, MNCs may transfer operations outside their parent country precisely in order to escape the influence of constraining domestic institutions such as ‘inflexible’ labour markets. This differentiation by choice means that subsidiaries may be exhibiting country-of-origin effects even when they are unlike their parent. On the other hand, differentiation may reflect the constraining impact of host-country institutional frameworks that prevent MNCs from behaving in the same way as at home, even if they wished to. This may be called ‘forced differentiation’. An example is the way in which American companies operating in Germany have to work with the system of codetermination.

MNC ‘behaviour’ needs to be disaggregated, since cross-national isomorphism may occur for one set of behaviours and differentiation for another. For example, financial control systems may be isomorphic, union recognition policies differentiated.
4.1.2 Diffusability

Much literature throws light on the factors that are likely to influence the relative weight of isomorphism and differentiation. One issue is the institutional ‘distance’ between different business systems. Forced differentiation, for example, reflects the difference in institutional arrangements between the parent and host business systems. ‘Distance’ is a characteristic not just at the business-systemic level, but also at the level of specific institutional arrangements. Thus while the German system of social markets may be very distant from the American free-market model, individual aspects of business behaviour may be closer in the two countries. One can conceive of a hierarchy of institutions, from the level of the system as a whole, through large subsystems such as financial or educational institutions, to successively ‘lower’ institutional elements – HR management, performance management, appraisal systems, and so on.

The concept of institutional distance\(^2\) is important in showing that the difficulty of transfer of national characteristics is not just simply related to the degree of institutional regulation in the host country. Transfer between two systems in which the degree of regulation is high but similar would be relatively straightforward. Conversely, an MNC from a regulated environment may have difficulty in transferring practices to a relatively unregulated one because of the absence of the necessary public goods provided by ‘rich’ institutional arrangements. Dickmann (1999) gives the example of the failure of German MNCs to transfer a German vocational training model to the UK. The absence of a general corporate culture of carrying out such training in the UK would mean that any company attempting to transfer the practices would be vulnerable to free-riding poachers.

There is considerable literature on the characteristics of the behaviours that are more or less easily transferable. In general the literature suggests that host institutional constraints are more prominent in relation to certain areas of corporate activity. Aspects of work organisation, pay determination, working time regulation, and collective employment relations are seen as particularly prone to national institutional constraints (e.g. Rosenzweig and Nohria 1994; Young et al. 1985). Thus parent-country approaches are in theory less likely to be transferred in these areas. However, in practice these categorisations tend to be simplistic and break down under scrutiny.

Another aspect of diffusability is the ‘push’ factor of management intention or desire to diffuse. In firms that are ‘multidomestic’ (Porter 1998), for example, the desire to
propagate policies internationally within the corporation may be low since subsidiaries serve national markets as relatively autonomous units; by contrast in integrated ‘global’ corporations in sectors such as chemicals or electronics, the impact of subsidiary units on the corporation as a whole is greater, and thus the desire of the centre to transfer practices is stronger (see Edwards and Ferner 2000a and 2000b for a fuller discussion). Nonetheless, even in multidomestic companies, ‘Americanness’ or ‘Frenchness’ may be manifest at a ‘meta-level’: although the subsidiary may be left to its own devices and function very much like other host-country businesses, it may well be subject to overall financial controls on performance that are typically ‘American’ or ‘French’ in style.

A refinement in the literature on diffusability focuses on the degree to which particular practices embody ‘codified’ or ‘tacit’ knowledge (e.g. Szulanski 1996; see also Edwards and Ferner 2000a). Knowledge stored in codified form is relatively transparent and accessible and therefore is readily transferable between business systems. The characteristics of the US business system, particularly the formalisation of systems and functions within management, and the codification of job structures, grievance settling, and so on, suggest that business knowledge and ‘organisational capabilities’ tend to be explicit and codified in the USA, compared with say Japan, allowing them to be reproduced in foreign settings.

4.1.3 Internal heterogeneity of business systems

One important consideration about the transfer of country-of-origin characteristics is that national business systems, either parent or host, may not be homogeneous. Heterogeneity may reflect, for example, regional or sectoral differences. As a result, there may be distinctive variants of ‘Americanness’, ‘Frenchness’ and so on, within an overall general framework of common traits. Indeed, a specific ‘meta-level’ feature of systems is the degree of heterogeneity. Thus the American system may be inherently more heterogeneous than the German because institutions allow more latitude for varieties of action. It is therefore necessary to define a hierarchy of elements of nationality influence, ranging from an all-embracing higher-level set of characteristics, to lower-level differentiated variants. For example, systematic variations may be found in the behaviour of MNCs from France depending on whether their origin is in the former public enterprise sector or in private family ownership. Therefore for each business system there may be ‘varieties’ of nationality effect which may differ substantially from each other but which may all nonetheless be traced back to the influence of elements of national institutional arrangements.
One of the shortcomings of the diverse and fragmented literature on diffusability, and particularly the international HRM literature, is its neglect of power relations both at systemic and at corporate levels. The ability of an MNC to propagate its domestic business practices among its subsidiaries abroad is influenced by what has been called the ‘dominance’ effect (e.g. Elger and Smith; Smith and Meiksins 1995). The notion of dominance or hegemony relates to a country’s position in the international economy – a role occupied by the USA for much of the post-war period, although its position has been challenged by Japan for some of that time. Resistance to the spread of practices from hegemonic business systems is reduced as hosts have an interest in emulating them. Moreover, the spread of practices from a hegemonic system is favoured by the deployment of state power to protect national interests, particularly when economic, political and military hegemony coincide as has been the case with the USA since the second world war.

One of the key contextual factors in the ‘Americanness’ of US MNCs is the hegemonic position of the USA in the post-war international economy (e.g. Porter 1998: 284-303), supported by state policy. Thus post-war foreign policy objectives of the American state have been geared to a large extent to using military, diplomatic and political power to bolster the export of an American ‘model’ of economic organisation and behaviour (Clark 2000; Dicken 1998; Djelic 1998; Locke 1996) through initiatives such as the Marshall Plan and trade liberalisation. In the early post-war decades, this strategic thrust of American foreign policy was given added impetus by the politics of the cold war. As a result, many of the mechanisms of international economic regulation are imbued with the liberal, free-market biases of the American business system (Whitley 1999). American political influence has also been exerted at more specific points in relation to uncongenial European initiatives such as German works council legislation (deVos 1981), as well as through more covert methods (for example, in US attempts to influence the European labour movement).

A further impact of US dominance has been to propagate the notion of the American model as the one-best-way recipe into which other models would invariably evolve. Such evolutionary assumptions underlie the early analyses of Chandler which stressed the efficiency advantages of the multidivisional form (Locke 1996: 11; Djelic 1998) (although they are softened in works such as Scale and Scope (1990) which acknowledge the reality of divergent national pathways in the evolution of corporate structure). They have also tended to
influence much of American academic output, a tendency reinforced by the emergence from
the 1950s of a distinctive American model of executive education based on graduate business
schools (Locke 1996). These schools, with their symbiotic relationship to business and
consultancy, have helped codify American management practice into internationally
applicable recipes for what Locke calls the ‘American management mystique’, and their
influence has spread with the development of American-style business schools in the UK,
France, Switzerland and elsewhere from the late 1950s. With the expansion of American
foreign direct investment from the 1960s, management consultancies such as Boston
Consulting Group and McKinsey expanded abroad too, helping propagate American notions
of management in Europe (pp. 41-2). All these developments may be seen as further
smoothing the path for the international transfer of practices within American MNCs.

Despite the wilting of the American management ‘mystique’ in the 1970s and 1980s
under the onslaught of Japanese competition in fields such as vehicles, steel and electronics
(Dertouzos et al. 1989; Locke 1996: ch. 4), in the 1990s it seemed to regain its former
dominance in a period of unrivalled American economic expansion and success. One
manifestation of hegemony was the dominant position of US MNCs in the world economy.
Thus their foreign subsidiaries employ around seven million people worldwide (UNCTAD
1996: 180), 2.5 million of them in Europe (Barrell and Pain 1997: 69). In the early 1990s,
there were over 600 US subsidiaries in UK manufacturing (Dunning 1998) employing
375,000 people, almost half of total employment in foreign manufacturing subsidiaries in the
UK, and more than six times the numbers employed in the Japanese affiliates that have been
the focus of so much research attention. They are also the dominant foreign players in other
European countries. It could be argued that there is as a result a ‘critical mass’ of US
companies in Europe capable of supporting the cross-national transfer of American traits.

4.1.5 Intra-corporate cross-national transmission mechanisms

At the level of the corporation, a further question concerns the mechanisms of
transmission whereby parent-system influences impact on the behaviour of the foreign
subsidiary, and hence by which strategies of isomorphism or differentiation are established.
Ferner and Edwards (1995) argue that corporate subsidiaries are affected by ‘channels of
influence’ of which the most obvious are the authoritative hierarchical lines of control,
embodied in reporting lines, management control systems, business plans, central policy
directives, etc. Another key mechanism of influence is ‘cultural control’ exerted by shared
belief or value systems, partly embodied in explicit statements of credo or ‘vision’ and disseminated through social networks and expatriate flows (e.g. Harzing 1999).

The relative balance between such forms of control is affected by such factors as sector, organisational structure and timing of internationalisation, but it also reflects country of origin factors, as Harzing shows (for example, US MNCs tend to rely more on formal control systems, German and Japanese companies more on personal controls). Resources available to the subsidiary affect its autonomy. Its ability to network with allies (customers, the state, the labour force) in the host country may allow it to negotiate its relationship with the centre and select which elements of central policy to accept or reject. Indeed, the constraints imposed by the host environment are rarely totally objective but undergo a process of ‘interpretation’ by actors in the subsidiary. Interest groups at subsidiary level may well have an interest in magnifying the constraining impact of host environment in order to diminish the constraining impact of parent-company controls.

4.2 National embeddedness and HRM in US MNCs

On the basis of the arguments laid out above, some propositions can be put forward about the linkages between the American business system and the behaviour of US MNCs, specifically in respect of HR/IR issues. Although the current research project sets out to examine the validity of these hypotheses, many can already be examined in the light of existing research (see Edwards and Ferner 2000b).

Two broad factors combine to suggest that the export by US companies of American practices will be more marked than will be the case with MNCs of many other countries. First, the hegemonic position of the USA in the post-war international economy and polity provided US MNCs not only with state-supported channels of influence in Europe and elsewhere, but with the ideological apparatus of dominance, and the presumption of the one-best-way superiority of the American model. Second, the relative lack of institutional regulation has allowed fairly free experimentation and development of innovative practices in a way that would not have been possible in countries such as Germany or Japan. As a result, American companies are not likely to see the American institutional environment as imposing constraints from which they wish deliberately to escape. For these reasons, we may hypothesise that ‘Americanness’ is likely to be transferred abroad. Thus:
Hypothesis 1. US MNCs will tend towards cross-national isomorphism and will establish transmission mechanisms to ensure isomorphism even in unpropitious host environments

Relatedly, developments in the structure of firms and in the building of organisational capabilities, together with the legacy of standardised mass production and Taylorism, have generated a tendency to the codification, formalisation and bureaucratisation of management functions. As a result, codified and reproducible management systems exist that can be transferred easily to other contexts and which are not highly dependent on tacit knowledge. (Cf. Whitley 1999: 13: firms from arm’s-length market systems such as the USA ‘tend to co-ordinate their activities through financial procedures and measures that, in principle, are readily extendable to foreign operations’.) This means that American MNCs are likely to use standardised, formalised international systems, structures and policies, including in the area of HRM. Moreover, the integration of control systems across the international firm will tend to diffuse the mentality and pressures deriving from the operation of the capital markets, notably the entrenchment of ‘bottom-line’ considerations and a focus on the impact of decisions on short-term performance. Thus:

Hypothesis 2a: The management of international HRM in US MNCs will tend to be characterised by standardisation and formalisation of centrally propagated policies.

Hypothesis 2b: Centre-subsidiary relations and subsidiary decision-making will be strongly conditioned by short-term, quantifiable indicators of business performance.

Hypothesis 2c: HRM will tend to be strongly grounded in a framework of broader management controls and accountability as reflected in budgets, plans, etc.

The HR/IR function itself has been part of this formalisation trend. Bureaucratisation has been underpinned by the internalisation within the firm of some of the welfare functions performed by the state in other countries; by the requirements of standardised mass production; by the impact of wartime labour market planning; by the New Deal model of industrial relations with its job-control unionism and highly proceduralised collective bargaining; and most recently, by the effect of government employment legislation in areas such as discrimination. Such bureaucratisation and standardisation permits the relatively straightforward international transfer of HR systems. Moreover, HRM has evolved a strategic role, particularly in the management of non-union workforces. Thus:
Hypothesis 3. The international HR function will tend to be centralised and formalised in its structure, with a strong role for corporate HR, and using sophisticated information and communication technologies.

Furthermore, several facets of the American system have generated a pattern of innovation in HR policy-making across a range of issues from recruitment practices to rewards, communications and management development: the need to attract and retain good staff in a flexible external labour market with a mobile workforce (particularly and increasingly managerial, technical and professional staff); the internalisation of the welfare function within the firm; the desire to deter unionisation or to minimise unions’ influence where they are present. Combined with well-developed systems capable of propagating policies internationally, this characteristic innovativeness leads to the expectation that American MNCs will exhibit a wide variety of innovative international HR policies. Thus:

Hypothesis 4: American MNCs will tend to have large numbers of innovative HR policies which will be diffused internationally.

It was argued above that national business systems may be characterised by heterogeneous sub-systems. Thus the account of the US business system above pointed to a critical bifurcation in behaviour between union and an important group of non-union firms characterised as ‘welfare capitalist’. The emphasis of the one on standardisation of practices and formalisation of relationships contrasts starkly with the focus of the other on enlisting behavioural science to secure individual commitment based on sophisticated ‘HRM’-type practices and a strong internal labour market. The latter model is knitted together by a philosophical vision of the firm as community, and an underlying ideological anti-unionism. Early evidence from case studies in the current research suggests that this differentiation is a key factor in explaining ‘varieties of Americanness’ in the behaviour of MNCs. These characteristics have had their distinctive influence on the development of the HR function itself, which in non-union firms has been strongly identified with the delivery of the broad strategy and philosophical vision of the corporation and with the harnessing of social science techniques to keep unions at bay.

Hypothesis 5. One may expect a differentiation of behaviours of US MNCs reflecting a variety of standardised/unionised and non-union models. (The pattern of de-unionisation means that these models may increasingly coexist in different parts of the same enterprise.)
Specifically, foreign subsidiaries of sophisticated non-union parents are likely to:

5a - demonstrate a higher propensity to adopt measures to limit the influence of unions and statutory bodies of employee representation;

5b - adopt a greater range of innovative HR policies designed to assert the supremacy of the company-as-community over ‘outside’ agents such as unions;

5c - have a personnel function tending to adopt a more strategic management role in ensuring the commitment of the workforce to the company and in reducing the influence of unions and workplace representatives;

5d - place a greater emphasis on ideological bases of workforce commitment through the deployment of corporate culture, manifested as vision, values, etc.;

5e - have sophisticated internal labour markets with long-term employment, careful recruitment methods, and flexible grading structures and reward systems.

It was suggested above that ‘Americanness’ is particularly robust and susceptible to transfer to host business systems, because of the explicitness and formalisation of management systems, the USA’s economic and political hegemony, and the sheer weight of US business in Europe. Thus, others things being equal, Americanness may have a higher propensity to be transferred across borders. Nonetheless, one would also expect that the nature of the transfer, and the precise form in which Americanness is manifested, would vary according to the influence of host-country institutional constraints. The current research project looks at American MNCs’ behaviour in Britain, Germany, Ireland and Spain. A systematic discussion of the intersection of Americanness with these four specific national business systems is beyond the scope of this paper, but some general points may be made.

First, two of the countries – Ireland and Britain – are institutionally close in many respects to the American model, while Germany is clearly more distant. Moreover, and relatedly, Germany is much more institutionally regulated than the USA. Spain is an intermediate case (see Ferner et al. 2000), highly regulated in some institutional arenas (such as worker representation) and highly under-institutionalised in others. As this suggests, host systems just as much as parent systems are prone to institutional heterogeneity. Thus:

Hypothesis 6. Americanness be more manifest in the institutionally close systems of Ireland and the UK, and less manifest in the institutionally distant system of
Germany. Spain will be an intermediate case in which Americanness will be less manifest in certain highly institutionalised subsystems especially industrial relations.

Moreover, one could expect the extent of transfer to be greater the more dominant is American capital within the host environment. Thus US investment is highly significant within Ireland and to a lesser degree within the UK and Spain. It is much less significant in the overall context of the German economy. The higher the concentration of US capital, the greater the likelihood of dense networks of US business in the host environment. These in turn provide greater support for the transfer of Americanness than where American firms are relatively isolated, as in Germany. Thus:

Hypothesis 7a. Americanness will be more manifest the greater is the proportional presence of US capital within the domestic economy.

Hypothesis 7b. At sectoral level, Americanness will be more manifest the greater is the proportional presence of US capital within the domestic sector.

Finally, although Americanness is likely to be constrained in different ways by different host institutional environments, in general one would expect US MNCs to be less tolerant of institutional constraints in a host environment than are other foreign firms. This follows, firstly, from the fact that US firms are used to a relatively unconstrained domestic environment; and, second, US business ideology has always questioned the legitimacy of such regulation by third parties (whether state or unions) (Jacoby 1991; 1997). One outcome has been companies’ willingness to operate close to the edge of legality in their challenges to institutional constraint. Thus:

Hypothesis 8. US MNCs will tend to use all available means to lower institutional distance, including evasion of or challenge to institutional constraints, particularly where these impinge on deep-seated traits, e.g. the desire to preserve managerial prerogative in the face of third parties such as unions and employee representatives.

5 Summary and conclusion

This paper has identified a range of inter-linked characteristic features of the American business system that may be summarised as follows:

- The early development and consolidation of large firms serving large, relatively homogeneous product markets;
• The associated early evolution of formalised management functions and mechanisms of control and coordination to allocate resources and evaluate performance in diversified multidivisional companies – the development of ‘organisational capabilities’ of multidivisional firms was a key factor in the early internationalisation of US companies;

• The predominance of atomistic arms-length market relations in product, capital and labour markets, characterised by short-termist considerations;

• The ability, in the absence of market and institutional constraints, to innovate by moving human and capital resources flexibly and rapidly into the development of new industries;

• A tradition of large firms, mass markets, and standardised mass production in both manufacturing and services, allowing economies of scale and work organisation based on Taylorism, with fragmented work tasks and the separation of conception and execution;

• A related model of a mass basic education system, and a narrow, limited, task-related pattern of on-the-job training;

• An uncertain response to the challenge of new models of work organisation, particularly ‘lean production’, leading to only a partial erosion of the traditional model, reflecting institutional constraints such as short-termism and the flexibility of labour markets;

• The weak role of the state in economic management, leading to the internalisation within firms of many of the welfare functions of European states (e.g. pensions and healthcare);

• For historical and ideological reasons, a deep-rooted anti-unionism, combined with a relatively brief period of institutional support for collective bargaining and unionisation;

• As a result of the above, a fundamentally differentiated model of HR/IR in large American firms with distinctive patterns of behaviour in unionised and sophisticated non-union firms, albeit with a blurring of boundaries as a result of de-unionisation of many firms (or parts of firms) and the emergence of new, dynamic, never-unionised sectors;

• A distinctive model of personnel management reflecting such influences as corporate welfarism, the bureaucratisation of labour markets, the bifurcated HR/IR model, standardised mass production, and job-control unionism and collective bargaining following the New Deal.

It has been argued that these traits are likely to inform the behaviour of US companies abroad in a number of ways that may be identified as ‘Americanness’. Such distinctive
behaviour is likely to be quite robust in that it stems from a profound confidence in the universality of American business methods encouraged by economic and political hegemony, and from early development of organisational capabilities transferable to operations abroad.

A series of propositions has been put forward concerning the likely manifestation of Americanness in US MNCs. It has been suggested that there is likely to be a pattern of heterogeneity, partly because the American institutional framework is under-determined, allowing a greater variety of outcomes to arise; partly because of the deep-rooted differences of approach to the management of labour to be found in unionised and non-union firms (and indeed within each of these groupings). It also suggests that manifestations of Americanness are likely to vary according to the constraints imposed by different institutional structures in different host systems.6

Endnotes

1 However, as O'Sullivan argues with respect to GE, an internal labour market strategy aiming at securing the long-term commitment of employees did not necessarily cover the whole workforce in a company but could be applied to key non-managerial groups such as skilled machinists and craftsmen (2000: 86-9).

2 The concept is paralleled in the culturalist literature by the notion of ‘cultural distance’, often reliant on Hofstedian indices of power distance, uncertainty avoidance, etc. For one example among very many, see e.g. Hamilton and Kashlak (1999), which uses the concept of cultural distance as one factor in their model of national influences on MNCs’ choice of control systems.

3 See the doctoral research by Monia Mtar at Warwick University Business School on French MNCs in the UK.

4 A three-year, four-country study of ‘Human Resource Management in US multinationals in Europe’, coordinated by the Department of HRM, De Montfort Business School, and financed by the ESRC and the Anglo-German Foundation for the Study of Industrial Society.

5 As Trevor Colling has pointed out, the non-union sector is itself likely to be highly segmented, with the ‘sophisticated’ non-unionism of the type described by Jacoby and Foulkes represented only among a sub-section of non-union firms.

6 A companion paper (Edwards and Ferner 2000b) examines the available literature on HRM in American MNCs in order to undertake a preliminary exploration of the validity of such propositions.
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