THE MANAGEMENT OF INDUSTRIAL RELATIONS (IR) AND HUMAN RESOURCES (HR) IN IRISH-OWNED MULTINATIONALS (MNCS)

Sióbhan Noelle Donnelly

Submitted for the Qualification of PhD
Warwick Business School
University of Warwick

December 1999

TABLE OF CONTENTS

TABLES AND FIGURES

TABLES

FIGURES

ACKNOWLEDGEMENTS

Before beginning the process I was advised that the PhD would be like a 'journey'. I have been helped and directed along that 'journey' by a number of people to whom I am deeply indebted to.

The submission of this thesis owes much to the commitment and support of Keith Sisson and Paul Marginson. I am extremely grateful for their constant guidance and infinite patience. I am also deeply indebted to the continued support of Bill Roche, Tom Murphy, Teresa Brannick and Aidan Kelly at University College Dublin. Their profound belief in the 'nurturing' of new colleagues and their enthusiasm for research itself is something I am greatly appreciative of.

I am deeply grateful of the close friendships made during the process and the continued unyielding support of friends from home and abroad. Particular thanks also to PhD colleagues. Their willingness to assist are reflective of their strong belief in the supportive nature of the 'PhD Community'. I am also very thankful to the 'PhD Support Team' at UCD. A special word of thanks to Jane for her continuous support and help through this process.

Most particularly I would like to thank Mum, Dad, Eva and Colman for their unconditional support over the years and understanding.

To Steve - Q!

CHAPTER 1

INTRODUCTION

This chapter sets out the focus of the thesis. Adopting a head office-centred approach, this thesis is concerned with two aspects of HRM within Irish-owned MNCs, namely (i) the collective management of non-managerial employees, that is the management of IR; and (ii) the management of non-operational HR, that is the management of managers. Moreover, given the paucity of existing empirical research into the behaviour of Irish-owned MNCs this research is exploratory in nature. Following an outline of the rationale that shaped the focus of this research, the structure of the thesis is broadly summarised. This chapter concludes by briefly stating the main contributions of this research.

1.1 INTRODUCTION

This thesis is concerned with HRM in Irish-owned multinational companies (MNCs). For the purpose of this research, HRM is understood in its broadest sense as encompassing the policies, processes and procedures involved in the management of people within organisations (Sisson, 1989). Adopting a head office-centred approach, this thesis specifically focuses on two dimensions of HRM: (i) the collective management of non-managerial employees, that is *the management of industrial relations (IR),* and (ii) the management of non-operational human resources (HR), that is *the management of managers.* Chapter four will outline in greater detail the rationale for this focus. Finally, given the paucity of empirical research into the behaviour of Irish-owned MNCs and the broad leaning of the Irish HRM literature towards the practices of foreign-owned MNCs based within Ireland, this research is *exploratory* in nature.

This thesis seeks to first, examine the approaches adopted by Irish-owned MNCs toward the management of IR and HR and second, assess the distinctiveness or 'particularity' of Irish-owned MNC behaviour. To this end, three distinct literatures are identified as usefully informing this investigation. Firstly, there is an established school of thought that works from the view that MNCs are increasingly restructuring

along global lines. In doing so, it is argued that MNCs shed their national identities. At the core of this line of argument lies the contention that MNCs are involuntarily and inevitably evolving toward a global form of organisation. The globalisation view suggests that as MNCs move toward internationally integrated organisational forms, power and strategic decision-making is dispersed across geographically spread sites. This corporate restructuring and the transformation of production systems into internationally integrated systems have given rise to renewed interest in the challenge of managing employee relations on a transnational basis (Chaykowski and Giles, 1998). Critics of this school of thought suggest that the adoption of internationally integrated organisational forms results in the removal of IR decision-making from local to international or global levels. Others highlight the marginalisation of local trade unions and the erosion of local workplace influence as the outcomes of this drive to globalism (Campbell, 1993). Ultimately, the adoption of organisational-based employment systems is seen as a threat to the 'distinctiveness of national regimes of work relations' (Giles, 1996: 10).

In contrast, a different body of literature suggests that MNCs are far from 'stateless'. Adherents to this particular school of thought argue that MNCs are essentially national entities with foreign operations, whose 'home bases' remain their main source of competitive advantage within international markets (Porter, 1990; Hu, 1992). While acknowledging the forces of globalisation, this perspective suggests that MNCs continue to be shaped by a set of nationally defined characteristics, particular to the country from which they originate (Ferner, 1994; Lane, 1995). It therefore follows that the IR and HR practices of MNCs from one country will differ from those of another, a variance that is argued to reflect different national systems of corporate governance, responsibilities of the State, labour market institutions and forms of labour market representation (Whitley, 1992). The approaches adopted by

MNCs toward the management of IR and HR are thus shaped by (to borrow from Whitley, 1992) the 'national business system' (NBS) from which they originate. As a result, some aspects of IR and HR are more open to managerial 'shaping', while others are more determined by particular historical systems or styles (Ferner, 1994; Marginson *et al.*, 1993).

Related to the NBS literature is a third body of writing that is potentially applicable to an understanding of the Irish case. Following on from the NBS view, the 'small countries' literature argues that the behaviour of MNCs from small countries is largely shaped by factors particular to small economies. These factors include the size of the domestic market, the proximity of actors and the inter-relationship with financial institutions and the State. This literature argues that nationality effects, evident in some MNCs, are attributable to the size of their country-of-origin. Moreover, it suggests that MNCs originating in smaller countries are more susceptible to changes in the competitiveness of domestic and international markets. Inter-firms linkages are also thought to be critical for companies seeking to internationalisation from a small economy or 'home base'. Furthermore, advocates of this view suggest that the small size of the home country creates a specific bargaining dynamic in the area of labour relations, a dynamic that encourages corporatism and centralised partnership arrangements (Katzenstein, 1985; Ruigrok and Van Tulder, 1995).

1.2 Research Rationale

The manner in which this research unfolded can perhaps best be seen in the light of a gap that became increasingly apparent as this research developed - a gap between what is *purported* to be happening in the international literature, and what is *reported,* albeit in a somewhat anecdotal way, to be taking place within Irish-owned

MNCs. The gap between this theoretical *rhetoric* and local *reality* led to a critical look of MNC models and their application to the Irish situation. An initial examination of the literature revealed a number of particular biases. First, despite evidence suggesting that small to medium sized enterprises (SMEs) are becoming increasingly internationalised (UN, 1993), existing literature focuses primarily on the behaviour of *large* MNCs. As this research will demonstrate, while Irish MNCs are large in national terms, they are small to medium sized when compared with their European and North American counterparts. Second, existing typologies concentrate on companies that are *long established* as international players. However, as Forster and Johnsen (1996) have recently observed, the behaviour and managerial issues of *newly internationalised companies* represents an underdeveloped field of research. With the exception of one or two Irish companies who pioneered the route to internationalisation during the 1970s, the majority of Irish-owned MNCs have only *recently* diversified into overseas markets.

Furthermore, existing research tends to focus on MNCs from *large* and/or *developed economies*. Correspondingly, little is known about the behaviour of MNCs from small and/or newly industrialised economies (NICs), such as Ireland. What little research that has been conducted suggests that the size of the MNC, and the stage of industrialisation, plays an important role in the shaping of their behaviour. For example, research by Forsgren and Johanson (1989) found Swedish MNCs to have grown in a manner very different from other European MNCs. The establishment of mainland European-based centres, through what they termed 'internationalisation of the second degree', resulted in the development of distinctive structural forms within these firms. Furthermore, Irish research suggests that the process of industrialisation has led to the sectoral location of Irish-owned MNCs into 'non-traded' and 'naturally sheltered' activities (O'Malley, 1992). Following an initial examination of the

literature, it is therefore probable that *small to medium sized* MNCs from *small* and *late industrialised* economies, such as Ireland, will exhibit characteristics and experiences different from, for example, UK or US MNCs. The question therefore remains as to whether there is an *Irish*, or *small economy*, or *late industrialisation* model of an MNC that is distinctively different from the widely purported global model?

In addition, no collective research has been carried out on the behaviour and form of *Irish-owned* MNCs. The importance of foreign, as opposed to indigenous, MNCs in the development of the Irish economy is borne out in the quantity of empirical research conducted to date. Indeed, it has been suggested that the growth in HRM research is largely the result of a growth in the number of foreign-owned MNCs within the Irish economy (Dineen and Garavan, 1994). Hitherto, all Irish-based research has either focused on the role of HRM within foreign MNCs (Gunnigle, 1992; Monks, 1996) or, alternatively, on the form and direction of 'convergence' between the employment practices of foreign-owned and indigenous firms (Enderwick, 1986; Kelly and Brannick, 1985; Turner *et al.*, 1997; Roche and Geary, 1997; Geary and Roche, 1999). Consequently, there is a further knowledge gap concerning the operations of indigenous Irish MNCs. In an attempt to redress these imbalances, this research will focus on outlining some empirical findings concerning the approaches of Irish-owned MNCs to the management of IR and HR.

1.3 The Structure of the Thesis

This thesis seeks to investigate the extent to which the key expectations of the literatures described above inform the behaviour of Irish-owned MNCs toward the management of IR and HR. As a result, this exploratory research will facilitate the achievement of two aims. Firstly, to provide a picture of Irish-owned MNCs and

their approach to the management of IR and HR; and secondly, to examine the distinctiveness or particularity of Irish-owned MNC behaviour.

To this end, the thesis is structured as follows. The following chapter, chapter two, reviews the literatures identified above in order to provide an understanding of how each literature may inform the behaviour of Irish-owned MNCs in their patterns of internationalisation, their strategic and structural approaches and, ultimately, their management of IR and HR. In the light of the NBS and small countries literatures the expectation is that these processes are shaped by factors particular to Ireland. In keeping, chapter three outlines the socio-economic context of Ireland. More particularly, it provides an understanding of the main patterns of industrialisation that have underlined the emergence of Irish-owned MNCs and the development of current HRM models within Ireland. In the absence of any previous research into the Irish national business system, chapter three brings together the rather piece-meal published information regarding the behaviour of Irish-owned MNCs.

Chapter four outlines the rationale for adopting a mixed methodology toward the aims of this research. Firstly, given a lacuna of established empirical data and in light of the fact that this research attempts to cover new ground, a questionnaire-based survey was conducted in order to 'map out' the research terrain. This facilitated the identification of broad patterns of Irish-owned MNC behaviour. However, in an endeavour to uncover internal processes and practices that directly shape their approach to the management of IR and HR, a case study approach was adopted. Four Irish-owned MNCs, representative of key sectors, were selected for further study. Adopting a head office based focus, interviews were conducted with senior management across a number of functional areas and at a local level. These perspectives were supplemented with a number of interviews with employee

representatives.

Chapter five reports on the findings of the survey. Apart from providing broad demographic information on the total population of Irish-owned MNCs, the survey also revealed for the first time two important findings that would inform the remainder of the research process. First, that Irish-owned MNCs operating within different sectors tended to exhibit different approaches. Second, that Irish-owned MNCs to their routes to internationalisation and their strategies, structures and control mechanisms were reflected in their approach to the management of IR and HR. Subsequently, the case studies reported in chapters six through to nine each focus on four Irish-owned MNCs from sectors found to dominate within internationally trading indigenous industry (i.e., financial services, print and paper, food and clay, and glass and cement). And, following a brief discussion of the historical evolution of each MNC so as to outline the context within which their behaviour may be better understood, the case companies are examined across three dimensions: their pattern of internationalisation, their strategic, structural and control mechanisms, and their approaches to the management of IR and HR.

Chapter ten, the first of two analytical chapters, proposes key attributes of the Irish-owned MNCs by reviewing and comparing the data presented in chapters five through to nine. While each of the case companies exhibit differences of approach, this variance is broadly explicable in terms of the timing of their internationalisation, their specific historical context, and their sectoral differences. However, despite these variations, chapter ten identifies a number of attributes common across the case companies. The second analytical chapter, chapter eleven, takes these key attributes and compares them against the literatures reviewed in earlier chapters so as to investigate the extent to which their expectations are reflected in the Irish 'case'.

This chapter argues that while the globalisation literature may account for some points of similarity with respect to the structure and internationalisation of Irish-owned MNCs, it does not fully account for the distinct underlying rationale that many of the case companies display. Hence, this research questions what is broadly referred to as the 'globalisation thesis' – the notion that all MNCs are converging on some standard form of organisation or set of practices. Having shown key points of difference particular to Irish-owned, this thesis finds that the NBS and small countries literatures, with their emphasis on the systems from which MNCs emanate, appear to be more pertinent in explaining the nature of the Irish approach. However, it argues that beyond these literatures there is a case for appreciating the particular historical company and national context of Irish-owned MNCs, if one is to understand the particular approaches they adopt to the management of their employment relationships. In addition, given that each of the literatures reviewed is shown to have highlighted certain aspects of the behaviour of Irish-owned MNCs, this research advocates an eclectic approach, whereby all the literatures reviewed in this work are utilised in order to fully understand the development of MNCs. The final chapter, chapter twelve, reflects back on the research process and summarises the main findings of this research. Following on from an outline of the main conclusions, it discusses the main implications of these findings for both theory and practice and identifies trajectories for future research.

1.4 Research Contributions

In summary, the main distinctive contributions of this thesis are outlined as follows:

1. This thesis marks out a territory hitherto unexplored, namely the nature and behaviour of Irish-owned MNCs and demonstrates that their approach to the management of IR and HR is distinct from foreign-owned MNCs which have thus far been the focus of attention. It develops a tentative framework of the behaviour

of Irish-owned MNCs and their approach to the management of IR and HR, a framework that can be built upon and developed in future research;

2. These findings add weight to a literature that questions applicability of the 'globalisation thesis' to the approaches adopted by MNCs to the management of their employment relationships, particularly those originating from small countries. Moreover, it posits that Irish-owned MNCs promote their national identity, as a means of achieving the corporate benefits of globalisation without meeting with the sort of resistance associated with MNC from larger countries with more 'abrasive' management styles. It marks this out as an interesting area for future research, particularly in terms of the HRM implications for MNCs from small countries;
3. Finally, this thesis further adds to the literature by highlighting the importance of historical factors, in particular significant IR turning points, in shaping an understanding of current indigenous MNCs approaches to management of IR and HR and develops an analysis of the factors shaping the collective employment relations and the management of managers in Irish-owned MNCs which can be tested and built upon in future research.

CHAPTER 2

FORCES SHAPING HRM IN MNCS

This chapter reviews the extant literature pertinent to an examination of the factors shaping HRM within MNCs. It focuses on three 'schools of thought'. The first, which is broadly termed the 'globalisation thesis', suggests that MNCs are becoming 'borderless' in the move toward internationally integrated organisational forms and homogenous HRM systems. The second, the 'national business systems' perspective, argues in contrast that national contexts are resilient in the face of globalisation and that it is the context particular to the country-of-origin that informs the behaviour of MNCs. The third, the 'small countries' literature, which extends the NBS line of argument, places particular emphasis upon the way in which MNCs originating from small countries develop particular modes of internationalisation, structural forms and strategies, and, consequently, distinctive 'small country' approaches to HRM.

2.1 INTRODUCTION

In examining emerging trends of MNC activity, Dunning (1993: 287) found that 'there can be no question that MNEs are not only assuming an increasingly important and pluralistic role in the global economy but that...they are one of the principle engines of its growth and development'. There is a great deal of research that now substantiates this view. From an estimated 7,000 MNCs operating in 1970 (Franko, 1976), table 2.1 clearly shows the number of MNCs to have grown to approximately 37,000, with 170,000 foreign affiliates by the beginning of the 1990s (UN, 1995). Reports by the United Nations Centre for Trade and Development (UNCTAD) (UN, 1993; UN, 1995) continue to highlight the ever-increasing number of MNCs and their control of foreign direct investment (FDI) activities. By the mid 1990s, MNCs accounted for $7 trillion in sales, while the total holdings owned by companies outside their home bases stood at over $3 trillion (UN, 1995).

Furthermore, research indicates that large MNCs from large developed economies remain in control of the vast majority of foreign assets. Of the total number of MNCs operating in 1992, 24,000 originated from just 14 developed economies (UN, 1993). This growth in MNC activity and numbers is reported to be accompanied by a

widening of the participation of source countries in FDI, particularly Germany and Japan (cf. Dunning, 1993). Despite the dominance of large MNCs the growing role of small to medium-sized MNC in the world economy is also widely reported. Similarly, UNCTAD note an increase since 1980 in the number of MNCs who headquarters are located in less developed countries and in Central and Eastern Europe. As Dunning (1993) highlights, there was a dramatic increase in FDI during the period 1980-1990, particularly with respect to smaller countries such as Sweden. In developed market economies, outward FDI grew from 4.8% of GDP in 1967 to 9.8% in 1990, thus highlighting an increase in the importance of MNCs in this respect.

TABLE 2.1: NUMBER OF PARENT MNCS AND FOREIGN AFFILIATES (EARLY 1990S)

	Parent Corporation Based in Country	**Foreign Affiliates Located in Country**
Developed Economies	33,500	81,800
Developing Economies	2,700	71,300
Central and Eastern Europe	400	21,800
Ireland	30	956
TOTAL	**36,600**	**174,900**

Source: UN (1995)

The proportion of global assets they hold outside of their home countries further evidences the dominance of large MNCs. This was estimated to be $1.2 trillion in global assets out of a total of $3.2 trillion in global assets (UN, 1993). By the early 1990s, it was broadly recognised that MNCs had overtaken international trade flows as the main source of international economic exchange (UN, 1995, Marginson and Sisson, 1994; Edwards *et al.*, 1996).

Not surprisingly, the growth in the number and pervasiveness of MNCs has been accompanied by a growth in the debate surrounding their role and importance.

Dicken (1998) identifies two important indicators of the increased internationalisation of economic activity in recent years: the changing map of production and trade and a growth in the scale and complexity of international investment. The MNC, for Dicken (1998: 47), is subsequently 'the single most important force creating global shifts in economic activity'.[1] He suggests that the shape of economic systems are now 'sculpted' by the investment decisions of MNCs. Their power, therefore, lies in their ability to control economic activities across national borders, their ability to 'take advantage of geographical differences between countries and regions in factor endowments' and their ability to switch production between geographical locations. Similarly, Ferner (1994) regards MNCs as 'disseminators' of particular versions of capitalism, implying that MNCs may be proxies in the competition between the regulation and deregulation of employment relations models. Moreover, Ferner and Hyman (1998: xiii) present MNCs as 'the dominant actors in the internationalisation process' and suggest that they 'act as transmission belts' of country of origin practices which threaten national regulatory regimes.

This thesis is concerned with HRM within MNCs, particularly within those MNCs emanating from Ireland. Given that MNCs are now widely regarded as one of the main conduits through which international restructuring occurs, MNCs now stand at the heart of the debate on international restructuring and the impact of this restructuring on the future management of IR and HR. As Ferner (1994: 79) first noted, and many have since reaffirmed in the light of statistics like those outlined above, the study of HRM in MNCs 'hardly requires justification' (cf. Marginson, 1994). Despite a vast literature on specific HRM issues arising from the

[1] Dicken (1998) employs the term 'transnational corporation' in preference to the more widely used 'multinational corporations. He views it as a more flexible and generic term and suggests that while MNC suggests operations in a substantial number of countries, the term transnational corporation' implies operations in at least two countries, including the firm's home country.

internationalisation of companies, such as the role of expatriates and the challenge of repatriation, comparatively little is known of the impact of nationality on HRM in MNCs. The majority of what has been written on this topic over the past fifteen years has focused on the practices of large MNCs from large advanced economies, that statistics have shown to be the most powerful. Their influence has been taken as indicative of an advanced global model that smaller MNCs from smaller economies will inevitably emulate. However, as recent research has suggested, as small to medium sized countries internationalise at an even greater rate than those who have previously done so (UN, 1993), one might expect some differences in smaller MNCs from smaller countries behaviour.

This is especially so in the light of a contrasting literature that challenges the globalisation thesis. The national business systems (NBS) perspective counters the notion of homogenisation of MNC behaviour, arguing instead that the national contexts are resilient to globalisation and remain the influencing factors in MNC behaviour. A further body of literature, which builds this view of national resilience, may also aid an understanding of the case of Irish MNCs. Broadly termed the 'small countries' literature, this perspective seeks to identify characteristics typical of MNCs from those countries marginalised in much of the globalisation literature. To this point, the small countries literature has been largely associated with Scandinavian countries and, as with the broader NBS literature, its expectations have not yet been directly applied to the study of Irish-owned MNCs. Reviewing these literature thus provides further sets of expectations that may inform an understanding of the management of IR and HR in Irish-owned MNCs.

Toward an understanding of these literatures and, more specifically, how they might provide useful insight into the behaviour of Irish-owned MNCs, this chapter begins

by exploring the broad intentions behind globalisation and its implications for HRM. As stated earlier, the debate here centres on understanding the behaviour of MNCs and their management practices though an exploration of the broad macro process of globalisation posited to be shaping them. To this end, key developments in the organisational form of MNCs as influenced by globalisation are then delineated in terms of corporate strategy and structure, control and HRM implications toward a summary of key attributes.

Having outlined the growing criticisms mounting against globalisation the chapter moves to a review of the NBS literature, identifying HRM expectations. This literature review then goes on to review the small countries literature and its HR and IR expectations for a case like Ireland. Taking the case of a similar small country, the chapter outlines an account of how Swedish MNCs have developed (this provides the basis for analysis later in the thesis). The chapter concludes with a description of the limits to small country effects. Based on these reviews, this chapter argues that there are limitations to the degree to which the globalisation literature may inform an understanding of the 'shape' of HRM practices within Irish-owned MNCs. While suggesting that the NBS and small countries literature fall short in taking account of the particular industrial relations histories of MNCs in seeking to understand their management of IR and HR, this review still suggests that these schools of thought may help facilitate an understanding of the behaviour of Irish-owned MNCs. To this end, chapter three moves on to a review of the key forces shaping the Irish context and influences on approaches to the management of IR and HR.

2.2 The Globalisation 'Thesis'

It is reported that the world economy has changed significantly during the twentieth

century and that 'globalisation' is the process to which much of this change has been attributed (*FT*, 3/15,1996). Similarly, much credence has been placed on the 'forces of globalisation' and the role of MNCs as key components in that process. Factors such as the liberalisation of financial markets, the international integration of production, technological advancements, the deregulation of trade and the growth in mergers and acquisitions have all been cited as factors contributing to the process of 'globalisation'. While there has been much written of the changing shape of globalisation, there has been little research into the impact on HRM. As Ferner (1994) highlights, the debate on globalisation has largely been one of semantics, while little has concentrated on an assessment of its impact on HRM. The first section of this literature review is an attempt to redress this by exploring the literature's expectations with regard to the globalisation of the firm, the consequent evolution, form and key attributes of MNCs, and then examining the HRM implications of these attributes. However, in order to do so, it is pertinent to first outline the broad meanings of the term itself.

2.2.1 Globalisation: Understanding the Jargon

Despite a long history, 'globalisation' has only recently become 'academically significant'. In a short time (since McLuhun's (1962) articulation of the idea of the 'Global Village') the concept has come to pervade much of Western academe to the point where globalisation, as a concept, has itself become 'globalised' (Waters, 1995: 2). Notwithstanding its wide usage, globalisation is largely criticised for the absence of any systematic examination of its meaning (Giles, 1996). Despite a vast and diverse literature, a number of dominant views are discernible. Outlining these is an important step toward untangling key aspects that tend to be grouped and termed the 'forces of globalisation' and examining their impact on HRM behaviour of MNCs.

Dunning (1991; 1993) defines globalisation in terms of its depth or degrees of intensity. For example, he suggests that in its *shallowest* form, globalisation occurs when a corporation engages in 'arm's length' trading of a single product with a corporation in another country. In contrast, its *deepest* form involves the transactions of a larger number of economic entities from other nations, across a network of value-added chains. With deeper forms of globalisation, Dunning (1993) suggests that the exchanges are highly co-ordinated and consist of a variety of transactional forms. The deeper forms of globalisation thus offer a free exchange of people, goods and services demands. Similarly, O'Connell (1997) views globalisation as a process involving the repositioning of domestic operations onto an international arena. In keeping, O'Connell (1997) suggests that the process of globalisation involves the search for new product or service markets across international borders while simultaneously developing the capabilities to service those markets. Underlying these perspectives is the contention that, as a process, globalisation is 'involuntary', 'inevitable' and 'irreversible'.

In contrast to these homogeneous and linear perspectives, Ruigrok and Van Tulder (1995) regard globalisation as occupying five distinct forms. The first, the *globalisation of finances*, they argue, refers to the deregulation of markets and the internationalisation of capital flows which has resulted in a greater movement of capital across borders. The second, the *globalisation of competition and the firm,* relates to the geographical convergence of economies and the changing international organisation of MNCs themselves. Relatedly, it is the third form - the *globalisation of technology* that facilitates the globalisation of the firm and competition. The final two forms of globalisation, the *globalisation of regulatory capabilities and the globalisation of Nation States*, respectively relate to the role of supranational

institutions and the notion of a general movement towards political unification.

In a critical contribution Giles (1996) similarly delineates globalisation as occupying three main forms: *the globalisation of markets*, *the globalisation of production* and *the globalisation of the Nation State* (cf. table 2.2). Giles suggests that advances in technology, declining transportation costs, the homogenisation of consumer demands and the removal of trade barriers between nations have led to a greater integration of markets and mobility of people and products across national borders. This he terms *the globalisation of markets*. Following on from this, Giles identifies a second form, *the globalisation of production*, which refers to the international integration of production systems across borders in the search for some degree of economies-of-scale. In defining globalisation in terms of internationally integrated production systems, it is the MNC and its operations that link nation states. The final form that Giles outlines is *the globalisation of socio-political regulatory structures.* This refers to the reshaping of political structures and policies to take account of international production systems. Through the establishment of *supra*national institutions an international system of regulation, markets and production is extended across national borders.

TABLE 2.2 FORMS OF GLOBALISATION AND HRM IMPLICATIONS

Forms of Globalisation	**Impact on HRM**
Globalisation of Markets	▪ Pressure on national industrial relations to adapt to 'new order'. ▪ Reassessment of industrial policies.
Globalisation of Production	▪ New inter and intra-firm arrangements. ▪ HRM defined by globally-defined. ▪ Reduction in local representation on the organisation of production.
Globalisation of Socio-political regulatory structures	▪ Loss of representations of key institutions in decision making process.

Source: Giles (1996).

These typologies highlight the diversity of forms that globalisation assumes. While it could be argued that each 'form' of the process deserves the specific attention afforded it across a diverse range of disciplines (such as sociology, history, geography and architecture – cf. Harvey 1990), the focus of this particular research is *the impact of the globalisation of the firm on HRM within MNCs*. Informed by Giles attempts to bring the terminology behind these terms down to the level of practical HRM implications, it is to that focus that this literature review now turns.

2.2.2 The Globalisation of the Firm

For some commentators the globalisation of the firm refers to the changing international organisation of MNCs (Ruigrok and Van Tulder, 1995). Others, however, view it specifically in terms of the international restructuring of production systems (Giles, 1996). Within the last two decades, MNCs are reported to have transformed their production processes through the international integration of overseas units into one singular manufacturing system. In such a system products are assembled from components originating from several countries and dispersed world-wide. As a result, the design, manufacturing and marketing of products or services are divorced from domestic economies. Given such developments questions are raised as to how the organisation of the MNC changed? Moreover, what are the key attributes of these restructured organisational forms and, more pertinently given the scope of this thesis, what are the implications of this restructuring process on the management of IR and HR? The following paragraphs examine the evolutionary models of MNCs and changes in the corporate strategy and structure of MNCs. Beyond this, the section turns to outlining the HRM expectations of globally orientated MNCs.

Influenced by Levitt's (1983) dictum 'think Global, act Local', there is an underlying assumption within the literature that, due to increasing complexity and convergence of markets, all MNCs increasingly seek similar forms toward the achievement of economies of scale. Subsequently, theories regarding the globalisation of the firm and indeed many recent organisational typologies work from the premise that MNCs all pursue some form of cost-reduction strategy. For much of the past decade the literature has advocated the balancing of a tension between a need for local responsiveness and pressures to centrally co-ordinate integrative forces. In other words, to manage the need for central control and co-ordination in a manner that does not mitigate against local autonomy. In short, the literature broadly advocates the movement of MNCs towards a combination of centralised and decentralised approaches. However, these objectives, are by their very nature, contrary to one another. As a result, the challenge facing MNCs is the achievement of an optimal balance or 'equilibrium'. The ability to gain synergistic economies on a global basis, without impeding on the attainment of local financial economies has been described by ABB as 'multi-local' and by Sony as the strategy of 'global localization' (Ohmae, 1990). Through the creation of vertical and horizontal links across sites, a more centralised approach is obtained and a particular skill or competency exploited. HRM policies that seek to promote such synergistic benefits include managerial networking, best practice models, staff transfer and team-based approaches to decision-making.

The route to globalism by MNCs is said to be influenced by the type of economies that MNCs pursue (Marginson *et al.*, 1995). In the second company level industrial relations survey (CLIRS), Marginson *et al.* (1993) found two routes towards globalism common among MNCs: one based on synergy and another on financial

economies.[2] In seeking financial economies, MNCs were found to impose financial penalties on those units that failed to reach their targets. Furthermore, they found that in pursuing a financial economies route, a stronger emphasis was placed on budgetary controls and other financial control mechanisms, than on co-ordination processes. Similarly, recent work by Edwards *et al.* (1996: 53) has found that many MNCs transfer capital in the search for short-term profit exist in addition to global firms that seek economies of scale based on the exploitation of a skill or competency. Consequently, they are that:

> The model of the global and transnational firm assumes that there is one route to globalism, namely, the route through synergistic economies. Our results suggests that there are also other means to this end, and hence that globalism has a number of forms'.

Edwards and associates identify that the two routes to globalism – financial and synergistic, co-exits rather than represent opposite positions. Subsequently, they (1996: 42) point out that while: 'globalism is certainly an active trend... routes to it are more varied than is often thought and hierarchy and accountability remain strongly in evidence'.

2.2.3 The Evolution and Form of MNCs: 'Capturing Proteus'

While the behaviour of MNCs is a well-trodden field of inquiry (Wilkins, 1970; Tugendhat, 1971; Franko, 1976), the emergence of new organisational forms (not to mention their impact on HRM) is a relatively unexplored area of research (Ferner, 1994). Widely believed to have originated with the expansion of US industry after the Second World War, embryonic forms of MNCs were traced to the Sumerian

---

[2] The second company-level industrial relations survey (CLIRS) was conducted at the University of Warwick in 1992. It addressed two issues: the effect of multinationality of large UK companies on their IR policies and practices within the UK and secondly, ramifications of financial budgeting and control mechanisms used by many large companies on the conduct of IR. Building on the results of the first CLIRS survey conducted in 1985 that found decision-making to be more decentralised in highly diversified companies and financial responsibility to be devolved to lower levels than in single business companies, the second survey found that the approach to IR and HR to be issue-driven and largely shaped by the form of control employed.

merchants in 2500 BC (Wilkins, 1970), and to the Assyrian Kingdom of 2000 BC (Moore and Lewis, 1996). However, it was only with the growth of American corporations during the 1960s that research into their behaviour and form gained momentum. Seminal works by Chandler (1962) and Perlmutter (1969), which traced the evolution and form of large enterprises, firmly established this field of investigation. By the 1970s, emerging regional trading blocs and agreements shifted the focus to internal management processes and challenges (Vernon, 1971; Stopford and Wells, 1972). Increasing complexities and a need to manage growing diversities during the 1980s saw a further shift to issues of control (Doz and Prahalad, 1981; Baliga and Jaeger, 1984), the changing form of MNCs (Bartlett and Ghoshal, 1989), and their interrelationship with the 'global' economy (Porter, 1986). The importance of 'culture' also came to the fore, as the means of ensuring cohesion within emerging organisational forms (Hofstede, 1980).

Three 'waves' of international expansion with respect to the form of MNCs in the twentieth century have been identified (Kumar, 1997). The first concerns the behaviour of European MNCs. During the inter-war period, European MNCs gained access to markets by establishing local self-contained subsidiaries. Differences in consumer tastes meant that many MNCs pursued product specialisation strategies. Relationships between head offices and subsidiaries were constrained by weak transportation and communication infrastructures. As a result, in an attempt to ensure consistency and profitability, corporate control was managed through the redeployment of key personnel on overseas expatriate contracts. The development of these self-contained subsidiaries and associated control structures led to the emergence of what is now termed Euro-specific 'mother-daughter' structures.

Following the Second World War, a second wave of corporate expansion took place,

largely driven by American MNCs capitalising on the post war destruction of Europe and Asia. In contrast to the first wave of expansion, advances in transportation and communication enabled a greater expansion of American MNCs. Capitalising on market conditions, they invested in high-volume manufacturing units with differentiated distribution channels. The internationalisation of American MNCs led to the emergence of functional and multi-domestic organisational structures. Within those structures corporate control was generally maintained through the formation of a large 'cadre' of internationally mobile home-country managers.

The third wave of international expansion involved the expansion of Japanese MNCs (Kumar, 1997). Faced with the liberalisation of international trade, guaranteed foreign market access and lower tariffs, Japanese firms remained domestically located and served foreign markets through exports as opposed to developing overseas production facilities. Rejecting notions of national diversity, the underlying philosophy of the Japanese MNCs was to provide high quality, low cost products that would lead to the homogenisation of consumer tastes and preferences. Advances in technology enabled Japanese MNCs to maintain low production, communication and transportation costs. In preference to organisational integration strategies, Japanese MNCs opted instead for integration and centralised structures that emphasised efficiency. Finally, Kumar (1997) suggests that a fourth wave of MNC organisation is presently taking place. The redrawing of Capitalism, developments in information technology (IT) and innovation are amongst the forces leading to pressures on MNCs are impacting on the management of employment relationships. There is much speculation surrounding this phase of expansion and there is little consensus as to the patterns of growth, structures or forms of control that will result.

2.2.4 Key Attributes of MNCs

Attempts to classify MNCs according to their management styles were first made by Perlmutter (1969) who identified three distinct approaches or MNC orientations: *ethnocentric*, *polycentric* and *geocentric*.[3] In brief, Perlmutter (1969) argues that MNCs adopting an ethnocentric approach tend to have a home-country focus. As a result, overseas operations are managed as cultural extensions of domestic operations. Ethnocentric MNCs pursue a centralised approach to decision-making, determining and standardising practices at head office level, which are then communicated to subsidiaries, often in the form of guidelines. MNCs adopting an ethnocentric approach tend to view themselves according to their nationality and fill key overseas positions with domestic or home-country managers. In contrast, MNCs adopting a polycentric orientation are more host-country orientated and are thus more likely to adapt to local practices. With a polycentric approach, decision-making is decentralised to local management, who tend to be locally recruited. The geocentric MNC treats the head office and subsidiaries as part of a world-wide entity. Practices are thus determined by both local and global considerations, while the location of the head office is seen to reflect the history of the organisation. MNCs with a geocentric approach tend to fill key management positions on the basis of merit, irrespective of nationality.

Building on this typology, Heenan and Perlmutter (1979) later identified a fourth approach which they termed *regiocentric*. Regiocentric MNCs have strong regional head offices whose focus is on the managerial staffing and the regional optimisation of functions, such as manufacturing. The parallel between Perlmutter's (1969) evolutionary model of development from ethnocentric to geocentric approaches and

[3] The indices of measurement that Perlmutter (1969) employed included the proportion of nationals in different countries holding equity, the number of foreign nationals in senior positions and the overall orientation towards non-nationals in various positions across the organisation.

Porter's (1990) premise that MNCs grow from multi-domestic to global structures has often been drawn. Increasingly these models are presented, not in terms of structures, but in terms of differing *foci:* home, overseas, regional and global. Presented in an evolutionary manner, their *end state* represents the management of both global and local pressures.

Beyond the work of Perlmutter (1969), perhaps the most widely referenced classification of MNC types is that of Bartlett and Ghoshal (1989). In common with Porter's (1990) 'home base competitive advantage thesis', Bartlett and Ghoshal (1989) regard MNCs as pursuing an *evolutionary* path of development. They delineate four different 'types' of MNC, each with an associated source of competitive advantage. Their typologies include the *multi-domestic*, the *global*, the *international* and the *transnational MNC*. The first, the *multi-domestic* or *multinational* firm, is structured as a decentralised federation of local firms, that are held together by a web of personal controls. The strength of the multi-domestic MNC lies in its ability to respond quickly to local environments. In contrast, the *global firm* adopts a more globally integrated and centrally controlled approach. While the home country produce standard products, the overseas operations become the delivery points with which international markets are accessed. The strength of the global firm is said to lie in their opportunities for scale efficiencies and cost reductions. The *international firm* adopts the form of a federation and co-ordination occurs through sophisticated management systems. The strength of the *international MNC* lies in its ability to transfer knowledge and expertise to less advanced environments. Finally, the increase in the complexity of operating within increasingly international markets that led to the development of what Bartlett and Ghoshal (1989) regard as the apex of the evolutionary path: the *transnational firm.* The *transnational* comprises of a network of differentiated units, where

collaboration and the collective implementation of corporate strategy is assumed. In contrast to the international MNC, the strength of the transnational lies in its ability to combine local responsiveness with global efficiencies, while also transferring knowledge. Control and co-ordination is thus managed through such mechanisms as formalised and institutionalised control mechanisms and socialisation processes. Responsibilities for different corporate functions are assigned on the basis of market strength and skills, and not on the basis of nationality.

While much credence is placed on the transnational MNC, the form represents something of an ideal type and its rarity among international organisations, as Bartlett and Ghoshal (1989) themselves admit. Despite the lack of exemplars, most commentators accept that there has been a broad movement from the national to transnational MNC. For others the transnational represents more of an 'approach' than an actual structural form. For example, Edwards *et al.* (1996) suggest that given that there is little agreement in organisational terms on the definition of the global or transnational MNC, perhaps it is more appropriate to frame discussions in terms of key attributes of 'global approaches'.

Despite the diversity of labels, a number of MNC attributes are readily identifiable (cf. table 2.3). Key to the architecture of the global MNC is the shift from a hierarchical structure to a more flexible and horizontally orientated heterarchy (Hedlund, 1986; 1994). Inherent in the movement to a flatter horizontal form is the dispersion of core functions across geographical sites and global co-ordination, (Forsgren, 1990; White and Poynter, 1989). Autonomy and decision-making are thus dispersed across a network of units that are linked together through lateral decision processes and criss-crossing lines of communication. The 'lifeline' of the global archetype is therefore information and the ease its flow through the system. To overcome geographical distances and facilitate the dispersion of decision-making,

MNCs are reported to be technologically networking their operations. This has given rise to images of global firms as 'holographic organisations', in which information about the whole is stored in each part (Hedlund and Rolander, 1990).

TABLE 2.3: MODELS OF GLOBAL FIRMS

	Hedlund (1994)	**Hedlund & Rolander (1990)**	**White & Poynter (1989)**	**Ohmae (1990)**
Organisational Structure	Network-like	Heterarchy	Flexible and Horizontal	Borderless
	Geographical dispersion of knowledge	Geographical diffusion of core strategic activities	Geographical dispersion of functional units	
Decision processes	Lateral	'Holographic'	Lateral	Criss-cross lines
Role & Structure of the 'Centre'	Knowledge creation & transfer	Diffusion of HQ functions	Reverse Matrix	Decomposition into regional HQs
Corporate 'Glue'	Shared Cultures	Normative control mechanisms - corporate culture, style and ethics	Shared business values and formal approach to socialisation	Universal value system and shared languages
Role of HRM	Critical at lower levels in lateral dialogue		Create shared values & facilitate lateral processes	Create country neutral HR systems

Source: Compiled from various sources.

The movement towards flatter vertically integrated structures is posited to involve a reduction in the reporting and management layers and a shrinking of the head office. This raises questions as to the now played by the 'centre' in MNCs. The shift from polycentric to geocentric approaches is argued to result in the decomposition of the head office into a number of geographically-spread centres and the replacement of the traditional hierarchy with a 'heterarchy' that signifies the devolution of operational and financial responsibility to divisional levels (Hedlund, 1986). In short, as MNCs move towards globalism, the size and importance of the head office is reduced through the removal of layers of bureaucracy and its disintegration into constellations of profit centres (Campbell, 1993). Adherents to the global perspective subsequently herald the operation of a 'new logic' within MNCs. Reich (1991), for example, argues that traditional nationally focused MNCs will be

replaced with a 'global web' of operations that operate according to just such a 'new logic'. This, he (1991: 80) suggests is reflected in the role of the head office:

> the location of headquarters is not a matter of great importance; it is not even necessarily in the country where most of the company's shareholders or employees are. Headquarters for the new global web can even be a suite of rooms in an office park near an international airport - a communications centre where many of the web's threads intersect... the global web may have several world-wide headquarters.

Similarly, Ohmae (1990) argues that the location of the 'centre' will no longer reflect the nationality of the organisation, ownership base or location of majority employees. Instead, he argues that as MNCs become global, they 'shed their national identities' and create a number of different centres that are largely dependent on market or technological conditions. In contrast, Porter (1990) argues that it is the national identity of the firm that provides the competitive advantage of the firm. Forsgren *et al.* (1992: 488), while disputing the premise that MNCs shed their national identity, found the emergence of overseas 'centres' among Swedish MNCs. Unlike Ohmae (1990), however, they suggest that the movement of divisional head offices overseas is the result of a bargaining process between sites who seek to shape corporate strategies in an attempt to support their own. Either way, it seems clear that MNCs are no longer characterised by vertical chains of command but by 'flexible horizontal networks accompanied by lateral decision processes' underpinned by a set of 'shared values' (White and Poynter, 1989: 55).

These developments reflect a need to centralise co-ordination while maintaining devolved operational responsibility. This has led to an enhancement of the control and co-ordination modes employed by MNCs. Doz and Prahalad (1991) suggest that organisational control is gained through 'the development of an organisational context'. The importance of an organisational context, or corporate culture, as the 'glue' in managing the tension of global and local pressures is a recurrent theme in

the literature (Bartlett and Ghoshal, 1993). This is often presented in the form of a common vision or shared set of values. Another form of 'enhanced control' is claimed to be the creation of management development programmes where newly appointed managers are assimilated into shared business values through a formalised system of socialisation (Ferner, 1997).

In conclusion, examining the frameworks of the widely purported global model identifies a number of key MNC attributes or expectations. These include geographically discrete units linked together by a horizontal network and decision-making processes that are dispersed along lateral lines that are 'held' together through a set of normative social and cultural control mechanisms. Also, through a process of decentralisation, the size and the role of the head office is diminished and the role of HRM becomes heightened in MNCs. In similar vein, Edwards *et al.* (1996) identified a number of 'measures of globalism' and found that a third of their sample companies were organised along global lines and over a half have integrated their production systems along international lines.[4] In fact, global approaches were found to be common in any situation where board members had responsibility for a business function, communication was technologically networked, profits were repatriated and management were internationally mobile. However, Edwards *et al.* also found that the global typologies described above had no real approximates to reality. While no global model may approximate the complexity experienced by a MNC, globalisation would seem to be having an impact on the way MNCs organise themselves.

---

[4] Edwards *et al.* (1996) outline seven measures concerning the structure of firms. These include: the structure of the firm, trading relationship, reporting relationship, downward monitoring, market penetration, profit repatriation, technological networking; organisational measures included the responsibility of board members, responsibility for geographical territories, frequency of HR managers meetings, determination of local management pay systems. In addition, they identify three measures of managerial mobility and career development.

2.2.5 HRM Expectations and Implications of Global MNCs

While the classification devised by Perlmutter (1969) is useful in its differentiation of MNC models, it has also been employed to account for variation in HRM approaches (Marginson, 1994; Ferner, 1994). Extending Perlmutter's analysis, Ferner (1994) suggests that MNCs who adopt an ethnocentric approach tend to be 'innovators' of HRM practices. He goes on to cite research that has shown US technologically-based MNCs, in their tendency to introduce such sophisticated 'soft' HRM techniques as performance-related pay to overseas operations, as examples of this approach. In contrast, he suggests that polycentric MNCs are 'adaptors' of local HRM practices. Ferner (1994) claims that British firms exemplify this approach given their tendency to retain existing management structures and decentralise HRM to subsidiaries with few guidelines. As a result the head office HRM function in polycentric MNCs becomes more focused on the recruitment of senior executives. In contrast, geocentric approaches were found to result in the centralisation of HRM. Devised at corporate levels, the implementation of HRM at local levels occurs through clearly defined international guidelines and procedures.

Ferner (1994) suggests that each of these approaches is associated with different HRM strategies. For example, with a polycentric approach responsibility for the recruitment of management is delegated to the local subsidiaries. In contrast, with a geocentric approach the basis of managerial recruitment is 'cultural fit', as opposed to 'national fit'. Moreover, given the centralised approach of geocentric approaches the recruitment, selection and development of management tends to remain a head office core function. Inherent in geocentric approaches is the notion of interplay between local responsibility and global integration. In examining the impact of such an approach on HRM practices, Caligiuri and Stroh (1995) recommend that local responsiveness be incorporated into global strategies, so as to ensure consistency

between HRM practices and the overall corporate strategy.

Despite the semantic debates currently being conducted with regard to globalisation, evidence suggests that MNCs are restructuring, adopting new organisational forms and moving from procedural to behavioural forms of co-ordination and control (Ferner, 1994). In its broadest sense, the HRM expectations of geocentric approaches include centralised approaches to the management of workforces, where policies are devised at the centre and dispersed across sites through clearly defined international guidelines. In an attempt to 'manage diversity', geocentric MNCs devise 'country neutral' HRM systems. Furthermore, the need to facilitate lateral decision-making processes places a greater emphasis on the technological networking of sites, the importance of the 'management of managers' and group-wide project groups. Moreover, the movement towards normative social and cultural control mechanisms suggests a stronger leaning towards initiatives that encourage managerial networking, 'best practice' models and benchmarking.

As outlined above, the movement to globalism at the very least involves a process of divisionalisation, and, as Marginson (1985) argues, divisionalisation is generally accompanied by greater decentralisation of HR and IR decision-making. One of the main implications of this decentralisation in MNCs is said to be a loss in local autonomy and institutional regulatory powers in the global reshaping of policies. Ferner (1994: 84) writes that:

> Divisionalisation is likely to be accompanied by greater decentralisation of HRM and industrial relations issues to business divisions. Personnel policies are thus likely to be defined more by the characteristics and requirements of business divisions at regional or global level.

As the loci of IR and HR decision-making shifts to divisional levels, decision-making processes are moved from national boundaries to international or global

levels. Moreover, IR and HR policies become defined by the requirements of regional or globally structured divisions than by local or national concerns. Related to this, Marginson (1994) argues that a further HRM expectation of such developments is the ability of MNCs to engage in comparisons of sites on the basis of IR and HR performance levels. The findings of the second CLIRS survey suggest that those performance comparisons are often inputted into investment and divestment decisions. In essence, the movement of MNCs toward global structures is posited to be accompanied by a greater emphasis on labour factors, for comparative purposes. One of the main implications for local management is therefore that autonomy becomes dependent on, not just their ability to generate profits in quantifiable bottom-line terms, but also to continually improve on those contributions. As a result, strategic resource allocation decisions become based on predictions that exclude such contingencies as national differences or managerial practices. Consequently, Marginson *et al.* (1995) found that the existence of devolved structures, combined with technological developments, meant that the 'potential for central direction, co-ordination and control at an international level' is enhanced, often in the form of performance control. Subsequently, there is evidence to suggest that the monitoring of IR performance now occurs at both national (Marginson *et al.*, 1993) and international levels in MNCs (Mueller and Purcell, 1992; Frenkel, 1994).

With the exception of research by Marginson (1985; Marginson *et al.,* 1988) and Armstrong *et al.* (1998), the impact of divisionalised structures on HRM is a field of research that has largely been ignored. Much of the work conducted suggests that the divisionalisation of British organisations during the 1960s and 1970s could have been driven by a desire to centralise collective bargaining to divisional levels and in doing so circumvent trade union strength. The results of the second CLIRS survey

suggest that in times of weak trade unionism collective bargaining shifts back to local levels allowing local management to obtain concessions and prevent trade unions from leveraging in their search for comparability claims. As Armstrong *et al.* (1998: 10) write:

> In [weak trade union] circumstances, the divisionalized company offers advantages in maintaining outline control of a devolved bargaining process. In the 1990s, therefore, divisionalization is more likely to be associated with bargaining at the level of the establishment than that of the division.

Armstrong *et al.* (1998) subsequently suggest two equally prevalent forms of devolved pay bargaining in MNCs: one where bargaining is confined to local levels and accompanied by strict head office control; and another where formal and complete devolution of pay bargaining is accompanied by autonomy.

There has been considerable debate in recent years concerning the behaviour of MNCs on national systems of industrial relations (Marginson and Sisson, 1994; Ferner and Hyman, 1998). One such impact concerns the homogenisation of HRM practices within MNCs. Marginson and Sisson (1994) argue that while MNCs traditionally gave subsidiaries the autonomy to respond and adopt to local industrial relations regimes, the adoption of new integrated forms has resulted in the adoption or introduction of common patterns of employment relations across borders. This has led to the emergence of, what Marginson and Sisson (1994) have termed, 'company-based employment systems'. With a geocentric approach, it is the head office of the MNC that exerts high levels of control over operating units. In short, the need to ensure consistency in these globally integrated structures has led to the introduction of standard approaches to HRM across borders. These often take the form of global strategies or as 'best practice' models (Marginson, 1994). Marginson and Sisson (1994) argue that the growth of these organisation-based employment systems threaten sectoral level multi-employer bargaining, a system which has

traditionally dominated in many European countries. Furthermore, they suggest that such standard approaches are more likely within single product or vertically integrated MNCs. As Ferner and Hyman (1998: xii) suggest, 'rather than the British or Swedish models one would be forced to talk about the GM or Ford model'. The introduction of organisation-based systems is thus claimed to threaten existing national IR systems, reduce the role and power of local trade unions and undermine the national regulatory systems.

Another implication of the movement away from traditional bureaucratic administrative controls towards informal behavioural mechanisms is the ability of MNCs to engage in 'coercive comparisons' (Coller, 1996; Coller and Marginson, 1998; Ferner and Hyman, 1998). Recent work by Coller (1996) and Mueller and Purcell (1992) suggests that despite considerable autonomy at site level, many MNCs circumvent that autonomy through 'indirect' or 'coercive' means. Through the introduction of such HRM initiatives as managerial networking and benchmarking, MNCs 'gently' introduce conformity across borders. As Coller (1996: 163) writes while:

> Apparently, managers are free to implement whatever practice they consider appropriate to improve their plants... it seems that the centre of the MNC provides a set of specific practices that are considered successful in other plants, encouraging moves towards uniformity.

Similarly, Ferner and Hyman (1998) argue that the ability to engage in 'coercive comparisons' involves the imposition of common standards and threats of divestment. The implication is that these comparisons often circumvent local environments and undermine national regulatory institutions. In keeping, Edwards *et al.* (1996) dispute the assumption that a movement towards globalism necessarily involves a shift away from traditional control mechanisms. Furthermore, Marginson and Sisson (1994) argue that the emergence of international forms of organisations

removes decision-making from the scope of national jurisdictions, while Ferner and Hyman (1998) see their ability to engage in social dumping as a major threat to national IR regimes.

2.2.6 Criticisms of Global Models

As earlier sections have made clear, inherent in most MNC typologies is the premise that MNCs evolve towards 'transnationality'. As Edwards *et al.* (1993: 41) write:

> The transnational is characterised by differentiated contributions from each national team, with knowledge being shared and responsibility dispersed. Instead of centralised command, responsibility is devolved, and co-ordination is attained not through instruction and monitoring but through co-operations, teamwork and shared values.

While this assumption underlies much of the work within this area, there is little consensus with regard to the 'end point' of transnationality. As Berggren (1996: 136) notes: 'the truly transnational corporation, so eloquently described by researchers in international management... is still a rather slippery animal to catch'.

While much has been written on the inexorable growth of the 'global firm', there is no universally accepted model and even less assent as to its key attributes. While Bartlett and Ghoshal (1989) have defined the global firm as a *transnational firm*, Forsgren (1990) refers to it as the *multi-centred organisation*, while Hedlund and Rolander (1990) term it the *heterarchy*. For Hedlund (1994) it is the *N-form organisation* and for White and Poynter (1989), it is the *horizontal organisation*. For Ferner and Edwards (1995) the global firms can take any of four forms. These include the financial control firm, the integrated international company, the decentralised network and the federation, each with differing patterns of control and authority relations. Their findings suggest that MNCs can be global in focus without necessarily assuming all the key attributes of transnationality such as being

'networked', 'power sharing' or 'multi-centred'. Furthermore, they suggest that being global does not preclude MNCs from adopting traditional administrative controls and monitoring systems.

As singular definitions of 'global models' are shown to be overly simplistic in their attempt to capture the particularities of different MNCs, the number of criticisms levelled at these MNC typologies is correspondingly on the rise (Ferner, 1994; Edwards *et al.,* 1996). Firstly, existing typologies or frameworks have been criticised for their 'structural deterministic' nature (Edwards *et al.*, 1996). As research by Marginson *et al.* (1993) has found, MNCs tend not to cluster around ideal types but rather adopt a number of attributes simultaneously. Besides highlighting their prescriptive nature, Edwards *et al.* (1996) also point to the preoccupation of these models with predicting the organisational form of the 'future', often to the detriment of a rigorous assessment of the dynamics surrounding existing models. One of the main difficulties with measuring ideal types is in identifying measures that capture the differences between those types. As has often been highlighted MNCs do not fit neatly into pre-determined cells. This is particularly the case with the 'transnational structure'. Furthermore, Ferner (1994) criticises these typologies for their failure to account for historical legacies in their classification of structures and strategies.

2.2.7 Summary

Despite the limitations of these typologies, as Edwards *et al.* (1993: 44) write: 'the implication is not that typologies are worthless, for they identify important tendencies; the error is to assume that those tendencies are necessarily opposites'. Indeed for all its apparent shortcomings these typologies provide the start point within which to assess changes within MNCs and their impact on HRM. Despite the criticisms, the broad premises of the global model have, either explicitly or

implicitly, become the start point of a number of critical analyses on the impact on HRM within MNCs (cf. Edwards *et al.*, 1996; Ferner, 1997; Marginson *et al.*, 1995). This thesis employs global frameworks in a similar vein. While it is easy (particularly in the light of mounting criticisms against it), to dismiss the simplistic notion of a generic homogeneous model of the MNC, there seems little doubt that the socio-political and economic types of globalisation described in section 2.2.1 are influencing MNCs. In addition, while global models may be disproved, the motivations that underlie its construction seem to be widely accepted. This research therefore bears the forces of globalisation, its rhetoric, underlying aims, routes and motivations, in mind in its examination.

In conclusion, this literature, with its underlying notions of convergence and associated HRM expectations, implies that MNCs are converging on or evolving into one structural form – the global MNC. Such approaches further suggest a number of generic HRM practices. These include the centralisation and homogenisation of HRM; the shaping of practices by international or global concerns; the erosion of local workplace influence; and, the subsequent marginalisation of local trade union influence (Campbell, 1993). Related to the focus of this thesis, this review of the literature begs the question: are Irish MNCs moving towards the global forms as outlined in the above literature and if so is this resulting in the HRM approaches outlined above? Before outlining the Irish case and examining this question in greater detail, the following sections outline further bodies of literature which dispute notions of globalisation. Literatures that, developing upon the emerging criticisms outlined in section 2.2.6, argue instead that indigenous MNCs retain specific features of nationality.

2.3 THE RESILIENCE OF NATIONAL CONTEXTS

As the previous sections outline, the globalisation literature can broadly be divided into those that view globalisation in terms of a supra-national process and those that regard it as an end-state, in structural terms. However, a third view of is also evident from the literature – one which argues that globalisation is largely a myth or fallacy (Bromley, 1996; Doremus, *et al.,* 1998). As Ruigrok and Van Tulder (1995) write: 'the persistence of the globalisation myth seem to be based on a lack of information and confusion about international restructuring'.

Commentators who dispute globalisation do so on two counts. First they question the *notion* of a global firm, arguing instead that its incidence is very rare (Hirst and Thompson, 1996; Hu, 1992). Hence, based upon research into one hundred MNCs, Ruigrok and Van Tulder (1995) failed in their endeavour to identify a single truly global or borderless firm. Secondly, commentators question the notion of 'a rapid and recent process of economic globalisation' suggesting that the world economy of 1997 is no more global than it was in 1913 (Hirst and Thompson, 1996: 1).

There is also increasing commentary that questions the notion that globalisation results in the equating of capital across nations. Inherent in the globalisation literature is the contention that globalisation results in an equating of world economies as capital moves from advanced to developing countries. In disputing this premise, Hirst and Thompson (1996) draw upon the UNCTAD (1993) to demonstrate that FDI is highly concentrated within advanced industrial economies which results in a marginalisation of Third World countries. While noting an increase in FDI inflows (40% from 1994 to 1995), they found recent flows of investment to be uneven and confined to a small number of firms from a few advanced economies operating within a narrow range of industries (UN, 1993). In

addition, while the notions that investment flows from richer to poorer and less developed economies was found to occur, it was found to do so only in a selective manner. UNCTAD's report suggests that FDI inflows are biased towards Asian countries, with African countries lagging significantly behind. Similar to Ruigrok and Van Tulder (1995), Hirst and Thompson (1996) argue that what is presently occurring in the global economy is more akin to a process of 'triadisation' rather than of globalisation. In effect, they suggest that the recent growth in international trade has been limited to three countries - the US, EC and Japan and not on a global basis, as is widely purported.

In addition to these statistical analyses with regard to the economic and social spread of globalisation, there is an increasing body of literature that questions the globalisation thesis' expectations with regard to MNCs and, subsequently, their management of HR and IR. The second half of this chapter examines two related 'schools of thought' in this respect: the national business systems perspective and the small countries view; outlining their strategic, structural and control implications, their expectations with regard to HRM and their respective limitations with regard to understanding the Irish case.

2.3.1 The National Business Systems (NBS) Perspective

Paralleling the critiques of the actual extent of globalisation described above is an growing body of literature that argues that international companies remain embedded within a national base and therefore influenced by home country characteristics (Whitley, 1992; Ferner, 1997; Doremus *et al.,* 1998). For instance, Hu (1992) argues that most internationally trading companies remain financially embedded within their home bases. He argues that it is the national financial regimes from which MNCs emanate that prevent the rise of truly stateless companies. Similarly, Ruigrok

and Van Tulder (1995) suggest that MNCs remain national for three reasons: firstly, their financial embeddedness, secondly, the propensity of MNCs to keep their research and development activities within domestic borders and finally, the tendency for senior management boards to remain national, as opposed to international.

Recent research increasingly demonstrates that the behaviour of MNCs varies along a number of trajectories. For instance, Chang and Taylor (1999), in examining the factors that shape the degree and type of control used by American and Japanese MNCs in their Korean subsidiaries, found the ownership of the MNC and the nationality of the head offices to shape the amount and type of control exerted. Similarly, Frenkel and Peetz (1998), in examining the impact of globalisation on industrial relations in China, Malaysia and the Republic of Korea, found the extent and impact of globalisation to vary between countries. They (1998: 305) concluded that globalisation is 'part of the historical process of industrialization that directly influences industrial relations', which at the workplace reinforces tendencies toward management unilateralism as the main procedural system and suggest that the pressure for joint regulation gathers pace with industrialisation.

Variations in MNC behaviour can be attributed to a number of factors. These include strategic/structural effects, institutional and cultural perspectives. Strategic and structural variables include the organisational form, strategy, co-ordination and control form, history of internationalisation, nature and growth of market and sector and the role of corporate culture. In accounting for variation between MNCs one school of thought disputes the premise that MNCs are 'stateless' and thus converging on a particular organisational form and behaviour. As Doremus *et al.* (1998: 3) writes:

> Despite intensifying international competition, MNCs are not promoting the

> ineluctable convergence and integration of national systems of innovation, trade and investment, nor are they forcing deep convergence in the national economies in which they are embedded. They cannot do so because they themselves are not converging toward global behavioural norms.

While acknowledging the forces of globalisation, adherents to this body of literature argue that MNCs are embedded within a set of nationally specific characteristics that shapes their approach to labour relations. This perspective suggests that MNC behaviour and approaches to HRM are directly or indirectly influenced by the interrelationship of major social institutions, their historical evolution and the culture of any given nation. As a result, HRM practices vary according to the nationality of the MNC.

Thus, despite increasing internationalisation there is mounting evidence to suggest that national MNCs remain distinctive and moreover reproduce systems of economic organisation that are nationally distinctive. A growing number of studies have emphasised that variation in MNC behaviour can be accounted for through different 'national business systems' (NBS) This school of thought holds that 'clusters of national institutional variables' shape and inform the behaviour of MNCs rooted within them (Ferner and Quintanilla, 1998: 714). Much of this literature has been classified into two main camps: the 'institutionalist' and the 'culturalist' schools of thought (Ferner and Quintanilla, 1998). While the former places an emphasis on the social and institutional determinants of business organisation, in order to explain the logic of configuration and behaviour in different contexts; the latter focus on the cultural distinctiveness of a nation and its influence on the behaviour and style of management in any given MNC. More recently, commentators have suggested that a 'pluralistic and integrative framework' be introduced which would take account of the diversity of institutional and cultural factors that shape MNC behaviour (Mtar and Quintanilla, 1997). The following paragraphs briefly outline each of these two perspectives.

Institutionalist approaches view variations in MNC behaviour as embedded within the social and economic institutions that support the continuation of traditional values and practices. Earlier pioneering studies by Dore (1967) and Maurice and Sellier (1979) presented trajectories of economic development as shaped by patterns of institutionalised behaviour. Maurice *et al.* (1986) argued that a strong relationship exists between the organisation of work at the micro-level of the firm and the national institutions at a macro-level. More recent work within this field has been labelled 'new institutionalism' (Loveridge, 1997). The 'new institutionalist' camp can be traced to the work of DiMaggio and Powell (1983) who highlighted the interrelationship between organisations and the institutional environment in shaping internal structures. At the core of this approach is the notion of 'isomorphism' which holds that organisations assume similar structures and processes when within the same environment. It is from this premise that much of the more recent work on country-of-origin effects can be located.

In contrast, the culturalist camp argues that variation in MNC behaviour is largely attributable to cultural variables. Much of this school of thought centres on Hofstede's notions of culture. Hofstede (1980) measured culture around a number of stereotypical attributes such as 'uncertainty avoidance', 'masculinity' and 'power/distance' ratios. However, the culturalist perspective, and in particular the work of Hofstede, has been criticised for their treatment of cultural variables as ahistorical and static 'rather than as dynamic and emerging characteristics linked to patterns of historical development and distinctive national institutions' (Ferner and Quintanilla, 1998: 714). In contrast, Ferner and Quintanilla (1998: 711) promote the view that forces of globalisation lead to the adoption of HRM practices typically associated with US and UK MNCs, a process they term *Anglo-Saxonisation*. They

suggest that, in response to the tension between the needs of globalised operations and characteristics adopted from the home country, MNCs pursue 'adaptation strategies' that largely converge on a 'model of international operation typical of highly internationalised British or US MNCs'. While their research found evidence of Anglo-Saxonisation, it was also found to occur in a nationally distinctive manner.

From both of these perspectives variation in dominant national institutions is posited to result in different types of firms, pursuing different growth patterns. According to Whitley (1992), British companies were found to operate through financial procedures and reporting systems, while French and German companies tend to be more centralised and employ more integrated forms of planning. US companies, in contrast, were found to have a market-like relationship between parts of the organisation, while Japanese companies were found to be more unified and interdependent in their modes of organisation, with greater use of function-based structures. Lane (1995), in charting the changing patterns of industrial organisation in Britain, Germany and France, similarly argues that it is the particular national, sectoral and organisational contingencies (what she terms the *industrial orders)* that shape the reactions of organisations to globalising forces.

Implicit in both the notion of NBS and the notion of industrial order is the assumption that characteristic clusters of national institutional variables inform the behaviour of MNCs embedded within them. In brief, the NBS of a given country refers to the patterns of economic organisation that develop interdependently with the main institutions of those particular market economies. These consist of integrated systems of economic co-ordination and control. Whitley (1992) proposes that the more cohesive and reinforcing the institutions, the more homogenous the business system and, conversely, the less tightly integrated dominant institutions the

less cohesive the business system. He suggests that countries may develop a number of different kinds of economic organisation, which overlap and differ across a variety of issues. One of the main criticism levelled against Whitely (1992) was the heavy reliance he makes on such pluralist countries as the US and UK to illustrate his point.

According to Whitley (1992), national business systems have three major components: the nature of firms as economic actors, the nature of market relations between firm, and the nature of co-ordination and control systems within firms. The first relates to the economic action that controls and allocates resources through authority structures. Important aspects of the first component include patterns of ownership, the nature of resource control and how economic agents develop and manage risk and uncertainty. The second deals with the nature of market relationships across economic actors. The third and final component focuses on the 'internal' co-ordination and control of economic activities, that is the dominant pattern of work organisation, control, employment relations and management. These three components have a number of characteristics that vary between market economies.

Whitley (1992) summarises these characteristics into sixteen key dimensions on which business systems are believed to differ across institutional contexts (cf. table 2.4). He suggests that these characteristics are shaped by background social institutions (trust, loyalty and authority relations) as well as proximate social institutions (including business relations with the state, financial system, education and training system, unions and other professional organisations) and uses this approach to account for differences in firm organisations across different geographical and national blocs.

TABLE 2.4: CHARACTERISTICS OF NATIONAL BUSINESS SYSTEMS

The nature of economic actors	Interdependence between financial owners, controllers and firms Delegation of control to salaried managers Extent to which economic actors co-ordinate production chains Rate of change in resources and activities controlled by economic actors
The nature of market organisation	Extent to which growth and size are dominant as objectives and standards of performance Extent to which firms form obligation networks and alliances Degree of collective organisation within industries and sectors Extent to which transactions are governed by informal, collective actions
The nature of co-ordination and control systems	Organisational integration and co-ordination - integration and interdependence of organisational units - centralisation of control over organisational units Employment and personnel policies - employer employee interdependence - employee differentiation Task structure and supervision - specialisation - closeness of task supervision - distance between superordinates and subordinates - discretion of superordinates

Source: Whitley, 1992.

Building on notions of national difference and corporate governance, Marginson and Sisson (1994) identify two distinct modes of corporate ownership and control: the Anglo-American 'outsider' system and the continental European 'insider' system. The insider model is further differentiated into the 'Latin', the 'German-Nordic' and the 'Japanese' system. The 'outsider' system is characterised by: 'dispersed networks of shareholdings, a high degree of institutional share ownership, highly

developed stock markets, an active market for corporate control and an emphasis on short-run financial returns backed up by intensive internal monitoring and performance evaluation' (Marginson and Sisson, 1994: 29). Financial control is managed by a variety of interests rather than being exerted by financial institutions. As a result, growth strategies are seen to be driven by short-term financial criteria, as opposed to long term industrial performance. In contrast, the 'insider' system is characterised by networks of corporate, institutional and family shareholdings, with an emphasis on long-term performance. Sheltered from hostile take-overs, it operates within less developed stock market and a financial system that is based on long-term bank credit. In an 'insider system' growth strategies are longer-term in focus, with a stronger commitment to asset development. In outlining the HRM implications of these systems, Marginson and Sisson (1994) argue that within the insider system employees are seen as *assets* who, in some cases, are a company's 'competitive advantage'. In contrast, with the outsider system where the focus is on their minimisation, employees are more likely to be regarded as *costs* or *liabilities*. Under the insider system the management of employees generally remains the responsibility of operating units.

2.3.2 HRM Consequences of NBS Perspective

Work by Ferner and Hyman (1998) regarding the impact of internationalisation on HRM practices disputes the globalisation thesis. They argue, in contrast, that the traditional 'stumbling bloc' to notions of convergence is the existence of strong national regulatory institutions. Their research suggests that increased European regulation leads to increased diversity within national systems and increased convergence between national systems. While Ferner and Hyman (1998: xv) acknowledge the 'reality' of internationalisation pressures they believe that such pressures are 'neither unilinear nor overwhelming in their industrial relations

consequences'.

Applying this perspective to the study of HRM in MNCs, Ferner (1997) found that the nationality of MNC ownership is a significant determinant of MNC behaviour; and moreover, that nationality manifests itself to a greater extent with respect to some issues than with others. For example, he suggests that such 'rank and file' industrial relations issues as wage determination, hours of work, job contracts and redundancy procedures, are likely to display 'local isomorphism' while other issues such as work organisation, training, and employee participation are determined by local regulation and therefore more open to a country-of-origin effect. Ferner (1997: 23) writes:

> Differences in phases and patterns of internationalisation, organisational structures etc, may themselves be typical of different 'national business systems'. Late multinationalisation is a reflection of a constellation of elements of the Japanese model of development, including late industrialisation, reliance on an export model of internationalisation and relative economic isolation.

Ferner (1997: 23) goes on to note the difficulty in untangling the 'nationality' variable and warns against the danger of treating and presenting factors as static and unchangeable. He writes:

> The need, precisely, is to untangle 'layers' of differences according to how deeply they are lodged in fundamental formative episodes and experiences in national development. In short, it is imperative to take into account the dynamics of nationality as a factor affecting the behaviour of MNCs.

Ferner's work (1997) also identified the linkages between elements of NBS and MNC behaviour to be the national system of corporate governance, national systems of corporate control, national models of management development, the structure of work and the nature of the HR function.

Following this research, Ferner (1997) examined the HRM consequences of a number of key aspects of MNC behaviour. These included the impact of corporate strategy and structure, the sector and market, country of origin and country of operation, on HRM. Working from the perspective that the approach of MNCs to IR and HR is influenced by national systems of corporate governance and corporate control, forms of financial control, the role of the State, labour market institutions and forms of labour representation, and looking at the national variability of MNC behaviour, he asks 'how can we explain the variation?'. Ferner (1997) concludes that the NBS and the management style must shape the approach of MNCs to IR and HR within overseas operations.

2.3.3 Limitations of the NBS Approach

Institutional approaches have been criticised for the functionalist nature of their explanations and their 'essential stacicity', in other words their inability to incorporate change within their analysis (Loveridge, 1997). O'Reilly (1996: 5) subsequently criticises these approaches for their tendency to produce static models of industrial organisation: 'whilst it draws attention to the way institutions are shaped, and how this is linked to the historical development of the society under observation, [Whitley's] analysis leaves little room for change'. She argues that while there is a real sense of the historical legacy of the institutions and social relations, there is little sense 'of the people occupying them'. Indeed, as with any structuralist outlook, people tend to be reduced to fatalistically determined units who can only respond to the contexts within which they find themselves. Consequently, little stock is placed on managerial agency or on the ability of individuals to be self-reflexive and choose to 'use' the surrounding structures in different ways.

Just as the globalisation literature falters on its tendencies towards generalisation,

another of the main criticisms levelled against NBS has been its tendency towards static and unchanging generalisations. Further criticisms are directed against its lack of supportive detailed anthropological or empirical evidence. While a further shortcoming cited is that few researchers have managed to operationalise or further theorise the NBS taxonomies of Whitley (1992). Loveridge (1997: 1052) writes that this is:

> one of the major problems with the NBS frame of explanation. Caught in the double-bind of the reflexive nature of causality, the [new institutionalist] theorists tend to resort to fuzzily located 'systems' explanations of behaviour. Empirical causality is, however, always present and underlies most of the broad generalisation contained within the national archetypes and, more particularly, within the more detailed taxonomical structures created by Whitley.

It is also worth noting one final shortcoming of the NBS approach which extends Ferner's (1997) call for the 'untangling' of national variables, is that much of the empirical work to date is biased towards large MNCs from advanced economies. As a result little is once again known of the factors shaping small or medium sized MNCs from smaller less developed economies. However, a third strand of literature with regard to MNCs is now beginning to fill this gap.

2.3.4 The ' Small Countries' Literature

Following on from the NBS arguments, another corpus of literature suggests that factors such as the size of the domestic market, the closeness of actors, their proximity to financial institutions and the State shape the behaviour of MNCs. Emanating from work by Forsgren *et al.* (1995) who extended research by Porter (1990) on national identity as a source of differentiation and competitive advantage, this body of literature argues that the small size of the domestic market shapes MNCs from small countries to behave in a particular manner. In short, it is argued

that MNCs from small economies exhibit a 'small-country effect'.[5] Given the size of the Irish economy (population 3.5 million) this is a literature that one might expect to be particularly informative in attempting to understand the behaviour of indigenous MNCs. The following paragraphs review the small countries literature and the implications for HRM and explores the much quoted case of Sweden in greater detail.

While the majority of research regarding the restructuring of MNCs concerns itself with the behaviour of MNCs from large industrialised countries, for a number of reasons it is worthwhile focusing more particularly on the behaviour of MNCs from small countries. Indeed the validity of hypotheses based on the experience of MNCs from such large economies as the US has been questioned on the grounds that it exhibits size differences. Research by Swedenborg (1979) disputes the contention that larger firms have a higher propensity to produce abroad. Furthermore, Andersson *et al.* (1996) demonstrate that in recent years a number of small economies have increased their share of outward FDI. Similarly, Ruigrok and Van Tulder (1995: 160) found that companies originating from small industrial systems had shown the highest degrees of internationalisation 'in every functional area of management'.

The small countries literature works from the premise that the impetus to internationalise for indigenous companies is the size of domestic markets (Andersson *et al.*, 1996). In keeping, research by Ruigrok and Van Tulder (1995) found that Swiss and Dutch MNCs internationalised at an early stage due to the smallness of their domestic market and the impact of colonialisation. They suggest that firms from small industrial system have the largest degree of

[5] Marceau (1992) defines small industrial countries as nations with fewer than 25 million inhabitants.

internationalisation, which they attribute to small domestic markets, narrower supply bases and a tendency to opt for high vertical integration or advanced forms of international division of labour. Ruigrok and Van Tulder (1995: 162) argue, contrary to general belief, that the world's most internationalised companies tend to originate in small industrial systems. Andersson *et al.* (1996) also suggest that, given the smallness of domestic markets, the ability of firms from small countries to pursue synergistic routes to globalism is directly related to the form of internationalisation and the 'pre-requisites for international trade'. Moreover, they suggest that MNCs from small countries are likely to be more susceptible to domestic and foreign market fluctuations than those from larger countries. Finally, they propose that linkages between firms are a key factor in the development of MNCs within small countries.

Similarly, Marceau (1992), in examining small country business systems, compared Australia with Denmark and Finland. She works from the premise that small-industrialised countries' business systems not only enable the development of MNCs, but also underlie both opportunities for and constraints to future economic success. Unable to influence international markets, Marceau suggests that smaller economies offer a combination of free trade and domestic compensation to those disadvantaged by changes in the international restructuring of markets. In response to their inability to influence international markets, it is posited that smaller economies are more likely to develop domestic corporatist political arrangements. Equally, it is argued that companies from small economies are more susceptible to the 'small country squeeze', a process whereby small countries increasingly lose their share of domestic markets. In short, the problems Marceau (1992) found small industrial countries to face include the dominance of large technology companies from large countries, who produce products within which smaller industrial

countries are embedded; and secondly, that smaller industrial countries tend to be susceptible to 'small country squeeze'.

2.3.5 HRM Expectations for MNCs from Small Economies

Ruigrok and Van Tulder (1995) suggest that firms from small industrial countries operate within a particular a set of dynamics (these include small domestic markets, narrow supply bases and tendencies to pursue advanced forms of international division of labour) that have led to a 'bargaining dynamic' in the area of labour relations. A high concentration of power within a few firms is argued to create the impetus for trade unions to organise on a sectoral and national basis, thus encouraging centralised bargaining. Building on work by Katzenstein (1985) on countries such as the Netherlands, Switzerland, Belgium, Austria and the Nordic countries, Ruigrok and Van Tulder (1995: 161) suggest that 'this bargaining dynamism ultimately forged a coalition-oriented domestic bargaining arena, in which core firms gradually saw much of their initial bargaining position evaporate'. In a similar vein to Katzenstein, they suggest that MNCs from smaller economies are more likely to develop corporatist political arrangements in their domestic arrangements. Investigating the case of Sweden (the country upon which much of the small countries research has focused) in greater detail, will enabling the outlining of this HRM expectations in greater detail.

2.3.6 MNCs from Small Countries: The Case of Sweden

Perhaps the most widely cited case in terms of a small country effect is that of Swedish MNCs. Given its dominance within the literature, and the commonalities with Ireland (a north European country, a strong tradition of State intervention, a close proximity to much larger economies), this research reviews the case of Swedish MNCs so as to provide a greater understanding of the type of characteristics

that one might expect to be influencing the management of IR and HR in Irish MNCs.

Characterised by an over reliance on a small number of large and highly international firms, the majority of Sweden's FDI is conducted by a small number of Swedish MNCs, most of which have been multinational for the last three decades (Andersson *et al.*, 1996). Employing over half of the total domestic workforce, Swedish MNCs also account for over half of the country's exports (Olsson, 1993). In order to understand the current structures of Swedish MNCs, Olsson (1993) argues that, it is necessary to outline the evolution of export industries and the reasoning underlying their motivation to becoming MNCs. Swedish industrialisation began as early as the 1870s, with another period of increased acceleration during the 1890s. It is the advanced export industry that Sweden established prior to the 1870s that is broadly regarded as the main catalyst for industrialisation. By the beginning of the twentieth century, Sweden had two groups of export industries, one based on raw materials and another consisting of a modern engineering industry. Olsson (1993: 102) writes: 'the difference in size of the home markets significantly influenced the development of small country MNCs as compared to, for example, their American counterparts'. Swedenborg (1979) similarly found that the small size of the domestic market shaped their high propensity to export, while the cultural ties, political links and geographical proximity shaped the geographical distribution of foreign investment by Swedish companies.

The emergence of Swedish engineering MNCs has been traced to the beginning of the 1900s, at a time of high international industrial protectionism (Swedenborg, 1979; Olsson, 1993). In tracing their evolution, Lundstrom (1986) notes that the origins of Swedish MNCs can be traced back to the early 1870s when

industrialisation in Sweden began. Despite the presence of high protective tariffs, Olsson (1993) demonstrates that Swedish MNCs continued to engage in export markets. Lundstrom (1986) found that due to the small size of domestic markets and scale economies, most Swedish MNCs faced obstacles to exporting and as a result took the decision to manufacture abroad. A need for international expertise and financing in order to achieve this drove many of these early MNCs to establish strong relationships with domestic banks. Thus, it was not just the small size of domestic markets but also the role of indigenous banks that drove the internationalisation of Swedish industry (Lundstrom, 1986). It was through the establishment of a number of indigenous MNCs, by an international consortium of Swedish banks, that Swedish MNCs began to grow substantially (Olsson, 1993).

Olsson (1993) suggests that the First World War reinforced 'nationalistic' influences on the structures of Swedish MNCs, which placed a greater importance on establishing units inside markets, due to physical barriers of hostilities to trade. With the Russian revolution, export markets disappeared and it was not until the 1920s and 1930s that the Swedish economy emerged from recessionary conditions. As a result, there was a decline in the establishment of indigenous MNCs occurred during the 1930s and 1940s. In keeping, Forsgren (1990) argues that the majority of acquisitional growth strategies by Swedish MNCs continue to be into countries where operations already exist. In tracing the subsequent evolution of Swedish MNCs, Ghauri (1990) argues that the growth of 'early' MNCs was facilitated by three factors: the neutrality of Sweden throughout the Second World War, the removal of trade restrictions immediately following the war, and Sweden's ability to capitalise on post-war demands. Ghauri (1990) thus identifies two groups of MNCs: the pre World War I 'early internationalisers' and the post World War II 'late internationalisers'. In investigating their routes to internationalisation, Ghauri (1990)

found that Swedish MNCs moved firstly into adjacent markets and then Southeast Asia. Similarly, Lundstrom (1986) identified the first phase of MNC development in Sweden as occurring between 1900-30. He found a similar geographical route toward the proximal markets of the UK, Russia and France in the first instance. Aggarwal and Ghauri (1991), in their examination of the evolutionary path of MNCs from small countries, found that during the 1950s and 1960s there was an increase in the internationalisation of Swedish firms. However, they also found that when the nature of competition changed in the 1970s and 1980s, Swedish MNCs had to increasingly engage in FDI in an attempt to protect their markets, as their ability to serve foreign markets by exports had declined. Olsson (1993) notes an acceleration in FDI in two distinct waves, one prior to 1977 and another in the 1980s when there was a shift away from forestry toward engineering and the production of finished products. This he attributes to an industrial crisis that occurred within the 1970s and from which export industries moved toward more specialised products.

Swedish MNCs increased their pace of internationalisation during the late 1980s, firstly into the US and then into the EC (Andersson *et al.,* 1996). Acquisitions were found to be the predominant mode of entry into new markets and their growth strategies were found to be dependent on the skills of the investing company. For example, they found that MNCs with technological capabilities tended to favour greenfielding, while others with the ability to synchronise existing technology generally favoured acquisitional growth strategies. With the move towards greater European integration during the 1980s a shift occurred in the behaviour of Swedish MNCs toward vertically integrated units within EU. Trade liberalisation on a regional basis enabled Swedish MNCs to shift toward international specialisation across borders, which resulted in a reduction in the volume of domestic operations. Consequently, Olsson (1993) claims that current MNCs can no longer be understood

in terms of evolutionary models but as a process of strategic management decisions.

The particularity of this historical context has led to Swedish MNCs exhibiting a number of distinctive characteristics. In contrast to US MNCs, Swedish companies have a more 'parent-child' relationship with subsidiaries, reporting direct to their corporate head office with no special international divisions (Olsson, 1993). Other particularly Swedish characteristics include greater autonomy for subsidiaries and integration through informal, personalised relations reinforced by intensive international rotation of personnel. It is also claimed that the technological innovations of Swedish MNCs are long established, with the gradual transfer of knowledge running in tandem with international growth prior to the 1970s. Lastly, this literature suggests that Swedish MNCs are characterised by strong ownership connections, between themselves and themselves and the Swedish banks. This has led to a clustering of MNCs into integrated groups of industries. While Swedish MNCs have traditionally operated a 'parent-child' relationship with subsidiaries, research in recent years however has shown that they have leapfrogged through the traditional international process, primarily through acquisitional growth strategies, and are now becoming more dependent on foreign markets. As a result, overseas 'centres' have emerged, as many are reported to have moved from hierarchical to heterarchical patterns of organisation. Ghauri (1990) found new structural forms presently emerging amongst Swedish MNCs. Subsequently, he has predicted that regional subsidiaries will becoming more independent and influential in Swedish MNCs, becoming the 'centre' for a number of surrounding subsidiaries. In keeping, Aggarwal and Ghauri (1991) also argued that MNCs from small economies alike Sweden are now more likely to develop independent centres sooner than MNCs from large economies. It was found that while Swedish MNCs are not shedding their national identity it is becoming easier for them to 'cut loose' their source country.

In examining the emergence and role of these foreign centres, Forsgren *et al.* (1992) found the role and relationship of foreign subsidiaries to be dependent on the stage of internationalisation. They found that as internationalisation increases, the subsidiaries adopt a leading role that gives rise to a number of centres located in countries, other than the head office. This they term 'internationalisation of the second degree' and found that not only are Swedish MNCs highly internationalised but that they have now also 'internationalised' their management structures by placing divisional head offices overseas. In the case of Swedish MNCs, they suggest that internationalisation and movement towards SEM increased the importance of subsidiaries and led to the emergence of 'multi-centres', thus producing a relative power shift in resources overseas. Forsgren *et al.* subsequently show that with many European concerns, the subsidiaries have changed their role from being the 'long arm' of head office to a situation where they presently function as the 'centre' for a particular product or function. In short, they predicted that the corporate head offices of Swedish MNCs could even eventually move to Continental Europe.

In conclusion, it can be seen that the Swedish model of managing subsidiaries is characterised by early internationalisation, organic growth strategies, overseas centres, autonomy for subsidiary managers, extended personal networks, informal personalised control, low product diversity and competition through technology, pricing and product (Hedlund and Aman, 1984). In effect, in the Swedish case the theory of direct investment is ultimately a theory of size and growth of firms (Swedenborg, 1979).

In examining the role of Swedish MNCs in shaping national IR practices a number of characteristics are discernible. As a nation, Sweden has traditionally been pointed

to as an exemplifer of social achievements and harmonious labour markets. In the field of industrial relations, the 'Swedish model of IR' refers to the unique configuration of social and economic policies (Visser, 1996). Based upon the foundations of what Visser (1996: 176) terms 'bargained corporatism', the model pivots on a centralised agreement - *Saltsjöbaden Agreement*, reached between the Swedish trade union confederation (LO) and the Swedish Employers' Federation (SAF) in the 1930s. Recognising the basic right by management to manage and the basic principle of collective representation of workers, it removed state intervention from IR concerns (Mabon, 1996). It was from within this environment that a number of major Swedish manufacturers, such as Ericson and Volvo grew. During the 1970s the introduction of employment legislation and a growth in the strength of large Swedish MNCs saw the eventual collapse of the solidarity wage policy, and a questioning of the Swedish model (cf. Kjellberg, 1998 for a fuller discussion). Key to these changes was the role played by Sweden's leading MNCs in deflecting from central bargaining arrangements. Unable to recruit or retain skilled employees, these companies in 1983 and again in 1991 broke away from the wage constraints of centralised agreements. Through their representative body, the SAF, this group of companies drove the campaign to decentralise collective bargaining. As a small country that is highly dependent on its large transnational companies, Sweden is at a 'cross-roads' between centralised and decentralised bargaining.

2.3.7 Limitations of the Small Country Thesis

While the small countries literature offers insights more sensitive to the particularities of MNCs from small countries, critics note that even a more specific grouping like this can conflate cases that are quite distinctive. While the Swedish case highlights the early internationalisation of indigenous firm, other research suggests that in contrast most European MNCs were late internationalisers. While

certain European companies were multinational before the Second World War, Ruigrok and Van Tulder (1995: 130) suggest that the majority of European companies only began large-scale overseas production during the 1970s. Furthermore, despite identifying a number of key factors from the small countries literature, research comparing 'typical' firms of similarly-sized nation-states also revealed significant differences (Lilja and Tainio, 1996; Kristensen *et al.*, 1996). Even between two small-developed countries such as Denmark and Finland, the 'types of relevant social actors, typical firms and institutions' were found to differ systematically (Lilja and Tainio, 1996: 186). Of similar size and stage of development, both the Danish and Finnish business systems differed in terms of the degree of State control and time horizons. While the Finnish case highlighted the predominance of centralised approaches, due to the large size of the 'typical firm', the importance of State intervention and the proliferation of the typical firm model, the Danish situation highlights greater decentralisation, characterised by a bottom-up system of development, maintained by a system of social ties and shared history. Differences are again evident along a temporal axis. The time-scales for change were found to be significantly longer for the Finnish rather than the Danish case. As Lilja and Tainio (1996: 189) write:

> The difference in the relevant time horizon of the typical Danish and Finnish firms is strongly correlated with the structural shape of the business systems and is reflected in many of the industrial institutional dimensions.

These limitations should lead us to be cautious of inferring that Ireland's MNCs would show characteristics that would necessarily follow the expectations that flow from the Swedish or any other small country context.

2.3.8 Summary

This section has demonstrated that despite all the globalising factors shaping the

internationalisation of firms, MNCs should perhaps still be regarded as 'essentially national' entities (Ruigrok and Van Tulder, 1995). Despite its limitations, the NBS framework re-emphasis the contextual analytical references which had largely been lost through successive attempts to decontextualise the organisational structure of the firm in the globalisation literature (Loveridge, 1997). Informed by this perspective, it thus follows that an understanding of Irish MNCs and their subsequent HRM must be located within the specifics of the Irish economy and its developments *in addition to* the increasingly global markets in which they operate. Furthermore, given the emphasis in the NBS and the globalisation literatures, the insights provided by the small countries literature may provide some guidance in terms of understanding the Irish context. As Marceau (1992: 156) writes: a 'comparison of the business systems of small countries reveals not only that they differ quite considerably from those of their larger counterparts, especially in Europe'. And she suggests that small European nation-states may have to 'rethink their public welfare and industrial policies' in the light of this. However, Marceau (1992: 156) also points out that small countries 'differ quite considerably among themselves'.

It is important, therefore, to bear in mind that the small countries literature is largely dominated by Scandinavian studies and that little is known of other small European countries such as Belgium, Luxembourg or Ireland. In addition, what little research there is on small-country MNCs has either centred on the foreign operations of firms from small-developed economies or on the foreign operations of firms located in developing countries. Thus, as Aggarwal and Ghauri write (1991: 248): 'few of these studies have focused on the development of a conceptual framework that be useful in understanding the evolution of multinational firms from a small developed economy'. Moreover, the literature that does exist on small countries such as

Sweden is similarly dominated by relationships between small size of the home country and the internationalisation process, largely within the remit of international business, while little is known of the HRM implications of a small-country effect. In conclusion, while the expectations that one may develop from the NBS and small countries literature enable us to question the globalisation thesis and highlight aspects that we should bear in mind when examining the nature and particularity of the management of IR and HR in Irish-owned MNCs, it is clear that a fuller investigation into the Irish context may be necessary to understand this behaviour.

2.5 Conclusion

This review of the literature was conducted in order to frame an understanding of the influences on the management of IR and HR within Irish-owned MNCs, and the extent to which these may be distinctive. Three relevant schools of thought were identified and reviewed. While the globalisation 'school' argues that nationality no longer matters, the NBS and small countries 'schools' suggest that nationality remains the defining factor in shaping MNC behaviour. By way of conclusion these perspectives are summarised as follows.

There is now an established school of thought that argues that MNCs have become or are becoming 'stateless' or 'borderless' and therefore disengaged from their national origins. MNCs, according to this 'globalisation thesis', are evolving toward a 'global model', a process that involves the shedding of their national shackles. Consequently, MNCs are claimed to be characterised by trans-national management structures, dispersed power and control mechanisms, and integrated production facilities. These structures lead to the integration of structures and the homogenisation of HRM. As a result the distinctiveness of national regimes of work relations are threatened, local workplace influence is eroded as practices become

shaped by global or international concerns.

In contrast, much has been written to disprove the idea of a global model of MNCs. As a body of literature, the national business systems view argues that MNCs are far from stateless. Despite globalisation, they argue that MNCs continue to be shaped by the set of characteristics specific to the country from which they originate. It follows that the HRM practices of MNCs of one country will differ from other MNCs from other countries. This variance is argued to reflect differences in national systems of corporate governance and control, the role of the State in industry, labour market institutions and forms of labour market representation. In other words, MNCs differ subject to the 'national business system' and subsequent management style of their country-of-origin. Finally, there is a third stream of literature potentially applicable to understanding the Irish case. Building upon the NBS school of thought, the small countries literature focuses on one particular aspect and argues that the nationality effect is shaped by the size of the economy from which MNC emanate. Such a view holds that the ability of MNCs from small countries to pursue routes toward globalism is directly related to the form of internationalisation and their home countries' 'prerequisites for international trade'. Moreover, it argues that the organisational practices of MNCs originating in smaller countries are more susceptible to changes in the competitiveness of domestic and international markets. Inter-firms linkages are also critical for companies seeking to internationalisation from a small 'home base'. Correspondingly, advocates of this view suggest that the small size of domestic economies creates a specific bargaining dynamic in the area of labour relations, a dynamic that encourages corporatism and centralised partnership arrangements.

This literature review subsequently provides three frames of reference and three sets

of expectations with which the object of this study may be examined. However, given that these schools of thought do not concur, this research will question the ability of each to inform the case of Irish-owned MNCs at a later stage. While one of the main weaknesses identified within the NBS and small countries literature is that it is underdeveloped in terms of providing frameworks with which to understand the HRM behaviour of MNCs, they present a strong case for seeking to understand the particularities of the Irish context before examining the extent to which Irish-owned MNCs are distinctive. Chapter three reviews the relevant literature toward this aim. In light of the major weakness identified with both the NBS and small countries literature, it attempts to do so with a specific emphasis upon a deeper understanding of the historical factors that lie behind the national context of Ireland.

CHAPTER 3

THE IRISH CONTEXT: 'LATE INDUSTRIALISATION REVISITED'

The previous chapter reviewed three bodies of literature that may inform this research. While both the NBS and the small countries literature promote the importance of the national context, neither indicate factors which many argue are key to an understanding of the development of the Irish context and its indigenous industry. In light of this, chapter three examines the socio-economic context of Ireland and places Irish-owned MNCs within their national context. The chapter outlines the development of Irish industry, tracing the structure of organisational forms through patterns of Irish Industrialisation. The objective is to demonstrate the manner in which economic developments have shaped the structure of Irish industry. To this end, this thesis 'revisits' the 'late industrialisation' thesis, in light of the 'revival' and internationalisation of Irish industry. The chapter then turns to an examination of HRM models within Ireland and, in particular, the notion that the recent and rapid internationalisation of the Irish economy has led to the 'fragmentation' of HRM models.

3.1 INTRODUCTION

Chapter two reviewed three bodies of literature whose expectations may inform the study of HRM within MNCs. Following the importance placed on the national context by both the small countries and NBS literature, this chapter outlines the wider context within which Irish-owned MNCs have emerged. In reviewing this, attention is paid to the influence of late industrialisation and the internationalisation of the Irish economy on the organisational forms of Irish companies, and, subsequently, on their approaches to the management of IR and HR.

In the absence of a body of literature that specifically links the development of Irish industrialisation patterns with the management of IR and HR in Irish-owned MNCs this chapter takes the rather piecemeal nature of existing research and attempts to draw linkages between the development of Irish industry, changes in industrial policy and the emergence of Irish-owned MNCs. More specifically, this chapter examines a number of factors that may be influencing the management of IR and HR within Irish MNCs by drawing on two notions or contentions. Firstly, that the sectoral location and subsequent behaviour of Irish MNCs can best be understood in

relation to the 'late industrialisation' thesis. As O'Malley (1992: 31) writes: 'the nature of Ireland's relatively late industrialisation has been rather different to that of earlier developers and the structure of industry in Ireland today differs from that of more advanced economies'. Key commentators on the development of Irish industry have, consequently, argued that the 'lateness' with which Ireland has industrialised and internationalised has led to the emergence of distinctive structural factors within Irish business environments (O'Malley, 1985). Secondly, in keeping with the premise that variations in organisational forms are related to differences of national characteristics, such as patterns of industrialisation (Kristensen, 1996), it has been posited that Ireland's industrialisation is closely linked to the overall ecology of Irish organisational forms. For example, Leavy (1993: 143) argues that: 'co-operatives, state-owned enterprises, public limited companies and state agencies are all important elements in the overall ecology of Irish organisational life.' While this in itself is not unique, he goes on to suggest that: 'what is most characteristic of the Irish experience is the way in which all of these organisational forms have come to the fore in the overall process of national development, and how their roles have changed over time.' This chapter works toward examining these current debates and their impact in shaping the approaches of Irish MNCs to the management of IR and HR. The objective is therefore to privilege notions of divergence and the distinctiveness of local practices.

To this end, this chapter is structured into three sections. Section one sketches the development of Irish industry and 'revisits' the 'late industrialisation' thesis as a defining influence on the configuration of Irish industry. The aim of this section is to broadly outline the main developments in Irish industrialisation, highlighting the dominance of particular organisational forms at different phases of industrialisation. Following this, the internationalisation of the Irish economy and the emergence of

Irish-owned MNCs are outlined. The final section places current HRM debates regarding the impact of MNCs on the national system of industrial relations, within this context of late industrialisation and internationalisation. The chapter concludes by outlining a recent HRM framework that depicts a picture of fragmentation. More particularly, it posits that Irish-based companies are presently pursuing fragmented approaches to the management of IR and HR.

3.2 The Development of Irish Industry

Ireland is frequently referred to as a 'late industrialising' country, given that the process of industrialisation began just over six decades ago (O'Malley, 1992; Kennedy, 1992). From the foundation of the Irish State in 1921, three phases of industrial development are readily identifiable. The first phase of industrialisation began in the 1930s, with the introduction of protectionist policies by the State. Under the leadership of the then president, Eamonn de Valera, a vision of economic self-sufficiency and the recovery of cultural distinctiveness was implemented. To this end, import-substitution policies were introduced which placed constraints on imports in an attempt to facilitate the development of indigenous industries. A second phase of industrialisation occurred in the 1960s with the abandonment of isolationist policies of self-sufficiency and the adoption of outward looking, free market policies. This was to result in an influx of foreign direct investment (FDI) into the Irish economy. Since the beginning of the 1990s, a third phase of development is increasingly becoming apparent. In the wake of an emphasis on the attraction of FDI and the under-performance of indigenous industry in comparison, a shift in policy has occurred in an attempt to address the differentiation between the development of the indigenous and foreign-owned sectors (cf. Industrial Policy Review Group, 1992). This has led to a redefinition and broadening of industrial policy to encourage the international competitiveness of indigenous development. As

will be seen, while these phases are distinct, they are also interrelated. While each may be seen as a new development, they may equally be seen as a response to the problems emerging out of the phases that preceded it.

3.2.1 From Colonialisation to Self-Sufficiency (1930-1960)

The process of Irish industrialisation did not begin, as many believe, with the establishment of the Irish Free State in 1921 but with the introduction of strong protectionist popularised Keynesian policies in the late 1930s. Favouring the use of tariffs and other import restrictions, these policies were designed to encourage the competitiveness of domestic products against foreign imports. The underlying rationale was to reduce levels of importation through policies of import substitution and, in doing so, develop new indigenous industrial bases and invigorate those that had been neglected during previous administrations. The effect of these policies was a doubling of manufacturing employment during the period 1931-1951 and rapid industrial growth within protected domestic markets (although this was not matched with movement by domestic markets into exporting markets). Moreover, O'Malley (1988) posits that these protectionist policies enabled indigenous firms to overcome 'barriers to entry' into less complex types of industries. Barriers to entry which included the presence of large established firms with technological capabilities and marketing strength and significant economies of scale. Despite the obstacles, O'Malley (1988) notes the strong performance of indigenous industry within 'non-traded' sectors. In other words, sectors that were either concerned with the basic processing of local primary products, or, by their very nature, offered some degree of natural or national protection against overseas competitors and tended not, therefore, to engage in international trade.

Relatedly, Leavy (1993) suggests that the development of the Irish economy has

largely been associated with the promotion of specific organisational forms. With the establishment of the State in the early 1920s, and the introduction of protectionist policies in the 1930s, Leavy (1993) suggests that 'co-operatives' became firmly established as part of Ireland's economic structure. He writes (1993: 128) that: 'when private capital was slow to invest in industrial projects, in spite of the incentives offered by the new policy's protectionist measures, Lemass had little hesitation in using the resources of the State'.[6] One such way in which national self-sufficiency was sought was through the existing co-operative movement. Introduced by Sir Horace Plunkett into Irish agriculture in the early 1890s, the Irish co-operative movement advocated the sharing of financial benefits between the producers and their communities, in an attempt to consolidate their economic power over the value of the produce. The inability of Irish farmers to raise above subsistence level was, according to Plunkett, the main impediment to the development of the economy as a whole (Bolger, 1977). As an organisational form, the co-operative was originally intended to extend to all spheres of Irish industrial activity, however, it remained largely confined to the agricultural arena. The interconnectedness of this form of organisation and the wider social fabric of rural Ireland has been well documented as formative in the creation of a rural social structure and the creation of Irish managers (cf. Leavy, 1988).

With the introduction of protectionist policies in the 1930s, State-owned enterprises (SOE) superseded co-operatives as the dominant organisational form when the State emphasis shifted to the development and protection of indigenous industries. As Leavy (1993: 137) writes these State-owned enterprises 'were the primary engine of early industrialisation in the 1930s and 1940s and played a formative role in the

[6] Sean Lemass was Minister for Industry and Commerce within the De Valera government. He is largely credited as being the 'architect of Irish industrialisation', through the introduction of strong protectionist policies in the 1930s and, when as Taoiseach, in the 1960s with the introduction of outward-looking industrial policies. As the later chapters will highlight Lemass was to play a key role in the formation of a number of Irish MNCs.

emergence and early development of a modern techno-managerial class in Irish society'. Hastings (1994: 30) also suggests that the establishment of SOEs occurred: 'to fill a gap in the provision of vital goods and services which was not being catered for by the private sector'. Rather than being based on any ideological predisposition, Hastings (1994) suggests that the emergence of State-owned companies grew out of a sense of pragmatism. During the period 1932 to 1948, the number of State-owned bodies quadrupled from six to twenty-four, as the State invested in industries deemed strategically important for securing national sufficiency and where private investment was slow to venture.[7] The creation and establishment of State-owned enterprises accelerated the process of industrial development, secured controlling interest for national security and revitalised strategically important industries where private investment had not been forthcoming. By the 1930s, both the State-owned companies and the co-operatives were firmly established features of the structure of Irish industry, providing many of the organisational forms from which a number of current Irish-owned MNCs have evolved.

However, after three decades of protectionist Keynesian economics and establishing national self-sufficiency, a number of economic problems were becoming readily apparent. While the first phase of Irish industrialisation saw consolidation and marked increases in employment levels and the performance of 'non-traded' sectors, these gains were not matched in other areas. The self-sufficiency industrial policies of the 1930s and 1940s had, in effect, failed to generate sufficient employment increases to offset rising emigration rates, so that by the 1950s industrial growth had effectively ceased to exist. While many capital and material inputs grew to a level that exceeded the cost of imports, import substitution still only occurred only within particular industries and this combined with the borrowing of successive

[7] Hastings (1994) notes of the twenty-four SOEs, listed by Sweeney (1991), six have since passed into private hands either through privatisation or closure.

administrations led to a Balance of Payments (BOP) problem. It was the BOP crisis, along with a lack of employment generation and rising employment that signalled the cessation of protectionist and import-substitution policies. In short, by the late 1950s the first phase of Irish industrial development had run its course.

3.2.2 From Self-Sufficiency to an Outward-looking Ireland (1960 - 1991)

After a decade of increasingly acute economic problems, the prevailing view by the end of the 1950s was that the costs of protectionism, borne out of the drive toward self-sufficiency, outweighed the benefits. The prolonged economic crisis of the 1950s led to the adoption of outward-looking policies, the result of which was a dramatic increase in inward foreign direct investment (FDI) levels. As a result, a movement towards 'outward-looking', free-market policies ensued. This was fuelled by domestic and foreign investment to encourage the production of goods designed for export markets. As a nation, Ireland is regarded as 'distinctive' among late-industrialising countries in this shift from inward- to outward-looking strategies through trade agreements with advanced countries during the 1960s (O'Malley, 1998). These outward-looking policies were based upon the attraction of foreign investment. The underlying rationale was that through a system of grants and tax concessions, FDI would promote export industries and attract further foreign investment, thus accelerating the industrialisation and modernisation of the Irish economy. Foreign projects were targeted to complement rather than replace domestic industries and ensure a 'more diversified export-orientated economy' (Leavy, 1993). The change in approach resulted in a dramatic increase in inward levels of capital during the 1960s.

The 'opening up' of the Irish economy in the 1960s led to an increase in the entry of foreign MNCs, mainly large North American MNCs. These changes in the Irish

industrial landscape were accompanied by the establishment of non-commercial State development agencies, in areas such as agricultural, industrial, management training and development and economic and social research.[8] One of the leading agencies established to spearhead the attraction of foreign investment was the Irish Development Authority (IDA).[9] Motivated by tax concessions, grants, low wage costs and access to European locations, foreign-owned MNCs contributed substantially to industrial growth during the 1960s and 1970s. The entry of Ireland into the European Economic Community in 1973 further encouraged the second phase of Irish industrialisation. Export-led, free market policies led to steady industrial growth, manufacturing employment and exports. With a growth in manufactured outputs, the diversification of industry into technically advanced products occurred. This heralded Ireland's arrival as an 'advanced industrial state'.

By the late 1960s, foreign investment entering Ireland had shifted from mature labour intensive industries to the targeting of high-technology capital intensive industries, such as electronics and software. Even though there has been a recent shift in Irish industrial policy towards the development of internationally trading indigenous industries, the attraction of foreign MNCs to Ireland remains a key component. In addition to the policies that attracted the first MNCs into Ireland, these companies also sought to also take advantage of Ireland's highly educated population and relatively low wage structures for skilled workers given traditionally high unemployment levels. This trend would gain greater pace in the 1970s and 1980s and continue to resonate in the composition of Irish industry in the 1990s.

---

[8] Forty such agencies were established between 1960 and 1980 as the State continued to raise its direct role in development.

[9] The businesses which IDA Ireland seeks to win are internationally mobile projects which can operate competitively and profitably from Ireland. This covers a range of sectors such as electronics, pharmaceuticals and healthcare, engineering and international and financial services. IDA Ireland markets Ireland as an attractive location for overseas investment through its network of offices abroad, emphasising the stability and growing competitiveness of the Irish economy, the favourable tax regime, financial incentives, the outstanding skills base and our active participation in the new Europe.

While employment in foreign-owned manufacturing companies had declined from 1980 to 1987, output for the same period continued to grow. By 1992 foreign-owned MNCs were well entrenched and accounted for 41% of manufacturing employment. However, research by this time was also beginning to suggest that this growth, driven by the FDI or foreign MNCs, was confined to a small number of sectors that purchased a low proportion of materials from the economy, while continuing to repatriate high levels of profits out of Ireland (Turner *et al.*, 1997).

3.2.3 In search of Equilibrium (The 1990s)

Irish industrial policy in the last decade constitutes a redefinition and broadening of the export-led free market policies introduced during the 1960s rather than a fundamental change in direction. This has been conducted in an attempt to obtain some form of equilibrium between the performance of indigenous and foreign firms. The international recession of the 1980s resulted in a significant decline in Irish manufacturing employment between the years 1979 to 1987, resulting in the retrenchment of a number of Irish industries. This decline was coupled with a steady increase in industrial growth, recorded as among the highest in any OECD country. O'Malley (1992: 38) suggests that this high rate of industrial growth has been influenced by major structural changes and a widening in the gap between the 'experience and performance of Irish indigenous and foreign-owned multinational firms'. Indeed, O'Malley (1992) goes so far as to claim that the poor performance of Irish indigenous industry up to the mid-1980s may be explained by the structural emphases on non-traded sectors. Since 1987, Ireland has witnessed rapid growth, stable inflation, improved employment, export and balance of payments performance, coupled with high unemployment rates, resulting in a GNP growth rate of 3.4% by 1992. Recording among the highest growth rates in the EC, by the 1990s

the Irish economy had become known as the 'Celtic Tiger'.

A number of reports commissioned by the Government in the late 1980s recommended renewed emphasis on indigenous development. As a result, Ireland's approach to industrial development began to be viewed in a somewhat different manner.[10] The recommendations of these reports included a greater emphasis on the evaluation and monitoring of grant-aided firms; a renewed emphasis on the promotion of indigenous enterprises through the creation of 'industrial clusters'; a shift in the emphasis of State aid from grants to equity; the reorganisation of related government agencies; and finally, investments in the infrastructure (Government Publications, 1994). By 1992, the Government adopted a new plan for industrial policy which involved 'an adaptation rather than a reversal of the policy of attracting foreign investment' and where indigenous industry was to be given 'greater attention and support' (OECD, 1994: 28). The change in policy arose from a recognition of a gap between a rapidly expanding foreign-owned sector and a slower growing indigenous sector comprised of small- to medium-sized firms (Industrial Policy Review Group, 1992).

This latest 'phase' of industrial development is characterised by a two-pronged approach: firstly, to widen the indigenous supply base for the foreign sector; and secondly, to increase the scale of established internationally trading indigenous industries. Such a reorientation involves a shift in focus from grants towards equity and a refocusing of industrial promotion towards 'industrial clusters', where the

[10] In 1982 the Telesis Report recommended that greater emphasis be placed on indigenous development. In 1984 the White Paper on Industrial Policy highlighted new directions for industrial policy through research, technology, indigenous company development and greater linkages between foreign and national firms. The Culliton Report in 1992 highlighted Ireland's over dependence on overseas-owned enterprises in its industrial base and recommended the need to develop an indigenous enterprise sector. It also recommended a broader approach to industrial development through the improvement of investment conditions, the improvement of the infrastructure, enhanced competition, reform of the tax system, and greater training and education. This was followed by the Moriarty Report in 1993 that recommended the implementation of the Culliton Report.

State provides direct support for a limited number of potential niches regarded as possessing some degree of competitive advantage. The Culliton report[11] of the early 1990s recommended that industrial policies be directed towards the development of 'clusters' of related industries, in an attempt to build sustained competitive advantage. Influenced by the 'Diamond' model (Porter 1990), the underlying rationale was one of directed assistance to inter-connected sectors such as food. While the intent was one of equating the focus between both foreign and Irish industries, recent reports by the OECD (1994: 31) suggest that it is: 'clear that the [Irish] government is becoming more selective regarding the types of foreign projects receiving grant aid, and is concentrating on projects which are likely to become closely integrated into the Irish economy'.

Accompanying the 'redefinition' of industrial policy was the restructuring of State development agencies into two separate autonomous bodies.[12] Following the reorganisation of State agencies, the IDA, who was traditionally responsible for the promotion of both indigenous and foreign enterprises, became responsible for the attraction of internationally mobile investment into Ireland, while the newly established *Forbairt* was given responsibility for the development of Irish-managed indigenous industry.[13] These two separate and autonomous agencies, each with independent management boards, were created under the aegis of *Forfas*.[14] The impetus for the redirection was the recognition of the differing needs of foreign and

---

[11] The Report by the Industrial Policy Review Group in 1992 is also known as the Culliton Report.

[12] In 1993 the Department of Industry and Commerce and the Department of Employment merged to form the Department of Enterprise and Employment, responsible for the formulation and implementation of industrial policy.

[13] Enterprise Ireland brings together the key marketing, technology, enterprise development and business training initiatives through which the Government supports the growth of Irish industry. It combines the resources of the former Irish Trade Board, Forbairt and the in-company training division of FÁS.

[14] Forfás is the policy advisory and co-ordination board for industrial development and science and technology in Ireland. It is the body in which the State's legal powers for industrial promotion and technology development have been vested. It is also the body through which powers are delegated to Enterprise Ireland for the promotion of indigenous industry and to IDA Ireland for the promotion of inward investment.

Irish enterprises and for a greater focus on the development of indigenous industry.

As industrial policy shifted to re-emphasis indigenous growth within international markets, the organisational form that came to the fore in the 1990s was the public limited company. According to Leavy (1993: 139) both indigenous and foreign public limited companies 'are the leading institutions in the country's economic structure and in the development of Irish management and organisation. Most innovations in organisational structures and processes, and in management practices, now tend to diffuse out from this sector to the rest of the economy'. He suggests that many of the industries that developed under the economic self-sufficiency policies of the 1950s have remained small scale and focused on domestic markets, showing little ambition to move outside of domestic markets.

In contrast, O'Malley (1992: 45) argues that many of the indigenous firms presently operating are 'either the survivors of many years of intensifying competition or relatively young companies which were established in a competitive environment'. However, while questions may now be being raised about the theoretical basis of the third phase of Irish industrial development, it seems that the organisational forms being shaped by the policies will continue to influence the composition of Irish industry. According to Leavy (1993: 140), the promotion of 'industrial clusters' has encouraged two main organisational trajectories: to 'widen the indigenous supply base for the foreign sector and to make the country as vertically integrated in the manufacture of high technology products', and to build-up in scale indigenous companies. He (1993: 141) goes to suggest that: 'national industrial strategy aims to have at least ten £1B Irish multi-nationals by the year 2000'. Thus, it is likely that the internationally trading indigenous enterprise or MNC could dominate in the future, given the renewed emphasis on the development of the indigenous sector.

In conclusion, while recent research into the relevance of 'industrial clusters' as a major plank of Irish industrial policy suggests that while the model of clusters offered by Porter (1990) has been regarded as good starting point in identifying the parameters in which Irish competitiveness can be addressed, it is now being challenged. Indeed, given, in Clancy *et al's* (1998: 22) words 'the serious questions raised about the general applicability of the model and given the specific nature of Irish economic/industrial conditions, it is now necessary to search for an alternative model for Irish industrial development'. However, it is clear that with renewed emphasis in recent years on the development of indigenous industry, one group of organisations that will continue to shape the landscape of Irish industry, however Government policy may shift, are Irish-owned MNCs. The following section, building on the economic context of the 1990s outlined above, outlines the extent to which and manner in which the Irish economy has internationalised. By doing so the chapter focuses more specifically on the emergence of Irish-owned MNCs.

3.3 The Internationalisation of the Irish Economy

Another aspect of Ireland's industrial context that is particularly unusual is the recency with which the economy was 'internationalised' (O'Malley, 1992; Kennedy, 1992). Only since the introduction of outward-looking industrial policies in the 1960s, the Irish economy has embarked on a route toward internationalisation and modernisation. As outlined above, a key component of the industrialisation and internationalisation of the Irish economy has been the attraction of FDI. Since the establishment of the State, foreign MNCs have played an important role in the development of the Irish Economy. While foreign MNCs were evident prior to the foundation of the State in the 1920s, it was not until a return to free market policies that FDI recommenced. It was during the 1960s that foreign MNCs gained a strong

foothold in the Irish economy. As the Irish economy internationalised, Irish industry diversified and the share of the domestic market held by 'traditional' indigenous sectors of industry decreased from 66.5% in 1980 to 47% in 1996. Foreign-owned companies, accounting for 45% of manufacturing employment, dominated the modern high-technology and pharmaceutical sector of industry by the mid-1990s. Despite the more recent refocusing of industrial policy, the attraction of foreign MNCs remains a key component of Irish industrial policy. In examining the structure of Irish industry in the 1990s, a broad dichotomy between 'modern' sectors dominated by foreign-owned MNCs and predominately indigenous-owned traditional sectors is now apparent.

3.3.1 The Development of Indigenous Industry

While the importance and growth of foreign investment and foreign-owned MNCs has fared well, the performance and contribution of indigenous industry has continued to disappoint, despite successive attempts to stimulate it. From the mid-1960s to the late 1970s no employment growth occurred within the Irish-owned sections of Irish industry. During this time, domestic demand rose to compensate for the loss of market share to competing imports and indigenous industry managed only to maintain overall employment levels. The pace of change and promise of economic expansions led to a series of industrial disputes whose size and protracted nature led labour historians to term it 'the decade of upheaval' (McCarthy, 1973).

The 1960s were characterised by rising population and living standards, in which the Irish economy transformed from a predominantly agriculturally-based industry serving a largely static protected domestic market, toward an internationally competitive economy (ESRI, 1969). Despite the revival in economic terms, as McCarthy (1973: 25) wrote:

> The sixties began in a mood of rising expectation, of increased confidence in

> our ability to develop; it began with a taste of affluence in our mouths for the first time and a heady feeling for the future; but it began as well with a swirl of stress and tension in industrial relations.

Against a background of radical social and political change, which included a build up of unrest in Northern Ireland, and political scandals of gun-running by Government ministers, there was the promise of economic expansion and expectations began to rise. It was during the seventh wage round, which dominated collective bargaining within Ireland at the turn of the new decade, that large groups of clerical and salaried workers negotiated settlements that provided for increases significantly larger than those obtained in previous rounds. What followed was an upward spiral in comparability claims for large groups of workers. Increasingly large groups of workers resorted to industrial action in their attempt to secure wage increases and improved working conditions. As table 3.1 shows by the mid-1960s the number of industrial disputes had reached record levels. As McCarthy (1973: 28) concluded: 'during the sixties the question of industrial disputes, of strikes and pickets became a central problem in industrial relations and indeed in economic development'.

TABLE 3.1: IRISH STRIKE STATISTICS (SELECTED YEARS 1960-71)

Year	No. of Strikes	Days lost ('000s)	No. of workers involved
1960	49	80	5,865
1961	96	377	27,437
1964	87	545	25,200
1965	89	552	38,900
1966	112	784	52,200
1967	79	183	20,900
1968	126	406	38,900
1969	134	936	61,800
1970	134	1,008	28,800
1971	133	274	43,783

Source: McCarthy, 1973.

By the 1980s, domestic demand had weakened and employment levels fallen

considerably (employment fell by 27% during the period 1980-1987). By this time, Irish indigenous industry was dominated by large-scale enterprises that occupied much of the foreign-owned sector. There was little indigenous activity in sectors where economies of scale prevailed, which tended to be dominated by large firms from more advanced European economies (O'Malley, 1985 - cf. table 3.2). Despite the lacklustre performance of indigenous industry during the 1980s, a 'revival of indigenous industry' has been reported in the last decade (O'Malley, 1998).

TABLE 3.2: RANKING OF TOP INDIGENOUS FIRMS IN THE EARLY 1980S

Company	**Sales £m**	**Total Employment**	**Manufacturing Sector**
Smurfit Group	491.7	11207	Paper & Printing
Cement Roadstone	354.5	7493	Clay, Glass & Cement
Guinness (Ireland)	352.6	6000	Drink & Tobacco
Carrol Industries	219	1451	Drink & Tobacco
Waterford Glass	190.3	7009	Clay, Glass & Cement
Cork Co-op	154	960	Food
Mitchelstown Co-op	149.5	2100	Food
Avonmore Creameries	143.6	1300	Food
Irish Distillers	132.1	1050	Drink & Tobacco
Waterford Co-op	127.9	1200	Food
Golden Vale Co-op	110.1	1219	Food
Ballyclough Co-op	105.5	1020	Food
Anglo Irish Meat	102	700	Food
O'Flaherty Holdings	92	722	Metals & Engineering
Kerry Co-op	87.7	1000	Food
Cantrell and Cochrane	73	1540	Drink & Tobacco
North Connaught Co-op	68.8	260	Food
Clover Meats	67.4	950	Food
Premier Hughes	65	1950	Food
Youghal Carpets	63.6	2662	Textiles

Source: O'Malley, 1985.

Note: Figures and ranking figures to Guinness (Ireland) only.

Since the beginning of the 1990s, Irish industry has demonstrated strong growth performance, compared to that of previous decades and compared with other industrial countries. This revival has largely been attributed to two main factors: the growth in FDI and the overall improvement of Irish indigenous industry. According to the employment survey, conducted by Forfas between the years 1988 and 1996, total manufacturing employment has increased by 12.6%, with indigenous manufacturing employment increasing by 6.5% over that same time period. This improvement marked a stronger performance than that of the EU average, which was shown to decline by 14.5% over the same period (O'Malley, 1998). During this time the value of indigenous manufacturing exports also increased by 163%. In sum, indigenous industry has fared well in the past decade, both in comparison to previous Irish employment and export performance statistics and international standards. This success is largely seen to be related to the policies introduced since the mid-1980s (Clancy *et al.*, 1997).

The two-pronged approach of attracting FDI and the development of indigenous industry has seen the Irish economy perform well in the last decade (Forfas, forthcoming). Much of this success is evidenced by the rise in GDP rates. As table 3.3 highlights, Ireland's growth rates now exceed that of the EU average.

TABLE 3.3: GDP ANNUAL PERCENTAGE CHANGE

	Ireland	**EU 15**	**Differential**
1986-89	3.9	3.4	0.5
1990-93	3.5	1.2	3.5
1994-97	8.4	2.3	6.1

Source: Forfas (forthcoming).

Accompanying these growth rates has been an increase in the numbers employed within Ireland (cf. table 3.4). Recent estimates show that the manufacturing sector

has been the main driver of this growth. While commentators have attributed much of Ireland's industrial development over the last decade to foreign-owned companies table 3.4 suggests that the Irish-owned sector is also now contributed significantly. In the last decade, manufacturing employment has grown from 213,435 in 1989 to 264,167 in 1998. While foreign-owned firms account for the majority (61.5%), Irish-owned companies have provided a significant proportion (38.5%).

TABLE 3.4: TOTAL ENTERPRISE EMPLOYMENT (1989, 1995, 1998)

	1989	**1995**	**1998**	**89-98 (%)**
Labour Force	1,310,500	1,442,700	1,646,600	+25.6
Total at Work	1,113,200	1,267,400	1,521,600	+36.7
Agriculture	172,000	145,800	136,000	-20.9
Manufacturing				
Irish	120,169	129,230	139,687	+16.2
Foreign	93,266	110,666	124,480	+33.5
Total	213,435	239,896	264,167	+23.8
Internationally-Traded Services				
Irish	4,135	7,705	14,881	259.9
Foreign	5,482	15,001	31,441	473.5
Total	9,617	22,706	46,322	381.7
IFSC Component of above	394	2,758	5,367	

Source: Forfas and CSO.

As a recent Forfas report highlights, and O'Malley (1998) confirms, indigenous industry has undergone a revival in the 1990s. This can be seen in rapid growth in sales, higher levels of spending on research and employment levels compared against those of Foreign-owned manufacturing employment in Ireland (cf. table 3.5 and 3.6).

TABLE 3.5: IRISH-OWNED MANUFACTURING EMPLOYMENT 1989-1998

Irish-owned Manufacturing	1989	1995	1998	1989-98%
Non Metallic Minerals	9398	8397	9232	-1.8
Chemicals	3291	3749	4266	29.6
Metals and Engineering	25653	30281	35641	38.9
Food	33111	36763	38135	15.2
Drink & Tobacco	2050	1704	1754	-14.4
Textiles	5017	4661	4244	-15.4
Clothing, Footwear & Leather	10101	7731	6666	-34.0
Wood & Wood Products	4415	4694	5477	24.1
Furniture	4468	4534	5365	20.1
Paper & Printing	12793	12745	13478	5.4
Misc. Manufacturing	5531	8496	9458	71.0
Plastics and Rubber	4341	5475	5971	37.5
Irish-owned Manufacturing	**120169**	**129230**	**139687**	**16.2**

Source: Forfas Employment Survey, 1998.

TABLE 3.6: FOREIGN-OWNED MANUFACTURING EMPLOYMENT 1989-1998

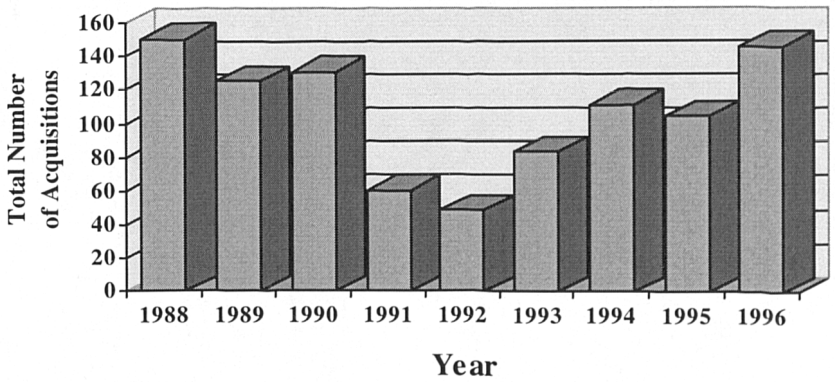
Foreign-owned Manufacturing	1989	1995	1998	1989-98 %
Non Metallic Minerals	2957	2292	1949	-34.1
Chemicals	11818	16137	19497	65.0
Metals and Engineering	42589	59315	72362	69.9
Food	9797	9006	8979	-8.3
Drink & Tobacco	6019	4976	4581	-23.9
Textiles	7142	6210	4500	-37.0
Clothing, Footwear & Leather	4378	3249	2340	-46.6
Wood & Wood Products	490	459	842	71.8
Furniture	17	6	5	-70.6
Paper & Printing	2134	2163	1801	-15.6
Misc. Manufacturing	1939	2750	3146	62.2
Plastics and Rubber	3986	4103	4478	12.3
Foreign-owned Manufacturing	**93,266**	**110,666**	**124,480**	**33.5**

Source: Forfas Employment Survey, 1998.

3.3.2 The Emergence of Irish-owned MNCs

Playing a large role in the improved contribution of Irish-owned industry have been the newly developing Irish-owned MNCs. Indeed, while there is much anecdotal reportage of Irish companies becoming increasingly international, the evidence also suggests that the pace of overseas business expansion by Irish companies has accelerated in recent years. Research, conducted on an annual basis, shows that the acquisitional activity levels of Irish companies have been rapidly increasing since 1990, reaching record levels in 1996 (Chapman Flood, 1996). As figure 3.1 highlights, most acquisitional activity amongst Irish companies is located in overseas markets. In 1996, sixty percent of completed acquisitions by Irish companies were *outside* domestic markets - the UK accounting for the largest proportion, followed by the United States and Other European countries. The growth of Irish MNCs through acquisitions has placed increasing challenges on their existing structures, reporting lines and managerial resources. What remains unknown is the influence that the size of these companies, the size of their home markets, their recency and pace of growth will have in shaping the behaviour of Irish MNCs and in particular their approach to the management of selected IR and HR issues. This research specifically addresses these issues.

Figure 3.1: Acquisitional Activity of Irish Companies 1988-96



Source: Chapman Flood, Annual Acquisitional Surveys, 1993 -96.

3.4 THE IMPACT OF INTERNATIONALISATION ON IRISH INDUSTRIAL RELATIONS

Not surprisingly, given the history described above, the main focus of empirical research on IIRM in MNCs within Ireland over the past three decades has been on the impact of increasing foreign investment on the national industrial relations system. More specifically, the focus has wholly been placed on examining the impact of foreign MNCs on indigenous practices. Much of the debate can be grouped into two schools of thought which, for simplification purposes, may be termed the 'conformance thesis' (Kelly and Brannick, 1995; Enderwick, 1996; Turner *et al.,* 1997) and '*non*-conformance thesis' schools of thought (Roche and Geary, 1997; Geary and Roche, 1999). The 'conformance' school is further divided into an '*old* conformance thesis' and '*new* conformance thesis'. A brief review of the debates follows.

The 'conformance thesis' promotes the view that foreign-owned MNCs conform to the practices of host country institutions. This view, which was popularised during the 1980s, worked from the notion that there was little variation between the employment practices of foreign-owned MNCs and indigenous firms. Kelly and Brannick (1985), in examining the impact of foreign investment on Irish IR, found no evidence to suggest that the practices of foreign MNCs were materially different from those of home-based companies. Moreover, they found it unusual for foreign MNCs to overtly contest the legitimacy of the trade union within the workplace. They concluded that the lack of legal obligations, specific to foreign firms, facilitated such a convergence. Similarly, Enderwick (1986), in examining the impact of foreign MNCs on the patterns of Irish labour relations, found the picture to be one of conformity by foreign MNCs to local practices. While recommending the periodic updating of data due to its changing nature, he concluded that foreign MNCs had little impact on domestic IR practices and that the practices of foreign

MNCs converged with those of domestic companies.

Combining these two studies a dominant view of IR in Irish MNCs was established which was in keeping with the broad academic thinking and the approach adopted by the State agencies concerned with attracting foreign investment at that time. The industrial relations policy adopted by the State from the 1960s onwards advocated that incoming foreign MNCs concede to trade union recognition and adapt to local IR practices. For the most part this approach resulted in foreign MNCs concluding single-union recognition deals through 'pre-employment agreements'. These agreements resulted in the signing up of trade union members prior to their employment. This approach of support for trade union recognition and convergence to local practices was pursued until the 1980s. With the entry of non-unionised foreign MNCs into the high-tech electronic sectors during the 1980s, the State development agencies relaxed their approach toward trade union recognition. It was this change in policy by State agencies that many commentators believe led to the introduction of sophisticated union avoidance strategies by foreign MNCs during the 1980s (Roche, 1995).

The 'conformance thesis' remained *in situ* until a recent rekindling of the debate by Turner *et al.* (1997) and Roche and Geary (1997, 1999). Attributing much of the 'old conformance thesis' to a consensual view held during the 1980s, these commentators questioned notions of convergence and divergence, in light of emergent empirical data. The current debate broadly centres on the question as to whether an over-riding country-of-origin or country-of-operation effect has occurred within Ireland. In simple terms, a country-of-operation effect, also known as 'host-country' effects, refers to the conformity of foreign-owned MNCs <u>to</u> local practices. In contrast, a country-of-origin effect, or 'home-country' effects, refers to the divergence of

practices of foreign MNCs from local practices and the adoption of practices from the country where the MNC originated. The orientating question in the recent debate has become *whether a country-of-operation or a country-of-origin effect has prevailed within Ireland.*

Roche and Geary (1997) revived this debate when they questioned the premise that foreign MNCs conform to host country IR and HR practices. In contrast to earlier debates, they argue that variation between the IR practices of foreign MNCs and Irish companies have been evident since the 1960s. Taking a number of IR issues they argue the case for a country-of-origin effect. Taking for example the issue of trade union recognition, Roche and Geary (1997) suggest that up to the 1980s foreign MNCs were willing to pursue trade union recognition strategies. However, they argue that since then differences have occurred in the *form* of union recognition strategy pursued. Firstly, while multiple trade unionism has prevailed within Irish companies, there has been a higher preference for single union representation within foreign MNCs. Furthermore, since the 1980s they argue that there has been an increase in the number of non-unionised foreign MNCs entering Ireland, more notably within the high-tech electronics sector (Roche and Turner, 1994). Citing research that demonstrates a growth in the resistance to trade union recognition (McGovern, 1989; Gunnigle, 1992), the authors suggest that while Irish management have tended to pursue such traditional techniques as union avoidance or union suppression, foreign MNCs have favoured more sophisticated union substitution strategies. This, they suggest, indicates a decline in host country influences.

With regard to collective bargaining and wage policies, again Roche and Geary (1997) note that differences between the practices of foreign and Irish companies have been evident since the 1970s (Murray, 1984). They argue that it is only with the

return to centralised negotiations in 1987 that there has been compliance by foreign MNCs to national settlements. Prior to that foreign MNCs deviated from national pay norms, often making above-average pay settlements. Despite the current adherence to wage norms, Roche and Geary argue that on the whole foreign MNCs tend to pay higher wages than Irish companies. Finally, in relation to HR practices, Roche and Geary (1997) suggest that research conducted in the 1980s clearly highlights variation in the practices of foreign companies from their Irish manufacturing counterparts. In particular, they posit that research has shown American MNCs to have distinctive HR policies. In conclusion, they suggest that the practices of foreign MNCs have had a 'spill-over' effect onto Irish IR practices and institutions. They argue that not only are Irish companies experimenting with such new HRM policies as single-union and pre-production agreements, but that there is a readiness of Irish unions to co-operate with the diffusion of these new employer strategies. In challenge to the 'old conformance thesis' position, Roche and Geary (1997) suggest that the IR practices of indigenous firms are converging towards the practices of foreign owned MNCs and not *vice versa.*

However, questioning the 'non-conformance' view that country-of-origin effects override host country effects, Turner *et al.* (1997) argue that no statistical evidence exists to suggest variation between the HR practices of Irish and American companies. Drawing on the results of the Price Waterhouse Cranfield survey conducted in 1995, they compare the collective institutional arrangements and human resource practices of Irish and US owned companies. Using such IR indicators as union recognition, union density and the presence of a joint consultative committee or works council, they found (1997: 96): 'no statistically significant difference between Irish and US companies on any of the available institutional measures'. Differences were, however, noted by the authors in relation

to the use of performance-related pay and the level of job flexibility, with higher incidences of performance-related pay recorded within American companies. While HR variation was noted, the authors question the translation as this into a 'new orthodoxy', citing factors such as the intensification of international competition and the length of time established as more indicative of the variation between indigenous and foreign practices. Turner *et al.* conclude (1997: 100) that: 'there is no evidence of a dominant effect of American multinationals on the industrial relations practices of indigenous firms'.

In response, Geary and Roche (1999) refute what they term Turner *et al's* 'new conformance thesis', contending that key differences do exist between the employment relations practices of foreign and those of Irish workplaces. Drawing on the results of the recent national workplace survey, Geary and Roche (1999) conduct two analyses: one comparing the proportion of foreign-owned and Irish-owned workplaces adopting a composite list of practices; and another contrasting the practices of Irish workplaces with those of American and other foreign-owned sites. Using a variety of IR and HR indicators, including new reward systems, voice mechanisms and flow management, their results suggest that (with the exception of work organisation) foreign-owned workplaces were more likely than Irish workplaces to have adopted such practices. In particular, American MNCs were found to be more likely to have a designated personnel specialist with representation at board level, greater communication with employees, higher usage of employee involvement initiatives, and greater incidences of profit sharing and share ownership. Similar to their earlier contention in 1997, Geary and Roche found American MNCs to differ little from Irish firms in their approach to union recognition, but when the data was further restricted to unionised workplaces, Geary and Roche (1999) again found variation between foreign and Irish workplaces. In

particular, they (1999: 15) suggests that 'representative structures and negotiating arrangements are less complex in foreign-owned workplaces', where single-union recognition agreements are more likely to prevail. In sum, they found a clear American country-of-origin effect with respect to human resource practices and, from the 1980s onwards, with respect to trade union recognition.

In short, Geary and Roche found the IR and HR practices of American MNCs to stand apart from those of indigenous firms. They write (1999: 16) that: 'MNC's approach to personnel issues would seem to have been more consistent with a human resource management approach than that of Irish-owned workplaces'. Given this, they suggest that while differences in HR practices between overseas and indigenous workplaces are apparent, the IR practices 'could arguably be portrayed as a more formal and rationalised version of what might be termed traditional practice'. In conclusion, they restate their original contention of a 'spill-over-effect' of HR practices from foreign to Irish workplace, confirming the premise that convergence is likely from 'host country practices' towards those of foreign companies.

3.4.1 The Fragmentation of Irish Industrial Relations?

The system of Irish industrial relations is largely based upon the British tradition of Voluntarism. By the 1920s and the foundation of the Irish Free State, Irish trade unions shared with their British counterparts a collective bargaining approach that was labelled 'traditional adversarialism'. With the establishment of the Irish Labour Court in 1946, the 'canons' of traditional adversarialism, that is collective bargaining, union recognition and adversarialism, were firmly established within an Irish context. The eventual professionalisation of Irish management, the establishment of State development agencies and the growth of industrial relations as a discipline within management education, all served to reinforce this model of

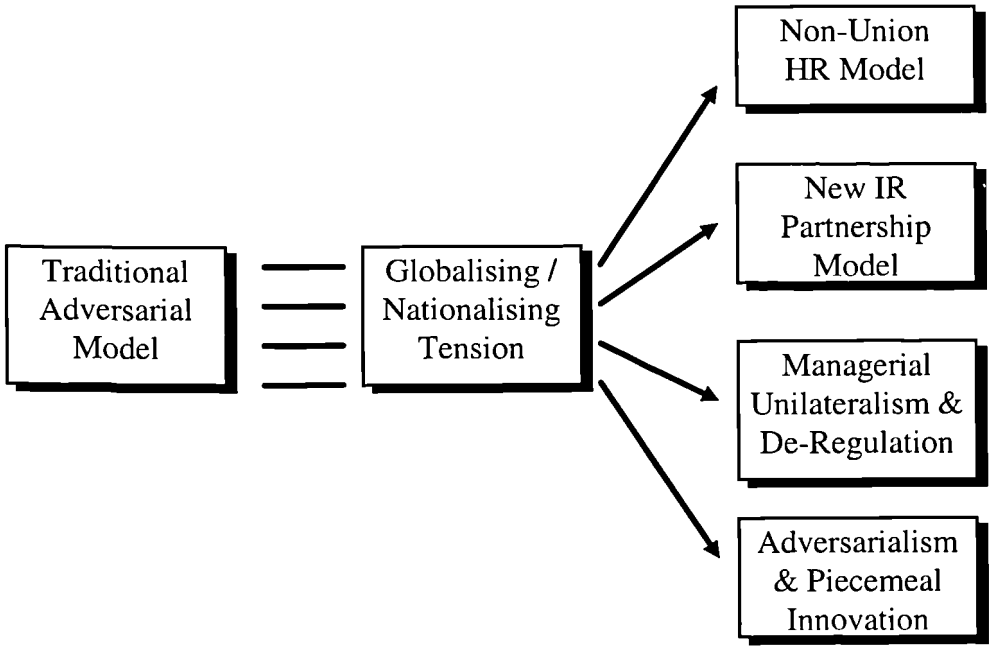
traditional adversarialism during the 1960s and 1970s. With a further wave of FDI and an influx of foreign MNCs into Ireland during the 1980s, new HRM managerial theories were introduced which some posit has questioned, but not fully supersede, the prevailing ideology of adversarialism (Roche, 1995).

Commentators in the field of Irish industrial relations suggest that while the 1980s were characterised by 'continuity and change' (Gunnigle *et al.*, 1994), the 1990s have witnessed 'profound fragmentation and divergence' (Roche, 1998). While Gunnigle *et al.* (1999) suggest that the Irish system of IR in the last decade is characterised by 'continuity and change', Roche (1998) argues that approaches to HRM have become highly fragmented. Despite the emerging debate with regard to the constituents of the change, consensus exists that the picture of Irish IR has changed dramatically since the beginning of the 1980s. One factor that has been shown to effect such change was the influx of foreign MNCs into high-tech growth sectors in the 1980s, accompanied with the introduction of sophisticated non-unionised approaches (McGovern, 1989). However, Irish companies, by contrast, are still regarded as operating approaches to HRM that have remained largely unchanged since the 1950s and thus characterised by traditional adversarialism, although more recent research suggests that public sector companies to be experimenting and moving towards notions of partnership (O'Dowd and Hastings, 1998).

While there are no established models that totally captures the current Irish IR scene, there has however been a recent attempt to frame this emerging picture of 'Irish IR', in light of the dramatic changes of the last two decades (Roche, 1998). This framework attempts to reflect the diversity of Irish workplace practices following two decades of great influx and change within four models of HRM. These are identified as: the 'sophisticated non-union human resource' model, the

'deregulation' model, the 'partnership/new IR' model and lastly the 'traditional adversarial' model.

FIGURE 3.2: THE FRAGMENTATION OF IRISH IR MODEL



Source: Roche (1998)

As figure 3.2 highlights the key features of *the sophisticated non-union model,* characteristic of foreign MNCs in the high-tech electronics sector include: highly developed grievance procedures; highly developed communication and problem-solving systems; favourable terms and conditions of employment; performance-based pay; profit sharing and share ownership; new approaches to performance management; and innovative work structures. The underlying rationale here is one of union substitution. It is posited that companies adopting this model place a premium on flexibility, accompanied with high investment in training and the recruitment of 'adaptable' workforces.

The second model, *Partnership/New IR*, is based upon a premise of 'jointism' or

'mutual gains'. Manifest through institutional arrangements, this approach advocates the involvement of trade unions in operational and business decision-making processes. Conditions in which the partnership approach is likely to be found include situations where the basis for competition shifts from price to quality and innovation, where change has occurred through a competitive crisis, where further investment has been secured, where trade union de-recognition is not a feasible option and in greenfield sites characterised by a young workforce. According to Roche (1998: 115) this model represents the 'conjuncture of competitive pressures and pre-existing IR arrangements'.

The third model, *managerial unilateralism and deregulation*, refers to the reassertion of managerial prerogative and demands for maximum flexibility in HR. Under this approach, management seek the minimum regulation of their action and of labour markets. There is a broad resistance to trade union recognition through the curtailing of trade union influence on the terms and conditions of employment. The underpinning managerial ideology is one of 'a right to manage without outside interference'. Other means through which the influence of trade unions is curtailed here include an increase in the employment of flexible part-time casual staff. Conditions under which this model appears include: where 'buffer workforces' have been developed and where core workers are managed in accordance with other models. The aim is to complement a partnership model with 'flexibilities made possible by rigorously delimited regulation'. Frenkel and Peetz (1998) suggest that globalisation will reinforce these tendencies toward management unilateralism, as the dominant procedural system at workplace levels. As industrialisation gathers pace, they believe that there will be an increase in pressures for joint regulation.

The final model, *adversarialism and piecemeal innovation*, refers to the introduction

of change or innovation in a piecemeal manner and which has little impact on existing collective bargaining arrangements. Companies adopting such an approach are likely to selectively introduce 'softer' or more 'innovative' HR strategies, in a non-coherent manner.

TABLE 3.7: KEY FEATURES OF CURRENTS MODELS OF IRISH IR

Non-union HR Model	New IR Model	Managerial Unilateralism and De-regulation	Adversarialism and Piecemeal Innovations
Soft HR policies	Partnership	Managerial Unilateralism	No change to existing collective arrangements
Union Substitution	Mutual Gains Union Substitution not an option	'a right to manage without interference'	Incremental change
High Competition, high innovation	Shift from price to quality and innovation	Little regulation	Protected industries with weak competition, mature industries
Highly developed grievance, communication and problem-solving systems	Institutional arrangements that involve unions in operational and decision-making processes	Curtailing of trade unions through terms and conditions of employment	Little cohesion between policies
Favourable terms and conditions	Training & Development of 'adaptable' workforce	Increase in 'buffer' workforces	Selective adoption of HR policies
New approaches to reward and performance management	-	Greater flexibility	-
Innovative ways of structuring work	-	-	-

Source: Roche (1998).

Research by Gunnigle *et al.* (1994) has found that changes in the approach to employee relations among most Irish companies tends to be piecemeal and

incremental, rather than widespread. According to Roche (1998), such approaches are more likely to occur to companies within protected industries where competition is weak, or in mature markets and with older workforces, or where there is little pressure to change the IR practices. This model represents the co-existence of new innovative HR policies, alongside tradition arrangements. Table 3.7 summarises the main characteristics of these models, which remain to be fully tested.

While the debates with regard to Irish IR outlined in this section indicate many of the influences shaping approaches to HRM, there remains a lacuna with regard to research into Irish-owned MNCs themselves. Despite a recent acceleration in their growth and scope, little systematic research has been conducted into the collective behaviour of Irish MNCs or their management of HR and IR. Despite the debate with regard to the constituents of the change and the extent to which change is taking place, there exists a consensus that the Irish picture of IR and HR has changed dramatically since the beginning of the 1980s. This research both addresses the lacuna described above and seeks to add to an understanding of the nature of the changes in Irish IR and HR.

3.5 Conclusion

In conclusion, this chapter has outlined the particular historical, social and economic context within which Irish industry and Irish MNCs have evolved, paying particular attention to the impact of late industrialisation and internationalisation. A review of the patterns of Irish industrialisation suggests that the late industrialisation and internationalisation of the Irish economy has exerted a dominant and distinctive influence on the development of indigenous industry and, subsequently, the HRM practices of companies. In addition to the factors identified in a review of the literature in chapter two, this chapter has pointed to a further set of influences that

may be informing the behaviour of Irish-owned MNCs.

As shown, there remains a wide gap in the Irish literature with regard to the behaviour of Irish-owned MNCs and, more particularly, in relation to their management of IR and HR. It is with this gap that this thesis concerns itself. The following chapter outlines the research process and methods employed in exploring the management of IR and HR within Irish MNCs. More particularly, it outlines the case for employing a mixed methodology toward a greater understanding of the IR and HR practices of Irish-owned MNCs.

CHAPTER 4

RESEARCH METHODOLOGY

This chapter outlines the research design and mixed methodology employed in this thesis. The nature of the object of this research informs the method of analysis employed. Encompassing both quantitative and qualitative approaches, each of these components constitutes a distinctive 'phase' in the research process. The first phase employs a questionnaire-based survey that identifies and collates background information on the study population – Irish-owned MNCs. The second phase builds on the results of the survey and, through a qualitative case-based approach focusing on four companies, examines the internal processes and factors shaping the behaviour of Irish-owned MNCs with particular regard to IR and HR.

4.1 INTRODUCTION

The focus of this research is to investigate, from a head office perspective, the collective management of non-managerial employees, that is *the management of IR* and the management of non-operational HR, that is *the management of managers,* within Irish-owned MNCs. In addition, this research seeks to examine the distinctiveness of Irish-owned MNC behaviour. Chapters two and three identified literatures that can inform such an analysis. While highlighting a number of expectations likely to shape the behaviour of MNCs, an examination of the four literatures reviewed in those chapters also identified a number of gaps that this research seeks to address.

While the globalisation literature highlighted the adoption of new organisational forms and the shedding of national identities, the NBS literature proposed that MNCs are essentially embedded within and shaped by a set of factors particular to the national context from which they originate. The small countries literature builds on this proposition, through its contention that the behaviour of MNCs can be attributed to the size of the domestic economy from which they emanate. The fourth and final literature reviewed examined key features of the development of Irish industry and Irish-owned MNCs. This indicated that factors such as the late

industrialisation and internationalisation of the Irish economy might shape the behaviour of Irish-owned MNCs. While expectations from these literatures may serve to inform the behaviour of Irish-owned MNCs, they also appear in many respects to be contradictory. Furthermore, a review of the literature highlighted a 'gap' in existing empirical research with regard to the particular object of this study. While a number of key expectations of HRM behaviour within Irish-owned MNCs can be drawn from these literatures, the subject of employment relations in Irish-owned MNCs, and indeed the nature of Irish-owned MNCs themselves, remains uncharted territory. This chapter outlines the research design and methods employed in addressing this gap.

4.2 Overview of the Research Process

This section demonstrates how the nature of the object of this research – Irish-owned MNCs, has informed the methods of analysis chosen to investigate this study's research questions. As Brannick and Roche (1998: 3) write: 'research methodology is essentially a decision-making process. Each decision made is affected by, and in turn, influences every other decision. [However, t]he one decision that focuses, and to a large extent drives all the rest, is the definition of the research questions'. Shaping the methodology employed in this research are two broad questions: *what* is it that needs to be known?; and, *how* is it that this can be known? In other words, what is the *object* of the research? and what are the *method*s that can best examine that object?

For the purpose of this research, the unit of analysis is taken to be 'the Irish-owned MNC'. As the previous chapter demonstrated, as a group of companies, Irish-owned MNCs are ranked among the largest Irish employers. Moreover, in light of Ireland's industrial policy, this is the indigenous organisational form that is expected to

dominate the Irish industrial landscape over the next few decades. However, as an object of research, there is surprisingly little known about the behaviour of Irish-owned MNCs. In light of this, it was clear from the outset that this exploratory research is concerned with theory-building not theory-testing. Toward this end, this research employs a mixed methodology encompassing both quantitative and qualitative approached, each of which occupies a distinct phase in the process. The quantitative phase involves a questionnaire-based survey conducted on the entire study population; while the qualitative phase encompasses more in-depth case-based analysis of four selected Irish-owned MNCs. This was supplemented with a review of published data and other secondary source data on the case companies. Given that the core focus of this research centres on the approaches of Irish-owned MNCs to the management of IR and HR and the factors shaping that relationship, a head office level perspective was adopted.

In light of the lacuna described above, it was first necessary to construct a data set of Irish-owned MNCs and collate a range of information regarding their operations. To this end, a questionnaire-based survey was conducted on a constructed data set of Irish-owned MNCs. The survey highlighted, in keeping with the development of indigenous industry outlined in chapter three, a concentration of Irish-owned MNCs into particular industrial sectors. While the survey was effective in providing demographic information in relation to key patterns of Irish-owned MNC behaviour, this method of analysis failed to reveal the underlying rationale for the approaches they were adopting. More particularly, the survey did not provide insight into the internal processes and factors at play in shaping approaches to the management of IR and the management of HR. In other words, while the survey was a necessary first step, the nature of the object of inquiry could not be fully known by quantitative means. In light of this, a decision was taken to adopt a more qualitative approach in

the form of a case-based analysis. Reflecting the sectoral concentrations that emerged from the questionnaire-based survey, four Irish-owned MNCs were selected. The behaviour of Irish-owned MNCs can be seen from a number of perspectives. While the primary level of inquiry was head office, the case research enabled the incorporation of a wider range of 'stakeholders' so as to enable a fuller understanding of the 'landscape'. In addition to head office managers, in-depth interviews were also conducted at subsidiary level, in Irish-based companies and UK-based companies within groups, details of which will be outlined later. In addition, an employee perspective was obtained through in-depth interviews with trade union officials. The four cases were further supplemented with an extensive review of published and archival data, a fuller description of which is outlined in the following sections.

The structure of this chapter broadly follows the path summarised above. It begins by examining the exploratory nature of this research and choice of methodology. Section two describes the first phase of the research process, incorporating an account of the identification of the population researched, the research instrument and the analysis of the data. This is followed by an outline of the second phase of this empirical research – the case-based analysis. This section describes the selection of, and issues encountered in accessing and researching the selected case companies. The use of secondary source data is then outlined and an account of the analysis of the qualitative data given. A final section summarises an outline of the methodology employed and methodological issues encountered and sets the scene for the reporting of the results contained in chapters five through to nine.

4.3 Research 'in' and 'on' MNCs : The Case for Mixed Methodologies

As stated in chapter one, this research is largely exploratory in nature. As Brannick

(1998: 7) states: 'exploratory research is used to answer "what" type questions and is undertaken when one is seeking insights into the general nature of the problem. There is typically little prior knowledge on which to build and research hypotheses are either vague or do not exist at all'. In keeping, this thesis is concerned not with theory testing but rather with theory building. In other words, it is more concerned with establishing the foundations from which further research can be based than with testing a set of defined hypotheses.

Eisenhardt (1989), building on the 'grounded' approach of Glaser and Strauss (1967), outlines eight steps in the development of a 'theory building' approach. These comprise: the initial start up phase, the selection of cases, the crafting of instruments and protocols, entry into the field, the analysing of data, the shaping of hypotheses, an enfolding of the literature and finally the reaching of a conclusion. This approach, in effect, involves the continuous comparison of data and theory, with data collection as the starting point. Whilst, in its strictest terms, a theory building or grounded theory approach advocates entering the field with little or no framework, it is broadly recognised that such a position is impossible to achieve. Rather, Eisenhart argues that it is quite common for the investigator to have some prior knowledge and expectations about the field under investigation and that this should be acknowledge. Hence, this study is informed by the expectations outlined in the literature review chapters that preceded this.

Informed by these views, the methodological approach undertaken in this research combines elements of both qualitative and quantitative methods. Adopting a similar approach to that of Brannick and Roche (1998), this research begins from the position that quantitative and qualitative approaches represent differing modes of analysis that may inform exploratory or theory building research, rather than

opposing methodological strategies. While the former presents numerical information that can broadly 'mark out' the territory, the latter provides contextual perceptions of reality. In this particular investigation, the triangulation of both qualitative and quantitative approaches is largely shaped by the nature of the research aims and, as will be outlined, each mode occupies a separate stage in this research process. A process that provides a planned and systematic approach and ensures that all aspects of the research project are consistent with one another.

There are two levels of the object of inquiry that need to be known in this research. The first is the nature of Irish-owned MNCs as a whole. As stated above, this necessitated the construction of a study population and secondly, a survey to obtain broad information *on* the form and behaviour of these companies. The second level of inquiry is the approaches adopted by Irish MNCs to the management of IR and the management of HR. At the centre of this research is a focus the internal processes and factors *in* Irish MNCs that influence the management of their employment relationships. To this end, case-based research methods were also chosen as a second mode of analysis more suited to examining the internal processes at play within MNCs. As the chapter two has informed us, one might expect that such shaping factors would include, the structure and diversification of MNCs (Marginson *et al.*, 1993), the micro-political processes (Ferner and Edwards, 1995) and/or, alternatively, the national systems or institutions from which these MNCs emanate (Ferner, 1997). However, the extent of the influence of such things on the behaviour of Irish-owned MNCs remains to be discovered.

The two phases outlined above relate to two distinct stages of the research process. However, these stages are inter-related in that the survey serves to inform the selection and focus of the case studies. Having identified, through the survey, broad

patterns of behaviour, these patterns then inform the themes and selection of cases for the second phase of the research process - an examination of the internal processes and relationships. It is to a more detailed outline of the first stage of the research process that this chapter now turns.

4.4 The Quantitative Component

4.4.1 Identification of the Irish-owned MNC Population

From the outset of this research it was clear that the behaviour of Irish-owned MNCs was a largely untrodden field of inquiry. As a result, little was known or could indicate the size or constituents of the study population. Indeed, no research had previously identified this group of companies as a unit of analysis. Existing empirical research was either confined to single case studies of different aspects within particular Irish MNCs (usually in the form of unpublished postgraduate dissertations); or, encompassed within the broad grouping of 'indigenous companies' (as is evidenced in existing debates on the convergence of foreign and Irish HRM practices outlined in chapter three). In light of this 'gap', it was decided that a survey of the entire population of Irish-owned MNC was required, before an analysis of their behaviour could be developed.

Consequently, identifying the population of Irish-owned MNCs became a crucial initial task. Upon examination it became clear that the definition of MNC was in itself a question on which there was little consensus. While writers such as Bartlett and Ghoshal (1989: 14) defined an MNC in terms of its 'portfolio of multiple national entities', other commentators such as Hendry (1994: 72) in reference to Vernon (1967) define an MNC as 'having production assets in at least six countries and at least 25 per cent of [their] profits and £100 million of sales abroad'. Neither provided the width of definition that would capture a group of companies which

were, relative to their US or UK counterparts, small in size. Therefore the definition of a European MNC, employed by the EU in the European Works Council (EWC) directive, was adopted.

Within this directive, MNCs are defined as '*enterprises employing 1,000 or more employees in the EEA (excluding the UK), with at least two operating sites within Europe, employing 150+ people*'. In applying the strict criteria of this definition a population of five Irish-owned MNCs was derived. The decision was therefore taken to apply a derivative of the EWC definition so as to identify a broader range of companies toward a more generalisable sample. To this end, the strict criterion of employing 150 or more people in overseas sites was eliminated. The definition subsequently applied, for the purpose of this research, became *wholly Irish-owned firms* (i.e., those companies with over 50% shareholding within Ireland) *employing 1,000 or more employees world-wide and with at least two operating sites within Europe - one of which could be within Ireland.* Furthermore, a minimum employment level of 1,000 people world-wide was taken on the basis that companies employing 1,000 or more people are more likely to possess attributes pertinent for this investigation - attributes such as a formal HR function and divisionalised structures.

A number of secondary sources were also examined in the formation of a data set of Irish-owned MNCs. The Business and Finance Top 1,000 Irish company listings were identified as a key data source.[15] These listings, which are published annually, contain publicly quoted Irish-based companies, ranked according to turnover and profit levels. More importantly, it contains the total group employment figure, which was a key selection criterion in this research. Other data listed includes the main

[15] This listing has since been extended and presently ranks the Top 1,500 Irish-based companies.

business activities and contact details of the companies. As others have pointed out, the main advantage of these listings is that they provide the necessary information for the companies listed to be classified into broad size and sectoral categories, factors that are important for most surveys of firms (Murphy, 1998).

The data set gathered was then cross-referenced with other published listings from the *Sunday Business Post Top 50,* to the *Irish Times Public Company listings* and the *Irish Press Top 50.* Produced annually, these listings facilitated a check on the consistency and reliability of the set to this point. The *Irish Press Top 50* proved particularly useful in providing information on overseas locations, another key defining criterion in the selection of the study population. Electronic databases, such as those produced by Dun and Bradstreet (1994), provided further means by which to identify and cross-check companies that employed over one hundred employees overseas. This database also provided indications of the size of overseas sites and a list of Irish parent companies and their subsidiaries. Further electronic databases examined included Microextract and Fame, both of which provided information with which to identify Irish companies employing over 1,000 people world-wide. While this produced some overlap, it also indicated some new potential companies on the basis of activity areas, especially those privately owned indigenous companies. The IDA and *Forbairt*, who, as chapter three outlined have recently undergone a restructuring of their roles and responsibilities were also consulted. These agencies were contacted for lists of Irish companies that were trading on an international basis. However, it soon became apparent that the lists held by these agencies only contained information on foreign-owned and indigenous companies who had sought their advice, financial aid and/or assistance. Neither of the agencies could, at that time, provide comprehensive employment figures for those companies. Moreover, at that time a restructuring of the State development agencies was been undertaken, and

there was still significant overlap in their client listings. For example, the Guinness Group emerged on the listings of both the IDA and *Forbairt*. Given these limitations, it was decided to construct the initial sample of companies from the information contained in the published and the electronic data sets mentioned above.

TABLE 4.1: IRISH-OWNED MNCS ACCORDING TO SIZE AND SECTOR (1994)

Name	*Main Activity*	*Total Employment*
Jefferson Smurfit Group plc	Paper, Print & Packaging	34,500
AIB Group plc	Financial Services	16,000
CRH plc	Building Materials	14,000
Bank of Ireland Group plc	Financial Services	12,000
Kerry Group plc	Dairy & Food	9,500
Waterford Wedgewood plc	Clay, Cement & Glass	9,000
Independent Newspapers plc	Paper, Print & Packaging	9,000
Avonmore Foods plc*	Dairy & Food	6,348
Aer Lingus Group	Transportation	5,556
Fitzwilton plc	Industrial Holding	5,000
Glen Dimplex	Electrical Engineering	4,800
Waterford Foods plc*	Dairy & Food	3,224
Fyffes plc	Dairy & Food	3,000
Clondalkin Group plc	Paper, Print & Packaging	2,340
An Bord Bainne	Dairy & Food	2,300
Golden Vale plc	Dairy & Food	2,250
James Crean plc	Industrial Holding	2,185
Greencore Group plc	Dairy & Food	1,840
IWP International plc	Industrial Holding	1,828
Unidare plc	Industrial Holding	1,413
Totals	**20**	**146,084**

Source: Donnelly (1996) – as compiled from *Business and Finance* 'Top 1,000' (1994); *The Sunday Business Post* 'Top 50' (1994); *The Irish Press* 'Top 50' (1994) and databases including *Microextract*, *Fame* and *Dun and Bradstreet*.

* Avonmore Foods plc and Waterford Foods plc have since merged to form Glanbia plc.

Applying the selection criteria to the above outlined databases and data sets, and having cross-referenced for accuracy of information, a set of twenty Irish-owned MNCs was finalised (cf. table 4.1). These were ranked by sector, size and European locations. This does not represent an exhaustive list or even a large sample, as it excludes those MNCs whose overseas operations are located exclusively outside of Europe and those companies, such as small Irish high-tech companies, who generally employ less than 1,000 people world-wide. However, it does represent a slightly larger population than the seventeen indigenous small-to medium-sized transnationals identified as operating in Ireland by the UN in the early 1990s (UN, 1993).[16]

4.4.2 The Research Instrument

Brannick (1998) identifies a number of factors that 'frame' the rationale for a chosen approach. These include the accuracy of data collected, the complexity of data required, the flexibility sought and other time and cost constraints. Specific to this research there were a number of factors that influenced the type of instrument chosen, the level of access targeted and the approach taken to its administration. The influence of each is briefly outlined in the following paragraphs.

For the purpose of this research a detailed structured questionnaire was developed. The need to obtain standard demographic information with regard to these companies shaped the decision to employ a structured questionnaire. Moreover, the nature of the information sought largely shaped the design of the structured questionnaire. As outlined above, given the lacuna of empirical data with regard to these companies this research sought broad demographic information with regard to

[16] SMEs were defined to be any enterprise with a home base (head office or parent firm) in a developed country, with at least one affiliate in another country and whose employment level in its home country is fewer than 500 people.

the behaviour of Irish-owned MNCs. To this end, three broad areas of focus were developed. These were:

- *Organisational Structures and Business Activities* – ownership, structural and strategic characteristics of these MNCs, overseas geographical locations, production integration.
- *Structure of Employment* – total employment figures, distribution of employment, employment size of head office.
- *Approaches to the management of selected IR and HR issues* – the structure, size and role of the HR function, HR board representation, approaches to the management of selected IR and HR issues (domestic and overseas), the frequency and role of employee consultation meetings (domestic and within European operations), the frequency and role of managerial meetings (domestic and group-wide), levels of unionisation, trade union recognition, membership and role of employee association (domestic and overseas), the type and purpose of information collected by head office from sites (domestic and overseas).

These areas, and the subsequent question content and phasing employed by the survey, were informed by the approaches used by the second company level industrial relations (CLIRS) survey, conducted by the University of Warwick in 1992. This addressed two key issues, namely the effect of multi-nationality of large companies on their IR policies and practices within the UK and the impact of financial budgeting and control mechanisms on the conduct of IR. The results highlighted a range of structural and HR aspects of globalism. For example, it was found that homogenous or common approaches are more likely within single product or vertically integrated MNCs. Furthermore, CLIRS found that the higher the degree of product/service integration the greater the importance of labour costs and performance indicators, particularly with respect to investment and divestment decisions. In short, key to the results of the CLIRS survey was the impact of strategic and structural characteristics in shaping approaches to the management of IR.

A number of the key issues addressed by this research lay at the core of the second

CLIRS survey and, subsequently, the findings from CLIRS have influenced this work (cf. Donnelly, 1996). Hence, respondents were questioned with regard to the character of decision-making on a range of IR and HR issues at home and in overseas sites. Issues were chosen to reflect different degrees of managerial intervention. Responses were measured on a scale that ranged from complete intervention by head office to complete autonomy to local sites, these included instruct/advise guidelines and autonomy. Given the overlap of focus between what this thesis seeks to investigate and the results of the second CLIRS study, a number of key questions were adopted from the CLIRS questionnaire and modified to the Irish context. This provided the advantage of employing questions whose wording and format had been previously tested and adjusted.

Given the small size of the study population and the type of information required, personal direct interviews were chosen as the method of administering the survey. The structured questionnaires were therefore administered through in-depth personal interviews. As the information sought was of a group-wide nature, a head office focus was adopted. A further factor that shaped this approach was the need to make contact with key decision-makers, in order to elicit their co-operation and probe the issue of participation in the second phase of this research process – the case-based analysis. To this end, the highest level of access at head office was sought. In the first instance the level of Chief Executive Officer (CEO) was targeted. In their absence, the responses of senior HR directors or chief financial officers were sought. In order to secure a high level of access within these companies, a 'gatekeeper' was identified. In this case, a senior executive on the management board of the Graduate School of Business at University College Dublin was approaches. Having kindly agreed to support this research, the 'gatekeeper' contacted the CEO of each of the companies contained in the population and requested their co-operation and

participation in this research (cf. appendix 2). This informal and personalised approach proved to be highly successful, particularly given the size of the sample and the size of the business environment within Ireland. Responses for fifteen out of a total of twenty Irish MNCs (75% response rate) were obtained.

A combination of open-ended, multiple choice responses and dichotomous questions were included (cf. appendix 5). This served to gather both 'factual' or numerical data and more qualitative information. Often the dichotomous questions were 'twinned' with multiple choice questions to cross-check the accuracy of information. A number of information-specific and open-ended questions were also included and designed to elicit information of both a formal and informal nature. The positioning of questions was also a key concern with more factual and less sensitive questions placed to the front of the questionnaire and more sensitive questions placed towards the later parts of the questionnaire. For questions requiring data of a numerical nature and/or requiring time to collate, a shortened version of the questionnaire was sent to respondents prior to their interview. While facilitating the collection of more detailed information, this also indicated the broad thrust of the research to the respondent (cf. appendix 4).

4.4.3 Analysis of the Quantitative Data

Given the size of the sample obtained it was clear that an integrated software programme such as SPSSx PC for Windows, which is designed for large data sets, was not applicable. Given that the focus of this research was concerned with broad demographic information, the data was coded and inputted into an Excel spreadsheet, which facilitated the calculation of frequencies. As chapter five will highlight, the data collected suggested a concentration or 'clustering' of companies into certain industrial sectors. However, and importantly, while patterns of IR and

HR behaviour were identified, this quantitative approach did not reveal the inter-relatedness of variable or contextual influences. As a result a qualitative case-based approach was subsequently pursued toward addressing the research questions posed.

4.5 The Qualitative Component

4.5.1 Case-based Research

As stated above, the core focus of this research concerns the approaches adopted by Irish MNCs to the management of IR and HR. To this end, and in light of the limitations of the quantitative research, a second stage of this research was developed to examine the internal management processes and factors shaping the approaches adopted by these Irish MNCs. This took the form of an inductive case-based approach. Yin (1994: 13) describes such the case-based approach as an investigation of a phenomenon 'within its real life context'. Similarly, Eisenhardt (1989: 534) describes it as 'a research strategy which focuses on understanding the dynamics present within single settings'. The rationale for adopting such an approach in this research was threefold. Firstly, the research question necessitated an examination of a variety of levels within each MNC. Case-based research provided a more flexible approach toward the achievement this aim. Secondly, given the nature of some of the information sought, responses from management and trade union interpretations of corporate strategies were required to identify some of the more salient dynamics 'in play'. Lastly, such an approach provided a certain degree of flexibility that enabled the modification of the research tool as the research process proceeded. Case study analysis was, therefore, chosen as the optimal method of data collection for the second phase of this mixed methodological approach.

For reasons advanced in chapter three, a historical approach towards the case studies was adopted. As Phelps Brown (1986: 18) writes: 'by-gone affairs were not

transacted on another planet: the motives, reactions, and propensities displayed in them are the same as those in play around us now. By studying them we enlarge and sharpen our knowledge of them'. In order to identify factors that shape the management of employment relationships, it was first necessary to first trace the historical evolution of the companies and place them within a national and competitive context. Such an approach attempts to obtain an 'interactive' and 'contextual' perspective. This approach, which is both structural, historical and analytical, encompasses the historical and contingent nature of the processes, which facilitates an examination of the underlying shaping forces. By attempting to fix meaning through circumstances, as described in the paragraphs above, the approach taken in the second phase of this research may be categorised as 'contextual'. Tsoukas (1994: 767), drawing on Pepper's 'World Hypotheses', argues that historic events, the 'root metaphor' of a contextual approach, 'always have a certain quality and texture which continuously initiate into something novel over time'. Therefore, what the contextual approach lacks in its contribution to universally applicable theory, he argues is redeemed by its ability to provide 'loose frameworks [within which] rich portrait[s] of change episodes may be painted' (Tsoukas, 1994: 769).

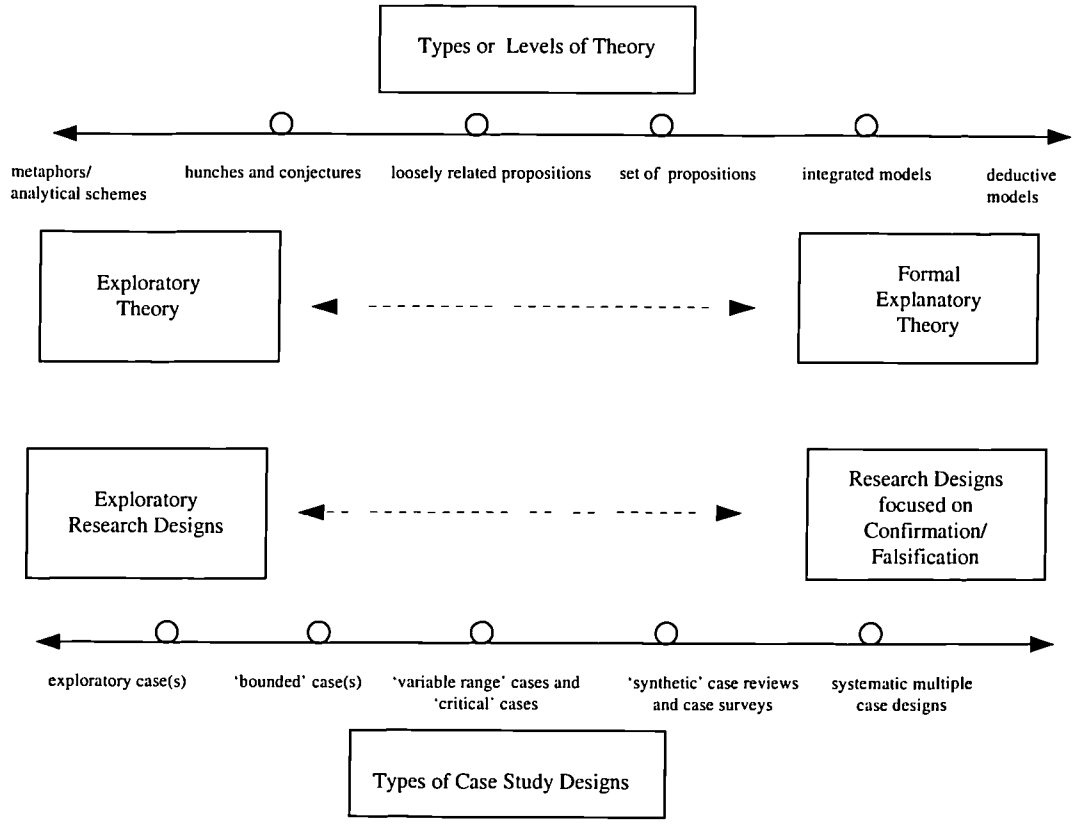
4.5.2 The Selection of the Case Companies and Nature of the Cases

Eisenhardt (1989: 537) states that the 'goal of theoretical sampling is to choose cases which are likely to replicate or extend the emergent theory'. In keeping, the case study companies chosen for the second phase of this research were selected from the sectoral clustering of Irish-owned MNCs as highlighted by the survey results in order to extend the examination of the finding highlighted in chapter five. To this end, one case company was selected from each of the clay, cement and glass; dairy and food; financial services; and, print and packaging sectors. At the same time, the selection of the case companies represents a cross-section of the differences revealed by the

survey with regard to size, product diversification and approach to selected IR and HR issues of Irish MNCs. The AIB Group, for example, provides a 'contrast case' in terms of product diversification and approach to IR and HR dimensions. Consequently, a set of four companies was selected for the case analysis phase of this research. It was necessary to attempt to capture this degree of diversity in the case companies if a tentative picture of Irish-owned MNC behaviour was to be drawn in the later chapters.

Roche (1998b: 106) suggests that, in choosing cases and developing a case design, the logic should be 'closely associated with the type of theory or the level of theoretical development, or with the theoretical purpose'. Roche provides a categorisation of approaches based upon this logic. It is reproduced here in figure 4.1.

FIGURE 4.1 THE LOGIC OF SELECTING RESEARCH CASE STUDIES



Given that this research is exploratory rather than explanatory in nature, and that the cases seek to advance the 'hunches and conjectures' from the literature and 'loosely related propositions' from the survey toward a more 'grounded' set of propositions, the cases presented here are 'bounded cases'. As Roche (1998b) explains, there are limits to the generalisations that can be abstracted out to the entire population of Irish-owned MNCs from such 'bounded cases'. Hence, while these case analyses do not claim to fully represent the population of Irish-owned MNCs as a whole and thus to provide 'formal explanatory theories', they do attempt to work toward some propositions enabling a fuller understanding of the internal operations of a number of Irish-owned MNCs. As such, the findings outlined in chapters ten, eleven and twelve add to the literature and provide the foundations for further research in this area.

4.5.3 In-depth Interviewing

As outlined above, the second phase of the research process is concerned with an investigation of the internal processes and factors that shape IR and HR approaches within the selected case companies. To this end, semi-structured questionnaires were administered through in-depth interviewing of a number of different stakeholders within selected companies. This section outlines the details of these toward the development of the cases.

As stated earlier, this research is primarily head office focused. However, given that a core objective was to examine the internal processes and practices, two levels of the organisational structure were addressed within each case: head office level and local subsidiary level. Within the head offices of each case, three functional areas were targeted – the HR function, the corporate finance function and the corporate

in each of these functional areas, across each case company. Where possible, in-depth interviewing was also conducted with divisional managers for product areas or geographical regions. Moreover, within some of the cases the head office HR function was further divided into IR and HR departments. In those cases interviews were conducted with senior management in each department. At a local level, in-depth interviewing occurred with managing directors of both Irish-based and a UK-based subsidiaries in an attempt to examine differences in the approaches adopted by Irish-owned MNCs at home and overseas. With some cases it was also possible to obtain the responses of financial managers at local levels.

In addition, the perceptions of employee representatives with regard to the development of these companies were also sought. In-depth interviews with trade union officials from both 'white-collar' and 'blue-collar' unions were carried out. Access to blue-collar or trade union representatives proved was difficult however, with the case companies tending to refer the author to white-collar trade unions. Hence the interviews were skewed somewhat toward white-collar representatives. As a result, the employee representative perspective was supplemented by interviews with key trade union officials at Congress level and from SIPTU. This data was also augmented with interviews with 'key informants'. These included individuals who were employed by the company at key turning points in its development and retired managers who provided a more longitudinal account of the Group's development.

A total of thirty-nine interviews were conducted between 1994 and 1996. In three of the cases chosen, ten responses were obtained and in the fourth case nine responses were obtained. More exploratory and reflexive than the survey interviews, these interviews lasted for approximately two hours. In some cases follow up discussions occurred with both the HR directors/managers and trade union officials in the years

from 1997 to 1999, which enabled the clarification and further probing of key points (cf. table 4.2).

TABLE 4.2: CASE RESPONDENTS BY COMPANY AND LEVEL

CRH Group	**Head Office Level** Group HR Director Group Financial Manager Group Corp. Development Head of Irish Operations	**Clondalkin Group**	**Head Office Level** Group Finance Director Group Corp. Development Head of Irish Operations Head of UK Operations
	Subsidiary Level Managing Director (Ire.) Managing Director (UK) Finance Manager (Ire.)		**Subsidiary Level** Managing Director (Ire.) Managing Director (UK)
	Employee Reps. MSF Shop Steward ICTU Representative		**Employee Reps.** SIPTU Official ICTU Representative
	Key Informants Retired Executive		**Key Informants** Retired Local Manager
Greencore Group	**Head Office Level** Group HR Director Group Financial Manager Group Corp. Planning Worker Director	**AIB Group**	**Head Office Level** Group HR Director Group Staff Relations Group Corp. Planning Group Financial Manager Group Training & Devel.
	Subsidiary Level Managing Director (Ire.) Managing Director (UK) Finance Manager (Ire.)		**Subsidiary Level** Branch Manager (Ire.) HR Manager (UK)
	Employee Reps. SIPTU Official MSF Official		**Employee Reps.** Senior IBOA Official
	Key Informants Retired Union Official		**Key Informants** Branch Managers (x2)

Given that this research sought to investigate in greater depth issues identified in the survey, a more reflexive approach was adopted. However, in order to maintain consistency with the structure of the survey, while at the same time enabling more probing of issues indicated by respondents, a partially structured questionnaire was

employed. The focus of the semi-structured questionnaire differed somewhat with respect to the information sought. The areas addressed in these interviews included:

- *At head office level:* issues addressed included the determination of IR and HR strategies, the role of the head office function, the approach to the management of IR and HR in Ireland and overseas.

- *At divisional levels:* - issues addressed concerned the role of the division in the management of IR and HR issues, the role of the 'centre', levels of corporate control, the approach to the management of operations.

- *At local subsidiary level:* - issues examined included the degree of local autonomy, the role of the 'centre', the management of IR and HR issues, financial and non-financial controls.

- *At employee representative level:* - issues explored concerned the approach of the company to the management of IR and HR issues, key IR turning points in the development of the group, levels of trade union density, collective bargaining structures, employee involvement and participation.

The main method used in the cases was in-depth semi-structured interviews, which May (1997: 94) refers to as providing 'qualitative depth by allowing interviewees to talk about the subject in terms of their own "frames of reference". This allows the meanings and interpretations that individuals attribute to events and relationships to be understood [and] provides a greater understanding of the subject's point of view'. The interviews sought to reveal the meaning underlying management actions and approaches rather than to standardise the information. In the interest of confidentiality and in order to protect the individual respondents, direct quotations are used in the preceding analysis to give emphasis to key points, but individual respondents are not identified.

4.5.4 The Use of Secondary Data Sources

The case-based research component of this thesis drew extensively from a number of published data. However, given the recency with which these organisations have evolved there was a paucity of archival data concerning the development of some

cases. While they would have proved extremely useful for this study, longitudinal trade union density figures for across sites and employee categories were not obtainable. At neither trade union nor management levels are such figures recorded in Ireland. In lieu of these figures, respondents provided estimates of current percentages where possible. Despite these limitations, the following secondary data sources were examined: company annual reports, in-company newsletters, company websites, newspaper articles, Government and company archival data, personal correspondence of key business people held by the National and other university libraries, stockbroking reports (such as InvesText), trade union publications, internal company documents (internal strategic documentation and papers presented by senior management at conferences), the IRN and EIRR, labour court submissions, industrial consultancy reports, and unpublished theses. The data obtained from these secondary sources was largely used to supplement existing interview data and was found to be particularly useful in validating a number of key points. Furthermore, at times the secondary source data highlighted key IR turning points in the histories of these companies. This facilitated a retrospective 'revisiting' of key IR events in light of current approaches.

4.5.5 'Inter' and 'Intra' Case Analysis

The case study analysis occurs at both 'intra' and 'inter' case levels. 'Intra' case analysis, or what Eisenhardt (1989) refers to as 'within-case analysis', was firstly addressed so as to place each case company within their given context, each telling its own 'stand-alone story'. As Eisenhardt (1989: 540) writes:

> Within-case analysis typically involves detailed case study write-ups for each site. These write-ups are often simply pure descriptions, but they are central to the generation of insight because they help researchers to cope early in the analysis process with the enormous volume of data.

Thus, in order to identify factors that shape each company's 'story' with regard to

their approach to IR and HR, it was necessary to trace the historical evolution of the companies. These findings are reported in chapters six through to nine.

Following this, the analysis turned towards 'inter' case analysis or what is referred to as cross-case analysis. This stage of analysis attempts to identify 'cross-case' patterns. For the purpose of this research, key attributes or features *across* a number of Irish MNCs were assessed. Categories and dimensions that emerged from the survey were chosen and the cases were examined as a group to identify similarities and inter-group differences (i.e., within-group similarity and across-group differences). The results of this stage of analysis are reported in chapter ten. In this manner, chapter ten addresses the primary research question: an examination of the *approaches adopted by Irish-owned MNCs to the management of IR and to the management of HR.*

Having defined a set of common patterns and variations across cases, the next stage was to compare those patterns with key premises contained in the literature, in order to identify points of variation and particularity. As Eisenhardt (1989: 539) writes, 'analysing data is the heart of building theory from case studies, but it is both the most difficult and the least codified part of the process'. This process is a largely iterative process comparing data and theory, comparing the merging concepts with the extant literature so as to uncover the underlying rationale or logic for the similarities and differences. By identifying and relating the key attributes common to the case companies examined to broad literatures, features particular to the Irish case are identified. In so doing, chapter eleven addresses the secondary research question: *the extent and degree to which the behaviour of Irish-owned MNCs is distinctive or 'particular' to the Irish case.*

4.6 CONCLUSION

This chapter has outlined the main methodological issues encountered in this research process and the approaches subsequently chosen toward a greater understanding of IR and HR within Irish-owned MNCs. Given the gap with regard to the nature of the object of inquiry, this thesis is not so much concerned with generalisable theory as with uncovering and understanding a novel object of research. Hence, the research reported on in the following chapters is of an exploratory rather than explanatory nature. It is largely a theory building rather than a theory-testing exercise and it consequently adopts an inductive approach.

A multi-method approach, combining a 'first phase' of a quantitative questionnaire-based survey and a 'second phase' of qualitative cases-based analysis was employed in this research. The main criticism often levied at case study analysis centres on issues of representatives and generalisability. While accepting the limitations of the case study approach in general, this method allows for the examination of internal variations in management processes. While bearing in mind the main criticisms leveled against exploratory qualitative research, the method outlined here works toward a number of tentative propositions with respect to the primary and secondary research questions identified. At the same time, it addresses a gap in our knowledge with regard to the behaviour of these companies and provides a firm basis for trajectories of future research. Informed by this chapter, chapter five now reports on the results of the first quantitative phase of the research - the questionnaire-based survey.

CHAPTER 5

SURVEY RESULTS: IRISH-OWNED MNCS IN PROFILE

Chapter five, the first 'results' chapter, reports on the findings of a questionnaire-based survey into the behaviour of Irish-owned MNCs. The chapter begins by setting out the broad demography of these companies. More specifically, it outlines the internationalisation strategies, size, sectoral location, the organisational forms, degree of integration and approaches adopted by Irish-owned MNCs towards the management of selected IR and HR issues, at home and overseas. Drawing on the approach of the second CLIRS survey, this research selects seven IR and HR issues from which to assess the approaches of Irish-owned MNCs. Similar to previous research, these results suggest a concentration of Irish-owned MNCs within a small number of traditional or resource-based sectors. The chapter concludes by highlighting a number of sectoral models found to exist among Irish-owned MNCs.

5.1 INTRODUCTION

Given the paucity of empirical research regarding Irish MNCs, this thesis was driven by a need to establish a profile of Irish-owned MNCs. To this end, a questionnaire-based survey was devised and a sample population defined. Given the lack of knowledge with regard to the behaviour of these companies and following on from the results of the second CLIRS survey, three broad areas of focus were identified. These were the broad demography of the structure and composition of these organisations, their distribution and structure of employment and lastly their approach to the management of selected IR and HR issues. Of a wider concern was establishing the disparity between the management of IR and the management of HR at home and within European operations. This chapter reports on the findings of this exploratory survey.

This chapter is structured into five sections. Prior to reporting on the results of the survey, section one outlines the main expectations arising from the second CLIRS survey and briefly restates the main tenets of this survey of Irish-owned MNCs. Section two sketches a broad profile of the composition of Irish-owned MNCs, their internationalisation strategies, organisational forms, sectoral locations, and size,

particularly addressing the inter-relationships between these factors. The third section describes the management of selected IR and HR issues within Irish-owned MNCs and the collection and utilisation of local performance indicators. The chapter concludes by outlining a number of issues for further examination in the case study analysis.

5.2 The Survey Approach

While chapter four outlined the research process and methods employed, it is worth briefly restating the main tenets of the questionnaire-based survey, prior to reporting on the results. To recap in brief, using the defining criteria of a European-scale MNC as adopted from the EWC Directive, a conservative sample population of twenty Irish-owned MNCs was identified. Given that the focus is firmly placed on the *approaches* adopted by Irish-owned MNCs to the management of IR and the management of HR, this research is primarily head office focused. To this end, the survey sought information concerning the group as a whole and the approaches promoted at a head office level towards the management of IR and HR. In light of breath and depth of information required, and in order to identify potential case companies, the most senior levels of these companies were targeted. Failing access to the chief executive level, the response of the head office HR director was sought. In their absence the most senior manager responsible for the employment relationship was targeted. As table 5.1 highlights, that responsibility was often within the remit of the chief financial officer. In total responses for fifteen Irish-owned MNCs were obtained. Of the fifteen Irish MNCs surveyed, thirteen are wholly Irish-owned, while the remaining two have shared ownership between the UK and Ireland. Table 5.1 outlines the breakdown of respondents according to their role and responsibilities. The findings from the questionnaires administered to these individuals are presented in the sections that follow.

TABLE 5.1: PROFILE OF RESPONDENTS

Position	Number
HR Director/Manager	9
CEO/Regional or Divisional Head	5
Finance Director/Manager	1
Total	**15**

As earlier stated the focus and content of this survey has been guided by the results of the second CLIRS survey (cf. chapter four for a brief description). Its findings indicated an inter-relationship between the strategic and structural characteristics of large companies and their approach to the management of IR and the management of HR. In short, the findings of the CLIRS survey highlight a number of key expectations that result from the organisational form and composition of MNCs. In other words, it was found that the form of divisionalisation and the degree of diversification shape the approach adopted by MNCs towards their employment relationship and that such approaches were largely issue-driven.

More specifically, the results of the second CLIRS survey suggest that the degree of production integration is a 'key factor' in shaping the degree of centralisation of IR decisions (Marginson *et al.*, 1994). The degree of production integration and the centralisation of IR decision-making were found to be positively related – the greater the degree of diversification the more likely the existence of common IR policies and the degree of centralised IR decision-making. A key expectation is thus that a centralised approach is more likely within dominant or single businesses and, conversely, that a decentralised approach is more likely within related and conglomerate businesses. The degree of divisionalisation is another factor purported to exert a 'key influence' on the conduct of IR (Purcell and Ahlstrand, 1994). One of the main consequences of divisionalised organisational forms is the decentralisation

of IR and HR decision making to divisional or local levels. In short, the organisational form, divisionalisation and the degree of diversification was found to inform the management of IR and HR within MNCs.

5.3 Irish-owned MNCs in Profile

Perceptions of Irish-owned MNCs within Ireland tend to be of large long established national success stories, rather than of small or medium-sized multinational companies with substantial employment overseas (O'Malley, 1998). This is not surprising given, as chapter three highlighted, the smallness and recency of the internationalisation of the Irish economy. To counter this dated perception and place this research in a broader context the following sections provide background information arising from the survey on the domestic and overseas operations of Irish-owned MNCs.

5.3.1 Size and Distribution of Employment

Despite their recent entry into international markets, Irish-owned MNCs are ranked among the Nation's largest indigenous employers (Business and Finance, 1994). As table 5.2 illustrates, most Irish-owned MNCs (n=11) employ between 1,000 and 10,000 employees group-wide, with over a third (n=6) employing less than 5,000 people. The four largest Irish MNCs – employing over 10,000 people worldwide – are either located in the financial services sector or were among the first indigenous companies to internationalise during the 1970s. In contrast, the smallest Irish-owned MNCs (n=6) are located in the food sector or are industrial holding companies. While employment figures suggest that Irish-owned MNCs are large in domestic terms, they are small to medium sized employers relative to their European or international counterparts.

TABLE 5.2: EMPLOYMENT SIZE OF IRISH MNCS (1994)

	1+	100+	1,000+	5,000+	10,000+
Top 1,000 Companies	412	517	48	6	8
Irish MNCs	**-**	**-**	**6**	**5**	**4**

Source: Business and Finance (1994)

In 1994, Irish-owned MNCs collective employment represented roughly 10% of the total Irish labour force. However, this picture of Irish-owned MNCs as large indigenous employers changes dramatically when the employment distributions of these companies are examined. The survey revealed that most (n=11) Irish-owned MNCs employ significantly numbers outside of Ireland. Less than a third of all people employed by these companies is located in Ireland (cf. table 5.3). The UK was found to account for the largest percentage of overseas employees, almost as large a proportion as the Irish-based share.

A large proportion of Irish-owned MNCs (n=11) have operations located in mainland Europe, although most (n=8) employ less than 20% of their total employment base there. On average, Irish-owned MNCs employ a third (29%) of employees within Ireland, a quarter (26%) within the UK and less than a tenth (9%) within mainland Europe. Of those Irish-owned MNCs without European operations, American operations (n=3) account for the remainder of their employees. One Irish-owned MNC was found to have employees solely located within the UK and Ireland. Irish-owned MNCs with large domestic employment bases (n=4) were found to be either in the financial services sector or State-owned. Irish-owned MNCs within the financial sector were found to be the largest domestic employers, while the smallest domestic employers are industrial holding companies and those MNCs within the Print, Paper and Packaging sectors. Irish industrial holding MNCs have significantly larger employment bases located within the UK than in Ireland.

TABLE 5.3: EMPLOYMENT DISTRIBUTIONS ACCORDING TO SECTOR (1994).

Main Activity	Total Group Employment	% in Ireland	% in UK	% in other European
Food & Dairy	3,000	17	67	1
Food & Dairy	6,348	49	40	5
Food & Dairy	2,250	33	50	17
Food & Dairy	1,840	92	1	7
Electrical & Engineering	4,800	15	60	16
Financial Services	16,000	50	6	-
Financial Services	12,000	70	12	-
Clay, Cement & Glass	9,000	17	78	-
Clay, Cement & Glass	14,000	22	23	29
Industrial Holding	5,000	10	90	-
Industrial Holding	1,828	12	65	23
Print & Packaging	34,500	6	13	9
Print & Publishing	9,000	17	2	18
Print & Packaging	2,340	22	10	21
Transport	5,556	76	16	2
Total	**127,462**	**36,915**	**32,791**	**11,247**
Overall percentages		(29%)	(26%)	(9%)

In short, the employment distributions of Irish-owned MNCs suggest a size and sectoral effects.[17] Large Irish-owned MNCs operating in the manufacturing sector (n=2) have a small proportion of employees located within Ireland and a large proportion located in mainland Europe. Large Irish-owned MNCs operating within the service-sector (n=2) are large domestic employers and have no mainland European operations. However, small Irish-owned MNCs tend to engage in manufacturing activities and employ a larger proportion of employees in the UK than in Ireland. Medium-sized Irish-owned MNCs are more likely to have the

[17] 'Large' MNCs are defined as employing over 10,000 employees group-wide, 'Medium' MNCs as employing between 5,000 - 10,000 group-wide, and 'Small' MNCs as employing between 1,000 - 5,000 group-wide.

majority of their employees within Ireland and the UK, with few or no mainland European sites.

5.3.2 Sectoral Location

Table 5.4 outlines the sectoral location of Irish-owned MNCs, clearly highlighting their concentration within such diverse sectors as, Food and Dairy, Print and Packaging, Clay, Cement and Glass, Electrical Engineering, Financial Services and Transportation. In addition, a substantial proportion (n=4) operate as industrial holding companies. Across the sectors, ten Irish-owned MNCs where found to be involved in manufacturing while the remaining five operate in service sectors. These results suggest the sectoral concentration of Irish-owned MNCs in what Lynch and Roche (1996) define to be 'traditional' or 'resource-based' industries.[18] They also reaffirm earlier findings by O'Malley (1985), who found indigenous industry to be clustered in sectors that afforded some degree of national or natural protection, such as Food, Clay, Cement and Glass, Paper and Printing, and Drink and Tobacco. This survey found that Irish MNCs broadly remain located within similar sectors. They have not emerged within what are generally seen as the more dynamic, modern or technological sectors where foreign MNCs tend to operate in Ireland (cf. table 5.4).

TABLE 5.4: SECTORAL LOCATION AND EMPLOYMENT OF IRISH-OWNED MNCS

Main Sector	Number	Total Employment
Food and Dairy	7	28,462
Industrial Holding	4	10,426
Print, Paper & Publishing	3	45,840
Financial Services	2	28,000
Clay, Cement & Glass	2	23,000
Electrical and Engineering	1	4,800
Transport	1	5,556
Total	**20**	**146,084**

[18] Lynch and Roche (1996) define 'traditional' sectors as long established mature industries and 'resource-based' sectors as those concerned with low value-added processing of local resources.

5.3.3 The Internationalisation of Irish-owned MNCs

Table 5.5 demonstrates that acquisitional growth strategies are the most prevalent means of internationalisation among Irish MNCs. After organic growth strategies, mergers and joint ventures are the least popular means of growth. In keeping with the findings of O'Malley (1992), this research indicates that Irish companies have become multinational predominately through the acquisition of foreign entities. It confirms that acquisitions are the preferred means of promoting corporate growth and that the UK and mainland Europe are the preferred locations for overseas locations. The sectors found to dominate acquisition activity are Food, Financial Services, Construction and Property, and the Packaging and Paper sectors – sectors that Irish companies have traditionally gravitated toward.[19]

TABLE 5.5: GROWTH STRATEGIES OF IRISH-OWNED MNCS

Type of Growth Strategy	Most Prevalent (n=)
Acquisition of local companies	10
Merger or Joint Ventures	2
Investment in Greenfield Sites	3
Total	**15**

In addition to locating in the UK, Irish MNCs tend to acquire operations in Northern European countries. As table 5.6 illustrates, all Irish MNCs have operations within the UK, while most (n=11) have operations in mainland Europe. Within mainland Europe, Irish-owned MNCs locate, in order of popularity, within Belgium, Germany and the Netherlands. While Eastern Europe has recently emerged as a new growth

[19] Sectors found to dominate acquisitional activity levels included Food and Agribusiness, Financial Services (13%), Construction and Property (10%) and Print and Packaging (6%) sectors. Irish acquisitional activity was found to be concentrated within the UK (44%) and other European countries (15%).

region for Irish-owned MNCs, there appears to be a lack of interest in locating in Scandinavian countries.

TABLE 5.6: PREFERRED EUROPEAN LOCATIONS OF IRISH-OWNED MNCS

Country	Number of MNCs with sites located in those countries	Number of sites (with 100+ employees)
Belgium	7	1
Germany	6	3
Netherlands	6	4
France	4	2
Spain	4	1
Eastern Europe	3	-
Switzerland	2	-
Denmark	1	-
Italy	1	-

5.4 STRATEGIC AND STRUCTURAL CHARACTERISTICS OF IRISH-OWNED MNCS

Having sketched a profile of the demography of Irish-owned MNCs, this chapter now turns to an examination of the inter-relationship between their organisational forms and their degree of production or service integration. To this end, the divisionalisation and diversification of Irish-owned MNCs are firstly outlined. To briefly reiterate, the main finding of the second CLIRS survey was that the strategy and structures of companies exert an important influence on the approach of MNCs to the management of their employment relationships.

5.4.1 Divisionalisation Structures and Diversification Strategies (Ireland)

The process of divisionalisation is posited to be a structural response to diversification (Chandler, 1962), to rising transaction costs (Williamson, 1975) and even institutional isomorphism (DiMaggio and Powell, 1983). It is also seen as a 'key influence' on the conduct of IR and HR (Purcell and Ahlstrand, 1994).

Divisionalised forms of organisation have predominated among large companies in the Anglo-Saxon world, notably those originating from the UK and the US. Divisionalisation refers to the disaggregation of operations into quasi-independent units and organisation into structures that correspond to market segments or geographical regions. The devolution of financial accountability and operational decision-making to these semi-independent units, while maintaining co-ordination at head office is a key part of this process.

In assessing the degree to which the process of divisionalisation has occurred within Irish-owned MNCs, respondents were asked to identify the basis for the organisation of their domestic businesses. As table 7 shows, the domestic operations of most Irish-owned MNCs (n=8) are not divisionalised. In only seven cases were divisionalised structures found to prevail along product and/or territory lines.

TABLE 5.7: ORGANISATIONAL STRUCTURES OF IRISH-OWNED MNCS (IRELAND)

Basis of Divisionalisation	**Number of MNCs**
Stand alone units (no divisions)	8
Divisionalisation along Product Lines	5
Divisionalised along Product and Territory Lines	2
Total	**15**

For the purpose of this research, diversification is taken to refer to the expansion of an existing firm into an industry that it has not previously been involved in. Using measures of product diversification defined by Channon (1973), it was found that most Irish-owned MNCs operate within either related (n=8) or dominant businesses (n=6).[20] No Irish-owned MNCs were found to operate as conglomerates and only

[20] This measure for diversification asked respondents whether they operated in a single business (where one business accounted for 90% or more of total sales); a dominant business (where any single business accounted for between 70-90% of total sales); a related business (where no one single business accounted for more than 70% of sales); or as a conglomerate (number of unrelated businesses).

one defined itself as a single business company (table 5.8). Moreover, neither employment nor size were found to be defining characteristics in the nature and extent of MNC product diversification. Large Irish MNCs are not more likely to operate in unrelated businesses, and smaller MNCs are not more likely to operate in single, dominant businesses. Indeed, some of the larger MNCs were found to operate in dominant businesses.

TABLE 5.8: DIVERSIFICATION STRATEGIES OF IRISH MNCS (CHANNON MEASURE)

Diversification Measure	Number
Single (one business accounts for 90% or more of total sales)	1
Dominant (any one business accounts for between 70-90% of total sales)	6
Related (no one single business accounts for more than 70% of total sales)	8
Conglomerate (number of related businesses)	-

However, a clear division was found between service and manufacturing MNCs. Irish-owned service industry MNCs were found to operate within dominant businesses whereas manufacturing MNCs tend to operate within related businesses. A sectoral effect was noted in that Food MNCs were found to operate within related businesses, while Financial Services and Industrial Holding companies tend to operate within dominant businesses.

In order to assess the influence of the degree of production integration and geographical dispersion on the conduct of IR and HR, the *spatial diversification* of Irish MNCs was also investigated.[21] Most Irish MNCs (n=9) were found to have little production integration and were more likely to produce different goods at different sites. Only three MNCs were found to integrate their production systems or operations, producing the same goods or services at the same sites, and a further

[21] Respondents were asked if sites produced different products/services at different sites, produced the same products/services at the same sites or produce the same products at some, but not all sites.

three respondents produce the same goods or services at some but not all sites. Table 5.9 shows that service sector MNCs are more integrated in the provision of their services than manufacturing MNCs. Size and integration were also found to be positively related. More specifically, it was found that the larger the MNC the more likely that production is integrated across sites. This also suggests a sectoral effect, with the larger integrated MNCs found to be located within the financial services sector. The nature of the business appears to influence the degree and extent of integration within Irish-owned MNCs. MNCs in the finance sector were found to have higher degrees of production integration than those in the food and print and packaging sectors.

TABLE 5.9: INTEGRATION ACCORDING TO SECTOR

Main Sector	Same	Different	Same at some
Food & Dairy	-	3	1
Industrial Holding	-	2	-
Print, Paper & Publishing	-	2	1
Financial Services	2	-	-
Clay, Cement & Glass	-	2	-
Electrical & Engineering	-	-	1
Transport	1	-	-
Total	**3**	**9**	**3**

5.4.2 Divisionalisation Structures and Diversification Strategies (Overseas)

Turning to the international structures of Irish-owned MNCs, table 5.10 illustrates that most (n=10) are organised according to product lines, either in the form of international business divisions or as SBUs. Few Irish-owned MNCs (n=4) have separate stand-alone international divisions. The survey findings suggest that Irish-owned manufacturing MNCs are more likely to organise along business lines while those located in service sectors tend to organise along geographical lines. While

there is strong evidence to suggest that Irish-owned MNCs have adopted divisionalised organisational forms at this stage the extent to which this structuring has been accompanied by the devolution of financial and operational responsibility remains unclear.

TABLE 5.10: INTERNATIONAL STRUCTURES OF IRISH-OWNED MNCS (OVERSEAS)

Basis of Divisionalisation	Number
International product-based organisation	10
(includes international business divisions, international SBUs)	
Separate 'international' division (stand-alone)	2
Mixture of International product-based and separate international divisions	2
Other	1
Total	**15**

5.5 THE NATURE OF HRM IN IRISH-OWNED MNCS

This section examines the nature and size of the 'centre' or head office of Irish-owned MNCs, the structure of their HRM functions and where these functions exist, and finally HR representation at board level as a measure of the corporate emphasis placed on HRM. As table 5.11 outlines, most (n=10) Irish-owned MNCs have designated head-office HR functions. Size is positively related to the provision of HRM in Irish-owned MNCs. The larger MNCs (in employment terms) the more likely that there is a HR function at head office level. Irish-owned MNCs employing over 5,000 worldwide are more likely to have a designated HR department at head office. The HR functions of Irish-owned MNCs at head office tend to be small with most (n=7) employing less than ten people. The remaining three MNCs with HR at head office employ between 20 and 61 people. A strong sectoral effect is evident from the results. It was found that MNCs in service sectors tend to have large corporate HR departments. Of those MNCs *without* head office designated HR

functions (n=5), two are industrial holding companies, two are in Print and Packaging and the other in the Electrical Engineering sector. Moreover, it was found that in all except the privately owned Electrical MNC, specialist managerial staff spent a significant proportion of their time dealing with HRM issues.

TABLE 5.11: PROVISION OF HR RELATIVE TO TOTAL EMPLOYMENT

Employment Size	HR Department	No HR Department
1,000 – 4,999	3	3
5,000 – 9,999	3	2
10,000 +	4	-
Total	**10**	**5**

Furthermore, the size of HR departments was found to be related to overall head office size. Irish-owned MNCs (n=9) tend to have small head offices (employing less than 50 people) relative to their international counterparts. Of the remainder, three have medium-sized head offices (employing between 50 and 500 people), and three have large head offices (employing between 500 and 5,000 people). No correlation was found between the overall head office size and the MNC itself. However, a sectoral effect did emerge, with industrial holding and food MNCs tending to have the smallest head offices and those engaging in service industries the largest. As table 5.12 illustrates, most Irish-owned MNCs with small head offices tend not to have a HR function as compared with those MNCs with larger head offices. In all of the MNCs with small head offices and a HR function (n=4), their departments employed less than three people. Of those with small or medium-sized HR functions (n=7) five are diversified into related businesses. The survey results suggest that the larger the Irish-owned MNC the greater the head office designated HR function.

TABLE 5.12: PROVISION OF HR RELATIVE TO THE SIZE OF THE HEAD OFFICE

HQ Size	No HR Dept	Small (1-3)	Medium (4-9)	Large (10+)	Total
Less than 50	5	4	-	-	**9**
50 – 499	-	1	1	1	**3**
500+	-	-	1	2	**3**

Despite the provision of HR at head office level among Irish-owned MNCs, HRM representation on management boards was not found to be common. In most Irish-owned MNCs (n=11) HRM was not represented at board level. Of the four companies with representation, most (n=3) had a specialist HR function at head office.

Results of the survey show that Irish-owned MNCs have levels of unionisation that are higher than the average within Ireland. As table 5.13 illustrates, over half of the respondents have between 75% and 100% unionisation within Ireland. Given this, it is not surprisingly that most Irish-owned MNCs (n=12) have the majority (if not all) of their home operations unionised, while only one was found to be non-unionised. All Irish MNCs surveyed recognise trade unions for the purpose of negotiating pay and working conditions and it was found that there has been no change to this policy in the last five years. Most Irish-owned MNCs (n=13) belong to the Irish Employers' Association (IBEC), who primarily adopt an advisory role. In only one case was IBEC found to pay a representative role in local negotiations.

TABLE 5.13: UNIONISATION LEVELS IN IRISH-OWNED MNCS

Level of Unionisation	Number of MNCs
0 – 24%	2
25 – 49%	2
50 – 74%	3
75 – 100%	8

In assessing the nature and degree of head office involvement with respect to the conduct of IR and HR, respondents were questioned about the role that head office adopts toward a number of IR and HR issues. Following CLIRS a number of issues were selected, some heavily regulated by state legislation and others more openly defined by managerial choice.[22] Possible responses ranged from complete instruction to total autonomy. With regard to domestic operations, Irish-owned MNCs were found more likely to 'instruct' on issues concerning pay negotiation and redundancy terms. Moreover, they were found more likely to 'advise' on issues relating to trade union recognition, employee consultation and involvement and membership to employer associations. In contrast, Irish-owned MNCs are more likely to devolve complete 'autonomy' to local levels on issues such as the design of the payment system, numbers employed and the length of the working week (cf. table 5.14). This suggests that Irish MNCs devolve greater autonomy with regard to IR and HR issues that are more open to managerial discretion and less to issues governed by national legislation.

TABLE 5.14: APPROACH TO THE MANAGEMENT OF IR AND HR (IRELAND)

Issues	Instruct/Advise/Guidelines	Autonomy
Member of Employer Association	8	5
Trade Union Recognition	9	4
Design of Pay Systems	9	5
Numbers Employed	8	5
Consultation & Involvement	9	4
Negotiation of Annual Pay	12	3
Terms of Redundancy	12	3
Length of Working Week	9	6

However, a much more decentralised approach is adopted toward overseas operations. The findings clearly indicate that Irish-owned MNCs are more

[22] Possible responses ranged from 'instruct', 'advise', 'issue guidelines', and 'grant autonomy' or 'other'.

decentralised in their approach to the management of IR and HR issues in their overseas operations than domestically (cf. table 5.15). Again it was found that Irish-owned MNCs adopt a more instructive role on such financially related IR issues as the terms of redundancies, pay negotiation and the design of the pay systems. With regard to other issues such as consultation and involvement structures, membership to employers association and trade union recognition in overseas sites, Irish-owned MNCs are also more likely to issue guidelines than advise.

TABLE 5.15: APPROACH TO THE MANAGEMENT OF IR AND HR (OVERSEAS)

Issues	Instruct/Advise/Guidelines	Autonomy
Member of Employer Association	5	8
Trade Union Recognition	6	8
Design of Pay Systems	6	9
Numbers Employed	5	9
Consultation & Involvement	6	8
Negotiation of Annual Pay	7	8
Terms of Redundancy	7	7
Length of Working Week	6	9

Approaches to IR and HR were found to be strongly related to the nature and degree of integration between sites. More particularly, Irish-owned MNCs with no trading relationship between sites are more likely to be decentralised in their management of IR and HR issues. Of those MNCs (n=8) that adopted a highly decentralised approach to overseas sites, none were found to have trading relationships between sites. In contrast, of those companies whose products/services are integrated within Ireland, the majority (n=7) adopt a more interventionist role with respect to IR issues. No strong correlation was found with respect to either divisionalisation or diversification strategies. Similar to other aspects already reported on, a sectoral pattern was again found. Irish MNCs in the food sector are more likely to adopt a

more centralised approach to home operations and grant more autonomy to overseas sites (where operations are not networked). MNCs in the financial services sectors were found to adopt more centralised in both home and overseas operations. In contrast, holding companies were found to be decentralised in their approach to both home and overseas operations. Other manufacturing MNCs varied across home and abroad sites in no definitive way.

Most Irish-owned MNCs (n=10) were found to have some form of consultative arrangement between management and employee representatives in their domestic sites. These formalised arrangements either occur on a needs-driven basis or more than twice a year. The main purpose of the meetings was found to be simply the exchange of information (n=6), with few MNCs using them to define issues or policies (n=3). Despite the existence of formalised consultative arrangements within Irish-owned MNCs, there is little evidence of transnational, consultative processes among employees and management. Meetings between employee representatives across European operations were found to occur in only one MNC.

Although not a common practice, the regular 'networking' of management was found to be emerging across Irish-owned MNCs. Of the nine MNCs found to operate with formalised meetings, most (n=7) have meetings that occur more than twice a year. The purpose of these meetings is to define policy, or to share information. However, fewer Irish MNCs network their management levels on an international basis. Only six Irish MNCs have formal meetings between HR managers from Ireland and overseas. These meetings were found to be needs driven and confined to the reviewing of policies. Irish-owned MNCs regularly collect performance-related indicators from their home and European sites for the purpose of conducting internal comparisons of site operations (cf. table 5.16).

TABLE 5.16: TYPE OF INFORMATION COLLECTED FROM EUROPEAN SITES

Type of Information	Number of MNCs
Overall Labour Costs	12
Numbers Employed	11
Labour Productivity	10
Training Received	9
Movements in Rates of Pay	8
Strikes & other forms of industrial action	7
Absenteeism	7
Accidents & Injuries	7
No. of Resignations and Nos. Recruited	6
Gender Composition of Work-force	6
Overtime Working	5
Dismissals and Disciplinary Cases	3
Age Composition of Work-force	3
Occupational Health	4
Other	2

Information is collected by Irish-owned MNCs from European sites to input into investment decisions, to evaluate managers' performance and to compare across sites. The main difference in their approach to European sites is that greater importance is placed on using this information for comparing sites and making investment decisions (cf. table 5.17). Consequently, the European operations of Irish-owned MNCs appear to enjoy more autonomy than their Irish counterparts but are subjected to similar systems of data collection.

TABLE 5.17: PURPOSE OF INFORMATION COLLECTED FROM EUROPEAN SITES

Purpose of Information	Number
Compare operating sites	14
Investment decisions	10
Evaluate Site Managers	10
Divestment decisions	5
Evaluate IR/HR function	4
Information to IR/HR function	2

5.6 CONCLUSION: 'IRISH-OWNED MNCS – AN EMERGING FORM'?

A number of features concerning the nature and character of Irish-owned MNCs are evident from the results of this survey. The key aspects of these are summarised in table 5.18. To summarise, Irish-owned MNCs are among the main players in Irish business. When compared with their European and international counterparts, Irish MNCs are small to medium-sized. Clustered into traditional and resource-based sectors, they tend not to be highly diverse. Despite the local perception of Irish-owned MNCs as large indigenous employers, Irish-owned MNCs have on average a larger proportion of employees located overseas than domestically. Having predominantly expanded overseas through the acquisition of foreign interests, most Irish-owned MNCs have small operations in mainland Europe. Perhaps not surprisingly, given Ireland's geographical position and history, the UK is an important location for Irish-owned MNCs and accounts for the most significant proportion of overseas employment. Structurally, indigenous Irish-owned MNCs are divisionalised, with small head offices.

Irish-owned MNCs are highly unionised within Ireland, with all recognising trade unions for the purpose of collective bargaining. Most Irish-owned MNCs have a separate designated head office HR function, but few have HRM board representation. These HR functions tend to be small in size, with many employing

less than three people. The approach of Irish-owned MNCs to the management of IR and HR is mainly issue-driven. Head office intervention is greater with respect to 'hard' IR issues that are less regulated by national legislation, notably pay determination, redundancies and union recognition. Irish-owned MNCs adopt a more decentralised approach to the management of overseas employment relationships.

TABLE 5.18: KEY GENERIC FEATURES OF IRISH-OWNED MNCS

Irish-owned MNCs generally tend to be....
Small to medium sized (SMEs) MNCs, with small head offices,
Located in traditional or resource-based sectors,
Small domestic employers, with over half of total employees located outside of Ireland,
Divisionalised along a mixture of product and geographical lines,
Highly unionised and recognise trade unions for the purpose of negotiations,
Not highly diverse. Irish MNCs are either manufacturing MNCs within related businesses or service MNCs within dominant businesses,
...and have...
Large UK operations and small mainland European operations,
Expanded overseas, predominantly through acquisitions,
Small specialist HR functions located at head office with little representation on main boards,
Links with employers associations, mainly for the purpose of obtaining advice,
A more decentralised approach to the management of IR and HR in overseas operations,
Approached the management of IR and HR in an issue-driven way, with more head office intervention with regard to hard IR issues that are more open to managerial discretion,
Shown little evidence of transnational consultative process amongst employees and management, despite formalised consultative arrangements,
Small incidence of HR managerial networking for the purpose of policy formulation and definition.

The results also suggest the emergence of possible 'sectoral models' within Irish-owned MNCs. For instance, Irish-owned MNCs within the food sector tend to

operate within related businesses, with divisionalised structures organised along product lines. Producing different products at different sites, sites supply one another in competition with external suppliers or through internally administered price structures. These MNCs are also more decentralised in their approach to IR in overseas operations than at home. In contrast, Irish-owned MNCs in the financial services sector tend to operate in dominant businesses, produce the same service across sites, integrate their operations and adopt a highly centralised approach to the management of IR and HR across all of their local and overseas operations.

The findings presented in the sections above suggest that Irish-owned MNCs are distinctive in a number of respects. Firstly, Irish-owned MNCs tend not to concentrate in what Porter (1990) describes as 'global' sectors, but rather, in 'multi-domestic' sectors. The sectoral locations of Irish MNCs suggest a concentration in traditional or resource-based sectors. Secondly, while a large proportion of those employed by Irish-owned MNCs are located overseas, their employment tends to be regionally concentrated in the UK and in mainland Europe. Furthermore, Irish-owned MNCs differentiate their control and management processes between home and overseas, indicating a lack of international integration. Overseas operations are differently managed from the local Irish sites in that they appear to have greater autonomy.

With respect to emerging practices within global MNCs, Irish-owned MNCs again appear distinctive. In keeping with the expectations of the globalisation literature outlined in chapter two, these results suggest that Irish-owned MNCs regularly collect financial information for internal benchmarking and investment decision-making purposes. Also, while discernible in only some Irish MNCs at this stage, international managerial networking of HR managers for the purpose of

implementing and defining HR policies appears to be emerging. However, unlike the global models, the survey reveals little evidence of the divisionalisation of Irish-owned MNCs on an integrated international basis. This, coupled with the tendency of Irish MNCs to differentiate control between domestic and overseas operations, would suggest that IR and HR decision-making is being maintained within national contexts. While the survey findings may indicate the existence of a number of key distinctive features of Irish-owned MNCs, a number of issues been revealed that requiring further investigation in order to obtain a more substantive and clearer picture. More particularly, while the survey data suggests that Irish-owned MNCs are divisionalised, it is still unclear as to whether divisionalisation has resulted in a 'real' or 'apparent' decentralisation of decision-making, particularly with respect to the conduct of IR and HR. Furthermore, the survey falls short of examining the role of these designated head office HR functions in the management of suggested autonomous approaches.

While the survey results provide some indications of structural and behavioural patterns amongst Irish-owned MNCs, as chapter four outlined case study analysis is needed to further investigate the factors shaping the behaviour of these companies with regard to their management of IR and HR. The following chapters present in-depth investigations into four Irish-owned MNCs. By examining particular companies in greater depth and expanding the analysis to incorporate wider historical and competitive market conditions these distinctive features indicated here will be further illuminated. By comparing across these cases and incorporating the survey findings presented here, chapter ten will postulate as to the common characteristics of the Irish-owned MNC, with particular regard to the management of IR and HR. Chapter eleven will then compare these characteristics against the

expectations of the literatures outlined in chapters two and three to examine the ways and extent to which these practices are distinctive.

CHAPTER 6

CRH GROUP PLC.

CRH plc is a highly decentralised MNC whose rapid internationalisation in recent years has led to a number of key HRM issues. These issues have been matched with the recent establishment of a HR function at head office level. This has occurred against a backdrop of a traditional adversarial approach to IR. Given the nature of CRH's core businesses, coupled with a highly localised approach, the Group have reinforced their decentralised approach to the management of IR through the development of specific structural arrangements. Having grown predominately through the acquisition of owner-operated businesses, CRH have managed to overcome a number of obstacles normally experienced by latecomers to internationalisation.

6.1 INTRODUCTION

This first case study illustrates the case of an Irish-owned MNC whose response to rapid internationalisation has resulted in the re-evaluation of their approach to the management of IR and the management of HR. CRH plc, a highly decentralised, 'federated' organisation, has grown rapidly in the last two decades through acquisitions. Driven to internationalise by rising dependencies on a shrinking domestic market, this firm was one of the first Irish companies to exit a largely sheltered domestic market during the 1970s. Given a lack of international experience, the Group targeted developed regions that were broadly similar in culture and language. In the US, the CRH Group was fortuitous in acquiring owner-managed businesses that were experiencing succession difficulties. This growth strategy was crucial in affording the CRH Group the opportunity to gain a foothold in highly localised markets and thus overcome the problems traditionally associated with late internationalisation.

Rapid growth has given rise to a number of HRM issues for the CRH Group. These include a lack of repatriation opportunities, expanding managerial skill bases, succession problems and a lack of synergies. In response, CRH have recently established a HR function at head office level whose role is to 'professionalise' and

manage an increasingly diverse collection of managers without impinging upon existing decentralised approaches to the management of employment relationships. Toward these aims, CRH have adopted a centralised approach to the management of managers and reinforced their traditional, decentralised approach to the collective management of non-managerial employees. By doing so, they have placed recent 'piecemeal' developments alongside existing traditional adversarial approaches.

Developments in the broader structural and control spheres of the company reflect this mind-set. Given the nature of their core businesses, the maintenance of local autonomy is seen by CRH as vital to their continued success. However, as a rapidly expanding entity, there are obvious benefits to be gained through further financial economies and the exploration of synergies. In an attempt to maximise this newly acquired collective strength, without adversely undermining local initiative, CRH have supplemented financial co-ordination and control mechanisms with a number of personal and social co-ordination initiatives. These are designed to encourage 'best practice' sharing and 'benchmarking' without impacting on autonomy. Recent HRM developments are best understood in light of the Group's historical and structural evolution. To this end, the case study begins with a brief description of CRH plc and its evolution. This is followed by an analysis of the Group's approach to their employment relationship in light of their current structures. The final section describes the manner and form in which CRH has internationalised, identifying factors that have shaped this growth.

6.2 Company Profile

CRH plc is a leading international manufacturer and supplier of building materials. Headquartered in Dublin, this company was among one of the first Irish firms to internationalise during the 1970s. In less than three decades the Group has grown

from a workforce of 5,400 within 55 locations in 2 countries to employing 30,000 at over 950 locations across 12 different countries (CRH Annual Report, 1998). In that period, Group sales have grown from IRE£21 million to over IRE£4,000 million (*The Irish Times*, 12/4, 1996). The majority of CRH's employees are located outside of Ireland (over 90% in 1998). More evenly distributed in the early 1990s, the distribution of employment across sites has become more concentrated in recent years toward the Americas (cf. table 6.1). Outside of Ireland and the UK, the greatest concentration of CRH employees is based in the Netherlands (*The Irish Times,* 8/5, 1996). However, the Group's operations are highly fragmented, with 2,577 workers situated across 191 operations within Ireland, 3,637 workers across 160 operations in the UK and 5,447 in Mainland Europe located across 276 plants, stores and branches (CRH Annual Report, 1998).

TABLE 6.1 TOTAL EMPLOYMENT BY MAJOR LOCATION

	1990	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**
Ireland	2703	2560	2510	2573	2569	2451	2521	2595	2577
Britain & NI	4020	3673	2048	2703	2831	3035	3370	3432	3637
Mainland Europe	2544	2652	3716	3246	3387	3713	3999	4343	5447
The Americas	2479	2337	2278	3229	3229	6132	9294	12338	15642
Total	**11746**	**11222**	**10552**	**11751**	**13691**	**15331**	**19184**	**22708**	**27303**

Source: CRH Annual Reports, 1990-98.

6.3 THE NATURE OF COMPETITION

The largest indigenous supplier of cement and building materials, CRH operate within a highly cyclical and traditional industry. Domestically the building materials industry is currently enjoying an upturn. Since the late 1980s, the Irish construction industry has entered a 'period of sustained output growth after a prolonged period of decline' (Government of Ireland, 1989: 2). In 1985, the Irish construction market

saw a rise in cement volumes for the first time in nine years (Riada, 1997). Fuelled by EU funding and overall economic growth, output in the construction sector grew steadily, rising from 7% to 15% by between 1989 and 1990 (Lynch and Roche, 1995). Between 1993 and 1996 the industry grew by almost 40%. This boom is expected to continue, due mostly to a buoyant tourism sector and continued recovery in the agricultural and commercial sectors (*The Irish Times*, 5/13, 1997). Further growth in the construction industry has been forecast for the late 1990s (Euroconstruct, 1999 – cf. table 6.2).

TABLE 6.2 TOTAL CONSTRUCTION OUTPUT (1996-2000)

	1996	**1997**	**1998**	**1999(f)**	**2000(f)**
Ireland	9.6	10.8	11.9	13.4	14.6
Western Europe (EC-15)	736.3	742.9	748.9	767.2	783.7
ANNUAL GROWTH RATES (%)					
Ireland	17.5	12.7	10.1	12.6	8.9
Western Europe (EC-15)	-0.3	0.9	0.8	2.4	2.1

Source: Euroconstruct, 1999.

CRH plc operate within an industry that is characterised by fluctuations in demand and high logistical costs. The key forces driving change in their industry include technological developments, industry and market requirements, environmental concerns and shifts in world trade (Lynch and Roche, 1996). The Irish construction industry, which includes 'the activities of enterprises and individuals engaged in the building and civil engineering industries', is thus highly cyclical – a cycle that broadly operates on a four to five year time span (Government of Ireland, 1989). Sensitive to fluctuations in interest rates and levels of public expenditure, it is a sector that is largely dependent on national economic growth rates. However, despite movements towards EMU, the cyclical nature of these markets is not synchronised

across Europe.

Another important aspect of the construction industry is that the cyclical nature of demand has a varying impact on the industry's different sectors. The sectors most affected by macro-economic cycles include the industrial, commercial, and residential sectors, while those least affected tend to be improvement and repair maintenance. As a result, businesses involved in infrastructural development are more dependent on factors such as the long-term policies of Government and EU funding. The current cyclical upturn of the Irish construction industry is in contrast to the 'lacklustre performance' of most other European construction sectors. Planned investment, assisted by EU funding, and a forecast upswing in private business investment and private housing, augurs well for this sector at the end of the 1990s. Indicators suggest that while volume growth within Ireland will be lower than that those experienced in recent years, it is likely to be above rates in the construction sector of other European economies (*The Irish Times,* 12/4, 1996 – cf. table 6.3).

TABLE 6.3: CONSTRUCTION INDUSTRY OUTPUT IN SELECTED COUNTRIES 1993-5

Construction Output (% Volume change per @)	**1993**	**1994f**	**1995f**
Belgium	N/A	1.5	2.5
Germany	3.1	4.0	4.00
Ireland	-1.1	6.1	6.0
Netherlands	-4.0	0.0	1.5
Spain	-8.1	1.0	1.5
UK	-2.5	2.0	2.5
US	-1.0	5.0	3.0

Source: Department of Environment (Irl.), Euroconstruct, National Council of Building Material Producers (UK), Dodge (US), Goodbody Stockbrokers.

Improvements in the construction industry have led to increases in the sales of

building materials (Construction Industry Review, 1995). The building materials sector in Ireland is relatively open, compared with other European countries, even allowing for differences in size and in the extent of land frontiers. The UK accounts for the highest proportion of construction imports and exports. In 1986, the UK accounted for 49% of Irish construction material imports and 63% of exports. By the 1990s, the proportion of construction materials exports had risen to 66% (Lynch and Roche, 1996).

The nature of competition has changed for this Group both domestically and internationally. Internationally, there is increasing exposure to imports from Eastern European countries at artificially low prices and, subsequently Eastern Europe represents a rising proportion of imports (13% of EU consumption and 30% of World Trade). Despite an opening up to competition of its core domestic markets, CRH still operate a virtual monopoly, particularly within the Irish cement market (*The Irish Times,* 14/2, 1997). Despite changes to domestic markets, the Group regard themselves as controlling up to 80% of the Irish cement market. Fined in 1996 by the European Commission for its participation in a European price fixing cartel, the Group was found to operate a price fixing agreement in Northern Ireland between 1985 and 1992 (*The Irish Times,* 26/3, 1996). Commentators suggest that cost structures and the achievement of economies of scale are central to its ability to compete in future export markets (Lynch and Roche 1996).

In short, while the nature of competition has changed, CRH still holds a strong position within domestic and overseas markets – markets that traditionally enjoyed sheltered protection within Ireland. In its core businesses CRH operates within a traditional sector which is, by nature, relatively protected from competitive forces. Despite this, commentators suggest that central to its future competitiveness are

strong cost structures and the achievement of economies of scale.

6.4 The Historical Evolution of CRH plc.

The origins of CRH can be traced back to the foundation of the Irish State in the 1930s. As a nation abundant in limestone, shale, clay and gypsum, the establishment of an indigenous cement industry was proposed as part of a vigorous Irish drive towards industrialisation. The passing of the Cement Act (1933) was the first step toward the development of an Irish cement industry. This paved the way for a series of negotiations between the Government and a British cement company, whose Danish parent was one of the world's largest manufacturers of cement machinery (Brady, 1973). In keeping with the ideology of that time, the Government engaged overseas experts as consultants to oversee the industry's establishment. They were to provide much of the technology and management skills that ultimately formed the industry's basis. The first Irish cement firm was established in 1936 and operated under the name Cement Ltd. Under Danish management, the first deliveries of Irish manufactured cement were made in 1938. This newly formed company effectively operated as a monopoly, with full trade protection. As a senior executive remarked: 'CRH was set up in difficult times as a barely economical proposition in the 1930s. That was the culture [of the place]'.

At the same time, two young brothers from Dublin formed a sand and gravel haulage business – Roadstone Ltd. This company, along with the support of a quarrying and sand business from Cork, was launched onto the Irish Stock Exchange in 1949. Despite experiencing difficulties with the deterioration of the Irish economy during the 1950s, their business expanded from primary into secondary materials. When the Irish economy began to recover during the 1960s, Roadstone established a network of quarries and plants across Ireland and the North of England. At the same time the

company reorganised itself in line with management thinking from America and hired a number of young professional executives, some of who quickly rose through the ranks to the highest executive level (*The Sunday Times*, 6/11, 1999). Paralleling Roadstone's growth, Cement Ltd. continued to increase its capacity. By the 1970s, Cement Ltd. was Ireland's largest industrial public, while Roadstone, for whom Cement Ltd. was a major supplier, was the third largest (CRH Contact, 1996).

Towards the end of the 1960s, Roadstone investigated the building of a cement manufacturing plant. However, this proved unsuccessful on cost grounds. The company changed tack and made a bid for Irish Cement in 1970. At the time, Cement Ltd. was experiencing a highly acrimonious industrial dispute. This action had come at a time when the economy was booming and the demand for cement by the construction industry was at an all time high. In an attempt to meet such demands, construction industry leaders attempted to smuggle cement in from the UK. Such moves resulted in the acceleration of industrial action and the picketing of Irish ports by cement workers. The succeeding months were increasingly acrimonious. Industrial action resulted in severe disruption not just within Cement Ltd. but within the construction industry as a whole. In 1970, the cement industry lost approximately 88,200 work days (or 126 days per worker) through strike action between the months of February and June.

The action arose from a claim for wage increases on the grounds that since worker efforts had led to higher profitability levels, Cement Ltd. could afford to pay a productivity bonus. In response, Cement Ltd. offered to make improvements that they claimed were 'at least as good as any improvements made under the current round of [wage] increases'. However, they stated that they were not prepared to pay exceptionally high increases due to their difficult profit position. Negotiations broke

down and industrial action ensued. It was only after the strike had been in operation for twelve weeks that both parties agreed to refer the dispute to the Labour Court. However, when a recommendation was issued, the workers groups rejected it and the action continued for a further seven weeks. Reports of the time speak of how workers sought to block the entry and exit of cement into the country at ports resulting in severe disruptions for the whole Irish construction industry and the dispute was finally settled after the personal intervention of the Irish Minister for Labour (The Irish Labour Court, 1970).

This highly acrimonious and protracted action had a severe and adverse effect on the industry as whole, industries that relied upon cement and Irish Cement Ltd. in particular. Despite depressed share prices, Roadstone's bid for Irish Cement was initially rejected. In an attempt to prevent Roadstone gaining control of the cement supply, a British competitor – Readymix Concrete (now the RMC Group), also made a bid for Irish Cement Ltd. In full recognition that such a move would result in over a third of the Irish cement market being owned and managed by a British company, the main Irish financial institutions put pressure on Roadstone and Irish Cement to merge (Riada, 1997). As a senior executive at head office related, this pressure amounted to: 'a shotgun held by the main Irish institutions who had invested in them'. The two companies eventually merged to form Cement Roadstone Holdings (CRH) plc in October 1970. It was agreed that each company would have equal representation on the main board.

However, Roadstone and Irish Cement Ltd. each had a distinctive culture. While Irish Cement Ltd was 'highly professional, technically excellent, with a reputation for efficiency and product quality, but unsympathetic to its customers', Roadstone Ltd. had a 'reputation of being young, brash, low tech, but entrepreneurial and

customer orientated' (CRH Contact, 1996). After the merger, each company continued to operate independently and for a time retained their identity and culture, for a time. With an improvement in the construction industry during the 1970s, both groups were able to expand but in a manner which, 'scarcely acknowledged the existence of the merger' (CRH Contact, 1996). However, with a change of senior management in 1974, the Group entered a period of consolidation 'in which the two sides learnt to work together'. As a retired senior executive explained, it was the eventual coming together of these two distinct cultures that led to their federal ethos, a distinguishing feature of the Group: 'The best thing that happened was that each side retained their own culture and it is still maintained [to an extent]. It has probably softened a little since then, in that they are much more in tune with the market and customers'. The subsequent history of CRH is a story in three parts: uninterrupted growth in profit from 1970 to 1981; a sharp decline in the years 1982 and 1983; and spectacular accelerating recovery from 1984. To trace the evolution of the Group each phase will be briefly outlined.

By 1970 and the formation of the Group CRH were over-dependent on domestic markets, from which almost all of CRH's earnings (98%) came (*Address by Barry,* 1991). Despite a booming Irish economy at this time, a number of disturbing patterns were emerging, in particular a rising inflation rate, a weak balance of payments, high unemployment rates, and increasing industrial unrest. For example, the number of working-days per annum lost due to industrial disputes in 1969 and 1970 was approximately a million as compared with an annual average of 400,000 during the 1960s (Kennedy *et al.*, 1988). With indications of a further deterioration of the Irish economy given and following the acrimonious national-level strike described earlier, CRH made the decision to expand overseas. As the Chief Executive at that time stated: 'it was neither the desire for position on the social

ladder nor management boredom that motivated CRH management in setting out on the acquisition trail overseas. Corporate survival was the motive' (*Address by Barry,* 1991). Limited by a shrinking and highly cyclical domestic market, the Group embarked on a dual growth strategy – a low-cost producer strategy within domestic markets, combined with expanding geographically into overseas familiar sectors. In effect, CRH exited a sheltered yet shrinking domestic market for survival reasons. As one another senior executive explained: 'CRH exited Ireland because in trying to get value for money, it had to exit Ireland and go overseas'.

CRH's Initial expansion overseas was largely unplanned. In full recognition of a need to formalise their growth strategy, senior management formulated a development policy in 1975. This consisted of three separate but related strands. First, it recognised that Ireland was the 'home base' and that domestic investment must not be overlooked. Second, the Group felt it had a social duty to create employment by investing more widely within Ireland. (This became the impetus for the later diversification of the Group outside of their core businesses.) Finally, the Group decided to expand overseas primarily through the acquisition of businesses similar to its Irish core business in developed countries. At the same time, rigorous procedures were put in place for evaluating acquisitions across CRH. As a senior executive at head office explained: 'at the same time structures being put in place in terms of a planning process, as were quite rigorous evaluation procedures for determining whether investment meets our criteria and whether to go ahead with it as part of our acquisitional policy.'

To minimise risk in its pursuit of acquisitional growth overseas, CRH targeted potential growth regions where the language and business cultures were familiar. The UK and US were identified as potential regions of growth: the UK due to it

experiencing a sustained period of growth and the US due to it having experienced a period of cost-driven rationalisation. Having identified this, a number of key managers were dispatched overseas with the brief to 'acquire good companies with good management'. Initially employing brokers, it soon became apparent to the Group that their proposals were being 'hawked around'. In response, key personnel were dispatched to targeted areas and began to personally 'cold call' potential companies. This direct informal approach and the networked family deals that arose from it is a strategy that has remained a keystone of CRH's development.

In the US, the Group particularly targeted family-run businesses that were experiencing succession difficulties. CRH's first US Company was acquired in 1978. CRH entered into 'reciprocal arrangements' which allowed owner-entrepreneurs to realise their capital while remaining with the business they had created as managers. At the same time, inroads were being made into the UK market with the acquisition of a building merchants that was also experiencing in-house succession difficulties. Following the establishment of UK and US 'beach-heads', CRH sought to enter mainland Europe. The Group's entry here was essentially by default. Their first acquisition in Netherlands was originally their agent for stone products and was acquired in order to keep the agency operational as it neared liquidation. Approached by the company itself, CRH were under the impression that they were buying a concrete business with a building merchant attached. When the concrete side of the business failed to make a return, the Group divested out of concrete and focused on the building merchant side of the operations. The Netherlands soon became the base for European growth as CRH diversified into new product markets. To this end, a senior CRH executive was relocated to 'turn' the business around and manage the European base. The Netherlands was seen as a good cultural 'fit' for the Group. As a senior executive at head office explained:

> We found Holland to be a good place to do business in. They are traders and willing to sell businesses we are in and join in with us in the same way as we have done in other places. We have not been able to do that so well in Germany - they are much more chauvinistic, whereas the Dutch are much more business orientated and willing to work to maximise the mutual benefits rather than maximise their own.

The culture was seen to be largely similar with minimal linguistic problems given that most of the Dutch people involved had a good command of English. This was particularly important given the Group's lack of in-house language skills.

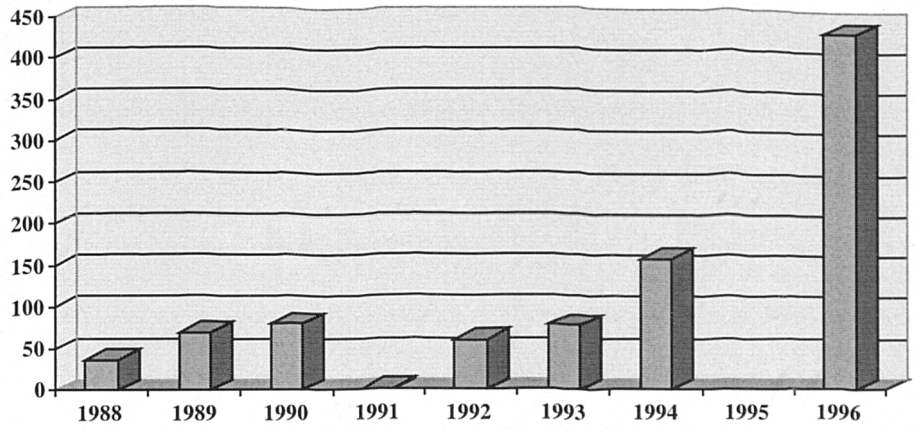
By the early 1980s, CRH plc was the second largest Irish private sector manufacturing company (O'Malley, 1985), a position that it maintained until 1998 when it became Ireland's largest indigenous company (Business and Finance, 1998). Expansion in the 1980s occurred in its main geographical markets of the US, Britain and mainland Europe in an attempt to spread the risk and cyclicality of their main markets. By 1988, CRH earned 22% of its profits in Ireland, 30% in the US, 24% in Britain and 24% in mainland Europe. The Group confronted a watershed in 1980 when cement deliveries unexpectedly fell by 12%. Prior to 1980, the Group had begun a modernisation programme in its cement operations to increase productive capacity. This took three years to complete, in which time the consumption of cement had declined by 33%. This downturn was to have an adverse effect on the Group and lead to a drop in profit levels (pre-tax profit of IR£9.1m in 1983 down 41% from 1982). During this time, cement imports hostile to the Irish market, began to enter Northern Ireland.

Cement consumption continued to fall (12% in 1980 and 18% in 1982), due to the culmination of a number of factors: fuel prices rose, US construction industry entered a sharp recession, UK markets were still feeling the effects of a recession and an increase of the Company's tax rate from 1% to 21% (Riada, 1997). In 1984,

profits rose dramatically aided by an upturn in the American, Dutch and Irish markets. Recovery continued, particularly in European and US markets, as acquisitions began to make returns. This composition changed slightly in 1986, with a recovery of the Irish and UK markets. In 1987, the Group entered Spain with one of its largest acquisitions. The recession of the Irish economy was weathered with the more favourable performance of overseas markets. By the late 1980s, mainland Europe was CRH's star performer, with strong market conditions in their DIY markets.

The most dynamic chapter in the history of CRH has occurred in the last decade. Embarking on a rapid acquisitional programme, the Group spent nearly (IRE£)500 million on acquisitions between 1988 and 1998, one of the most aggressive expansion programmes in the European buildings materials sector. The 1990s have seen a significant increase in the Group's growth through acquisitions (Barclays De Zoete Wedd Securities, 1996 – cf. figure 6.1). In 1996 alone, the Group spent over £415 million on acquisitions, a significant increase in spending. Since then, the pace of international growth has decreased while the size of acquisitions has increased. For the most part, CRH have pursued acquisitional growth strategies abroad in preference to the establishment of greenfield sites. As a senior executive involved in business development explained: 'Greenfielding takes a lot longer in order to get your money back because of the planning process. You are constructing and breaking against the market. We found it much easier and quicker to actually go off and buy an existing business'.

Figure 6.1 Acquisition Costs (1988-96)



Source: Barclays De Zoete Wedd Securities, 1995.

CRH's current growth strategy is to target small to medium-sized companies. These are at times augmented with larger acquisitions that offer a leadership position within a particular market. The aim of the Group is to 'seek leadership positions at either regional, national or niche levels' through the acquisition of well-managed companies, with management retention in their core businesses (*Address by Hilliard*, 1998). To this end, corporate development is devolved to a number of entrepreneurial development teams who 'generate a continuous flow of acquisitions and capital projects' (CRH Annual Report, 1998). These teams work in conjunction with divisional management and functional teams, who together are seen to possess the necessary skills to evaluate, negotiate and integrate new acquisitions. There is an informal general rule of thumb, which, according to a senior manager, is that: 'a new place, new industry equals bad news. A new place, old industry is okay. Combinations thereof we get very nervous'.

A crucial part of the internationalisation of this Group is the retention of owner entrepreneurs. This has been key to their development in the US where growth occurs through 'word of mouth'. The approach, which senior CRH executives see as distinctive among MNCs, is such that 'if management do not want to stay, we do not

want to buy the company'. Once acquired, the financial reporting and information technology systems are immediately introduced. As the head of one of CRH's business divisions explained: 'There would be two things that we would do in most situations in acquisitions: we would change the finance systems, they have to fit in with our consolidation systems and we would look at the IT systems. The finance system is a must. They have to align with our own systems'.

The autonomy of the newly acquired acquisitions is dependent on the size of the acquisition, the larger the acquisition, in that the more likely that it will be run independently. Line management usually manages the integration of the acquisition. This approach of devolved development is seen internally by management as distinctive to CRH. As a senior UK-based manager explained: 'We have got 600-odd people and full-time development teams developing businesses. I know of no other group in the world that does that - they have centralised teams, everything is very closely held and not devolved'.

To summarise, a number of factors have been key to the internationalisation of CRH. These include the establishment of specific acquisitional criteria, the targeting of well-managed companies with a strong local franchise, the pursuit of small-to-medium sized acquisitions, a concentration on core businesses and the retention of local management. Table 6.4 summarises the key events in the internationalisation of CRH against its wider historical evolution.

TABLE 6.4: KEY EVENTS IN THE EVOLUTION AND INTERNATIONALISATION OF CRH

Key Dates	Event
1936	Formation of indigenous cement industry Formation of family-run sand and gravel business
1950s	Expansion of sand and gravel business within Ireland
1960s	Establishment of network of quarries and plants in Ireland and Northern UK

	Increase in capacity by cement company
1970	Strike action in cement company Bids from gravel company and UK competitor for cement company Intervention by Irish financial institutions Merger of two companies to form CRH
1973	First attempts to integrate two companies New CEO First acquisition in mainland Europe
1974	New CEO Rising inflation – decision to expand overseas
1975	Internationalisation policy formulated US & UK targeted Senior executives send overseas to manage internationalisation process
1978	First acquisitions in the UK and the US Overseas Policy formulated
1979	Reinvestment into Domestic operations Product diversification domestically
1980	Fall in consumption of cement in Ireland Hostile cement imports enter Ireland Reorganisation and integration of Irish operations Decline in US and UK markets
1985	Recovery of UK and US markets
1987	Peak in acquisition record with large Spanish acquisition
1988	The golden scenario profit in four geographical regions followed by high volatility
1990	Full recovery back to profitability Major rationalisation and restructuring of UK & US Product divisionalisation introduced in US
1995	Decline in international growth but increase in size of acquisitions

6.5 Strategy, Structure and Control

The approach of CRH to internationalisation and the influence of this approach on the management of IR and the management of HR may be understood in greater detail by examining the overall Group structures, co-ordination and control mechanisms. Recent changes to the structure of the Group highlight the routes being taken toward globalisation. At first sight, CRH plc resembles other large internationally trading MNCs. It has a multi-divisionalised, flat structure with a high degree of decentralisation and a small head office team that provides overall co-

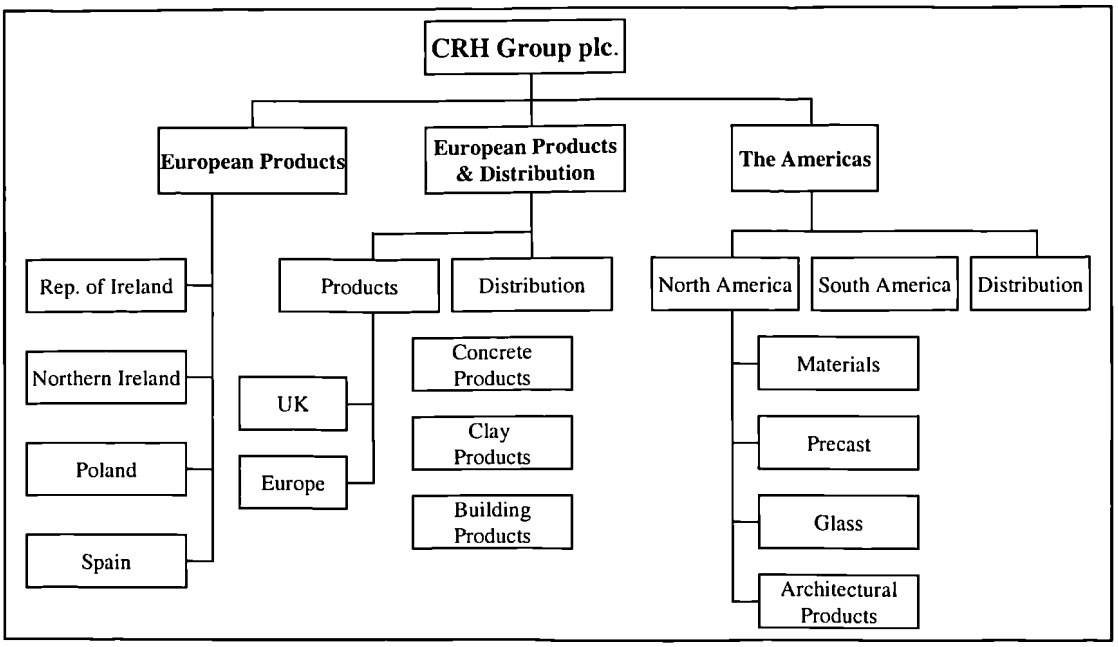
ordination and strategic direction (CRH Annual Report, 1996). Up until 1997, CRH was organised along product and geographical lines thus reflecting differing approaches to the management of operations.

From its initial operations in the US, CRH has operated a highly decentralised regional structure. In 1991, the US operations were reorganised into four main product groups: Materials, Precast Concrete, Glass and Architectural Products. In contrast, the European operations were structured along geographical lines with separate divisions for Ireland, the UK and mainland Europe. Reporting lines thus differed between the US and other operations. Within the US there was a direct reporting line from each operating company into respective product group presidents, into the US holding company and back to the main board in Ireland. Whereas in the European and South American operations local management reported directly to operational regional management, who reported back into the main board. As the pace and rate of growth accelerated, the main challenge for the Group became the maintenance of this organisational form. The paces of growth led to a tension between the need to co-ordinate across borders and maintain local autonomy. As the HR director explained: 'the real question we kept asking was how can we sustain this type of structure'.

Designed to support a decentralised organisation and encourage independence, there was an initial reluctance to move from geographical lines towards a pan-European product-based structure. Such a structure was seen as a threat to their a highly localised approach. Moreover, the diversity of languages and cultures was also seen as a major obstacle. This reticence was eventually overcome and in 1998 a pan-European product-based structure was introduced. Presently all of their European operations are consolidated into three product divisions mirroring the structure of

US operations (cf. figure 6.2). This pan-European structure is seen to provide the Group the opportunity to obtain economies of scale and managerial synergies. As the current Chief Executive explained: 'This stimulus to growth creates further opportunities for managers across national boundaries and helps us build a European organisation, tailored to country, product and cultural differences' (CRH Annual Report, 1998).

FIGURE 6.2 ORGANISATIONAL STRUCTURE OF CRH PLC.



6.5.1 Group Strategy: 'Lots of Local Businesses, Managed by Local People'

CRH operates a highly decentralised and localised approach to the management of their operations, unchanged since the early 1990s. CRH management describes their approach as highly evolved: 'Our decentralised organisation creates a high degree of local operational autonomy and motivation. Overall co-ordination, control and strategic direction is provided by a small team at corporate headquarters' (CRH Annual Report, 1991). The Group consists of over 600 profit centres, each

responsible for its performance, markets, products, customers and strategic plans. The senior management of each business runs that company's strategy, with plans developed from the 'bottom-up'. As the head of the European Materials division explained:

> CRH plc is an entirely bottom-up driven business. A lot of MNCs will tell you that but it is not true. CRH plc genuinely is. If the managing directors of businesses do not drive the business, they do not get driven. There is no centralised think-tank that sits there thinking away about brilliant new ideas.

Divisional management present their five-year plans to the main board annually. These plans are then subject to review. As the head of one division explained: 'People tear them to pieces and make some very valuable inputs. You then go away, rethink it and put it back together. This is then presented to the board on a rolling programme'.

The approach adopted by CRH has largely been shaped by the nature of their products and markets. The Group operates within traditional sectors where the markets are largely localised. Their core products are, by nature, long established and 'mature' and thus incur high transportation, logistical and labour costs. As a result, CRH's core businesses do not readily lend themselves to exporting. In response, the Group has entered markets by acquiring companies with an established market presence. Production is not integrated and the transfer of products across borders is confined to one or two specialist group companies (EWCB, 1996). Thus, proximity to markets is a major competitive weapon that shapes the Group's growth strategy.

There are a number of structural arrangements reinforcing this highly decentralised and localised approach. Rather than imposing a generic Group identity like some larger MNC's, CRH maintain the local identity of their operating companies. As a

result, employee loyalty is fixed firmly at a local level. As a senior executive explained: 'employees have tended to maintain their identity with the company who hired them because the name is still there and very often the boss is still there. They are aware but they are not that conscious we are a huge Group'. The advantage for CRH is that 'local managers deal with people in the industry who have known them forever and who trust them'. Consequently, market loyalty is maintained and local knowledge capitalised upon. Moreover, financial economies are gained by localising budgets. In keeping with this approach, advertising budgets are decentralised expensive national or international campaigns avoided. One of the implications of this approach is that it prevents inter-group trade union linkages forming. Maintaining the local identity of companies isolates conflict, particularly industrial action. As a manager of an Irish subsidiary explained: 'if you have a local row it does not impinge upon the other companies because they are under different names'.

Despite this highly decentralised approach, the role of the 'centre' remains key to the management of the Group as a whole. Small in size since its formation, the head office of CRH employs a total of 30 people. As CRH has grown, this 'centre' has increased in both size and role while devolving functions to local levels. One such function that has been largely devolved in the process is business development. As the Group internationalised, it became increasingly apparent that new businesses needed to be sourced locally. As a result, business development teams were established and located on a regional basis. Other functions such as marketing, purchasing and IT have also been devolved to local levels. At the same time, certain functions were created at the centre with a view to adding value to operations. As will be illustrated later, the HR function is a case in point.

CRH describe themselves as a *federal* group. While sharing a common value system,

its different businesses have 'dual citizenship' – being responsible to both the Group and local markets (CRH Annual Report, 1994). This approach arose, according to a senior executive at head office, from a tension between 'global integration and local responsiveness which ha[d] come more to light with the quick pace of international growth'. As a result, decisions such as the allocation of resources or the appointment of key senior personnel are made at the centre. The centre is thus required to take responsibility for the global strategic direction of the company, acting on behalf of the parts. However, despite a decentralised and federation-like approach there are limits to the local autonomy. While each operating company is responsible for its financial affairs, the movement of funds and the total financial function is managed at the centre. Decisions concerning the strategic direction and co-ordination of the Group also remain at the centre.

6.5.2 Control Mechanisms

The highly decentralised approach described above is managed through extensively reinforced financial parameters. Despite what head office define to be a highly level of devolved authority to the management of operations, there are limits or constraints to that decentralisation. These are most evident in the financial arrangements. Part of the shared value system is a strong focus on results. As the finance director explained:

> There are no manuals apart from the finance manual. You start from the principle that by defining and controlling finances, you are effectively acting as a loose, holding company but with good strategic direction. The two things are very carefully thought through, extreme care in thinking and strong financial controls.

CRH consequently defines itself as a 'results-driven company'. Autonomy is dependent on the delivery of bottom-line results. As the finance director explained, failure to deliver can result in a change of management. Furthermore, in the case of

non-conformity he explained that: 'the ultimate is that you would change the manager. However, it very rarely happens. If they go for help, it is usually given willingly, which is perhaps why people are not so reticent about going for help'.

While allowing for some national differences, the Group reporting system is standard and largely homogenous. The finance manuals, referred to internally as the 'bluebooks', contain monthly results for each operating unit by country. Through the bluebooks, each business unit is kept financially informed of the performance of the Group's other companies. Rather than insisting that profit centres measure head office defined parameters, the Group adopts a more 'coercive' approach. Rather than devolving performance appraisal to operating companies completely, CRH have introduced the concept of 'performance management', where the implementation and form of reward is left to local managers to define but this must be fed back to head office at regular intervals. As the finance director explained:

> We do not have any guidelines saying what each company must have in terms of performance measures. We do it in a slightly different way. We say you are required to provide an annual plan and that needs to cover five years ahead and we would like to see non-financial performance measures in them, and we would like to see what your plans are for improving those.

Exerting the greatest limits on local autonomy are CRH's capital expenditure controls. While a certain amount for capital expenditure is embodied within annual budgets, any plans for expansion or other major investments require the approval of head office. In order to conform to tight guidelines, individual companies are requested to prepare a submission that contains detailed research of the market, plant, operating costs and the impact on other parts of the Group. Dependent on the amount sought, the request goes to the board and/or the CEO for approval.

Overseas managers describe the Group as being 'typically Irish' in their careful and

conservative approach to acquisitions and their reticence or reluctance to divest. Where divestiture occurs, head office would tend to divest 'lock, stock, and barrel'. As a senior overseas manager explained:

> Our job is to deliver better returns to shareholders but the principal issue on strategy is the group will not enter or persist with a position where they cannot achieve a substantial market position. If the position is not sustainable, long term, then we consider divestiture. CRH plc is not a great cleaner of the edges, not too good at that.

Local agendas are influenced in a more 'coercive' manner, by engaging in benchmarking. Internal competition is created through the use of league tables and balance score sheets that rank companies according to financial performance indices. The internal 'competition' is described by local management as 'fierce but fun'. Often it forces the Group to engage in trans-border comparisons towards trans-border strategies. Movements to such practices have also been influences by external pressures as major customers increasingly request pan-European deals. Again, however, the Group sees limitations to the use of such practices as benchmarking. The challenge, according to a senior executive at head office, is 'how to make it better without losing the local drive'. Local managers see the difficulty of comparing across different product markets and businesses and the loss of local autonomy. As the manager of an Irish subsidiary remarked: 'It is okay doing direct comparisons of machines here, there and everywhere, but if you start to put in place that somebody is going to measure or compare it, it is no longer your business. You have got a trade-off'.

The ability to benchmark, in the words of one senior executive, is also difficult across national borders:

> It is okay within one group in the USA where they all speak American, it is okay in the UK where we are doing similar things. But we try and compare one business in Britain with another in France or Holland, we then have

different cultures, different languages, different IT, different measurements.

Supplementing the tight financial controls are a number of personal and cultural co-ordination mechanisms. Their recent introduction represents a significant shift in the strategy of the CRH as a whole. Prior to their recent organisational restructuring, the Group was primarily focused on pursuing a highly localised and decentralised approach through the pursuit of financial economies. Following unprecedented growth rates in recent times the Group has shifted its attention to the achievement of best practices. As a recent annual report explains:

> The Group's strategy is [now] based on building leadership positions in its core businesses in regional markets; adding value through best practice and deep industry knowledge; within an organisation that encourages strong local autonomy while sharing a common culture and values (CRH Annual Report, 1998).

As a result, a great deal of emphasis has recently been put on the development of best practices, while 'trying to ensure that we are not re-inventing the wheel'. According to the Chief Executive, 'those who are performing very well [now] have an obligation to share their success with others'. One way in which this 'sharing' has become formalised is through the introduction of annual managerial 'get togethers'. These are formally designed to formulate strategy but also to informally enable managers to develop local networks. As the HR director explained: 'of equal importance is getting to know one another better, so that a manager can pick up the phone and call or visit a colleague, if he has something new to teach or to learn'.

Similarly, product focus groups have been introduced to facilitate and encourage the sharing of best practices across borders. Through the use of product task groups, managers working on similar products are brought together from across borders to focus on the sharing of practices and processes. Key to CRH's approach is their ability to accommodate differing styles and people. A UK-based senior executive

recounted a story to illustrate this:

> I remember at a management conference, two years ago, where I saw two people stand up together and they were arguing quite violently about something. One was wearing a very smart evening suit, dark pin stripe, and the other was wearing cowboy boots and an open-necked shirt. What they were arguing about was the definition of return on net assets. That said more about CRH plc than anything else, that is was able to focus people on a key measurement parameter in a business even though the businesses were very different. They accommodate the different styles, and cause them to relate.

In keeping with its localised approach, CRH do not try to impose standardised practices across companies. Given high transportation costs and a highly decentralised approach, the standardisation of policies is not seen to be appropriate. For example, CRH see themselves as distinct from those engaged in food manufacturing, who have to ensure conformity to quality standards regardless of the country of operation. As a divisional head recounted, it is their avoidance of a standardised approach that has enabled CRH to grow by acquisition:

> I worked for the world's best benchmarkers. They employed clones. There is no way that they could have grown by acquiring private companies or coped with the culture. Everybody would have had to have changed. So no private company would sell to them.

This 'coercive' and 'devolved' approach is also apparent in CRH's approach to the measurement of performance. Once again, while policies are not issued, every CRH company is requested to have a certain number of performance measures operating, which are contained in their annual financial and strategic plans. Rather than imposing the introduction of performance appraisals, CRH have opted for a more general emphasis on the concept of performance management. As the HR director explained: 'Our interest is in getting people thinking about measuring performance and leaving them by and large to determine themselves what they measure. This works from the belief that when they start looking at it, they will do something about it. So, if you can persuade them to come up with measures, that they think are

appropriate for them, then that's fine, let them do it. They are better able to gauge.

To summarise, CRH is attempting to implement a very particular approach from that purported in the literature – an approach that seeks to encourage the development of synergistic measures without impinging upon local autonomy. High transportation and logistical costs have placed constraints on the extent to which synergistic economies are sought. Similar to the other case companies discussed in the chapters that follow, CRH's current approach is driven out of past difficulties with inter-company trading and enforced integration. As a senior executive explained: 'We had at one stage two different companies operating on the same site. There was intense acrimony between the two sides. Eventually we had to put each site in charge of one man. It has worked like that ever since and we tend to do that now'.

6.6 Approaches to the Management of IR and HR

CRH plc pursues a dual strategy to the management of employees: a highly decentralised, traditional, adversarial approach to the collective management of non-managerial employees combined with a highly centralised approach to the management of managers. This dual approach is reflected in the development of their HRM structures. In keeping with the Group's overall approach to the management of operations, CRH adopt a highly decentralised approach to the management of IR. As a result, there are no group-wide corporate guidelines or policies as these are seen to impinge upon the Group philosophy of devolved responsibility. However, as this section will highlight, there are limits to this decentralised approach.

Up until the mid-1990s, the provision of HR departments was, according to the HR

director, very uneven across CRH. From the Group's foundation, HR has been treated as operational issue and as such devolved to line management. The presence of HR departments in some of the companies reflected, in part, the degree to which IR issues were to the fore of the histories of those companies. Where HR departments did exist, they were mostly administrative or concerned with collective bargaining issues. With the introduction of pensions there was an attempt by senior head office management to centralise HRM. To that end, a new HR function was established but was largely seen, in the words of the HR director, to be 'advisory with a relatively low profile and supportive function'.

By the mid-1990s, the impact of rapid growth on the management structures came to the fore. Succession problems arising as the senior managers from the 'first wave' of CRH's internationalisation approached retirement and an increase in the skills required by local management led to a refocusing of the HR function. In 1992, a designated head office HR function was established at head office 'with a higher profile and much higher level job to do' (HR director). Largely focused on managerial staff, the introduction of this centralised function was, in the words of the HR director, an attempt 'to bring some focus to some of the professional aspects and then transfer the knowledge to the regions'. By doing so, the Group have focused on management-orientated issues at head-office level. Being a newly established centralised function, HR has had to adopt a 'somewhat different role' to other functions, according to the HR Director. Given a highly decentralised approach and devolved autonomy, the onus was placed on the central HR department to sell itself and its initiatives to divisional management. In the words of the current HR director: 'we do not use clout to get results. It needs a good deal of selling. Because there is a strong dislike of bureaucracy we try to design something that is light on paperwork, with the minimum of meetings'. Adopting a small and simple structure, the HR

function aims to focus on the management of senior management. However, as their stance towards the EWC will highlight further on in this chapter, their non-involvement in local IR issues is not so clear cut.

Recent head office initiatives include the introduction of performance-related pay, the training and development of senior management, the development of mobile managers and ensuring future managerial resources. In contrast, the management of non-managerial employees is highly decentralised and localised, an approach that is unchanged since the 1980s. The maintenance of this is reflected in the reporting lines. For example, local management report not to the Group HR function but to divisional heads. On the surface, there would appear to be no formal HR reporting lines between head office and local levels.

6.6.1 Management Development

As CRH expanded overseas, their managerial pool became more diverse. Indeed, CRH regard their mix of different managers as a crucial aspect of their competitive advantage. This 'mixture' includes owner-entrepreneurs, 'grass-roots' managers and business development professionals. In the words of the Chief Executive:

> A mix of independently-minded owners, professional managers and development professionals ensures a genetic variety in our management that keeps CRH young and vital and gives us an organisational advantage that is difficult to replace (CRH Annual Report, 1998).

The acquisition of privately owned companies within the US ensures a continual influx of owner-entrepreneurs. These were generally men in their fifties during the first wave of CRH's internationalisation who had been offered the opportunity to realise their capital while maintaining a working involvement. Many of these managers have now reached retirement age which, given CRH's lack of a 'cadre' of international managers brought issues such as succession planning and management

development to the fore. Given the rate and scope of growth experienced by the Group, ensuring the future HR needs of CRH are met is now a crucial concern of the HR function. As the HR director explained:

> One of the problems of the form of growth we have is to ensure that there are people behind of similar calibre. And also that we are recruiting enough graduates in order to keep up with the flow of development both at plant level and also just in maintaining the rate of development.

As the large gap in future managerial resources has been recognised, the identification and development of senior management has been seen as vital to the future success of the Group. As the HR director explained: 'CRH will have only one third of the current employees at those levels in ten years time. Two-thirds will have retired, so it is quite a significant issue'. To this end, a classical 'gap analysis' with future senior managerial needs matched against current resources was undertaken. The process began with the piloting of an approach to managerial 'competencies'. Having identified fifty-seven separate competencies, programmes were developed that focused on the development of such skills as planning, decision-making, team work, communication and creativity. As a local manager noted:

> The average manager requires a skill set that is not normal. They require acquisition skills, negotiating skills etc., and it gets harder to find people like that. I think that one of the problems that we do face is the actual human resources of the Group. The skills base that people need is substantial and training for that in the future is very important.

Furthermore, in recent years CRH have entered sectors that require skills not traditionally necessary within the Group. This has led to a further need to invest in training. To this end, the HR function has recently devised a formalised 'leadership plan' programme. This was developed through a process of identifying core competencies in the form of managerial behaviours in an attempt to predict the likely success or failure of a manager as a leader. Senior people were asked which

behaviours or 'best practices' led to success and what led to failure. From this a picture of the necessary leadership competencies was formed. Moreover, the change in skills required has tightened the availability of eligible managers, which has led to pressures on the HR function to train and develop existing managers. Consequently, one of the current challenges for the Group is the maintenance and availability of training and development programmes.

CRH's overseas management situation also echoes the managerial shortfall described above. Management in the UK perceive a large skills gap emerging in their operations within the next ten years. Given the perception of the building materials industry as unsophisticated, they have had difficulty attracting good young recruits and have had to establish undergraduate placement programmes in order to ensure the future supply of skilled people. However, schemes such as these coupled with their decentralised approach and the organic approach to acquisitional growth is now beginning to increase CRH's managerial skill base and provide a more diverse mix of managers.

While CRH would argue that it does not operate a formalised Group-wide management development programme, there is a cultural formality to the way in which new managers are socialised into the Group. When qualified professionals enter CRH, they are assigned to the position of 'business development executive' where they 'internalise' the culture of the Group through engaging in acquisitional activities and developing their ability, to CRH's liking, in this respect. As part of the process they have to sell CRH to potential buyers and explain their style of management. As the HR director commented:

> This has proved to be a very good way of recruiting people in, seeing how they settle in, getting them to understand the way the organisation works. They are closely involved in the acquisition process, which involves explaining to the owner why it is they should do a deal with us as opposed to

> anyone else, what he can expect to happen after the values of the organisation and the culture.

Rather than establishing a large cadre of indigenous internationally mobile managers, CRH have opted to employ a small mix of Irish and host country managers. Operating on a 'need-by-need' basis, the Group tends to use Irish managers only to fill overseas managerial gaps, this was particularly found to be the case with in the UK. Their ability to do this is aided by high profile the group enjoys within Ireland, and what the HR director terms a natural 'wanderlust' among Irish managers, which ensures that CRH can get such managers when they need them. As a senior executive explained:

> A lot of people join the company because they want to leave Ireland. They see it as an international group. It's very well known and has a high profile and they see it will give them a career overseas. Now, that is very Irish and it is not normal.

Initial management training for this group of mobile managers occurs within the host country, through a system of coaching and mentoring. Largely responsible for the sourcing and evaluation of acquisitions, they work closely with divisional managers. If successful, they are then placed into line management positions and are eventually given the opportunity to run one of the businesses they have previously acquired. The general practice is that new Irish managers are sent overseas on home country contracts. However, recent geographical diversification into developing and difficult regions such as Poland has seen a shift toward using more experienced expatriates.

One of the main issues currently facing CRH's HR function is the difficulty of repatriating mangers. Low turnover rates amongst senior management, lean management structures, high growth rates and low levels of managerial mobility have given rise to difficulties in providing the repatriation opportunities that Irish managers may have expected when they left. The localised nature of CRH's

businesses and the particular skills required to run them has further compounded this difficulty. The situation is particularly acute for more senior managers. While initial mobility is not an issue, increasingly managers are finding that requests for a return to Ireland, usually for family reasons, cannot be fulfilled.

To summarise, a long tradition of employing local management has given rise to concerns regarding the transferability of CRH's management skills across borders. In effect, given their highly localised approach and short-term ability to fill overseas gaps with domestic managers, there is no real immediate need for CRH to develop the large cadres of international managers that many larger MNCs currently do. Their ability to socialise professional management through an 'on-the-ground' training style, has enabled CRH to largely avoid introducing a formalised development programme. Remuneration issues for managerial staff are also largely outside the realm of the HR function. Senior managers' pay is determined at board level and linked to issues of local business performance. Divisional heads, as opposed to the HR director, are involved at board level in establishing incentive plans. Pay levels are deliberately kept competitive and relative to particular conditions as this is seen to be crucial to ensure the continuity of managerial mobility.

6.6.2 The Management of IR

CRH adopts a highly decentralised and traditional approach to the management of IR. It is an approach that may be best understood by reviewing the role of key IR turning points in the Group's development. Since the cement strike in 1970s, and the Group's merger at the end of that dispute, the management of IR has been treated as a local line management issue. This is an approach that has been reinforced through certain structural arrangements. Apart from centralised national pay agreements, all

bargaining occurs locally. There are no collective agreements operating within the Group. Furthermore, each individual site has a separate pay structure geared to its local environment. As a result, pay and conditions vary across regions and there is no explicit or direct attempt to align them. National level discussions are actively avoided by head office, which refuses to meet and enter discussion with trade unions, citing the localised nature of operations. As the HR director explained: 'we do not operate any agreements in Ireland, for instance, as 'CRH plc'. That is done at a company level. We avoid national discussions and that would be the pattern everywhere we operate'.

The main trade unions involved see two factors as having shaped this decentralised approach to the management of IR, particularly within Ireland. In 1976, the Group restructured its operations into discrete units. One company in particular was disaggregated into four separate regionally organised businesses, each with its own separate management team. The unions believe this decision was taken in the light of IR 'environment'. At the same time, CRH moved to introduce the subcontracting of drivers, cleaners and maintenance workers. This, combined with technological developments, resulted in a large reduction in staff, many of whom were unionised. According to the trade union this substantially reduced union power. While, the unions can theoretically represent the subcontractors under the subsequent Irish Industrial Relations Act, management may choose to refuse to meet union proposals on the grounds that subcontractors are not employees of the company. As a trade union official explained: 'They [CRH] have managed to break the hold of the unions by breaking up the companies and encouraging staff to go the subcontracting route'.

As described above, reinforcing the localised and decentralised approach to IR is the maintenance of local company identities. By maintaining the local identity and

resisting the tendency to impose a generic group name, head office have 'localised' employee loyalty, isolated conflict and maintained their stance with regard to refusing to negotiate on collective issues. CRH's approach suggests a bifurcation between the management of managerial and non-managerial staff. It is clearly in CRH management's interest to maintain as low a group-wide role in the management of IR as possible – the approach supports it strategy of a localised but hard financially or cost driven control. In keeping, there are limits to the decentralised approach adopted by head office to IR. While the actual negotiation and resolution generally remains the remit of local management, the unions representatives interviewed see the intervention by head office in the event of threatened strike action as a very real likelihood. IR issues are only dealt with locally in the first instance. Head office gets involved if problems remain unresolved.

Head office intervention gained a more public viewing with the recent introduction of the European Works Council (EWC) directive. In response to its introduction, CRH adopted a hard-line approach, initially availing of the UK 'opt-out' clause and bypassing the main Irish trade unions (EIRR, 1996: 7). They targeted the introduction of a European information and consultation procedure (EWCB, 1996: 5). The Group adopted a 'minimalist' stance and secured a low-grade procedure arrangement despite active trade union opposition. The rationale offered by senior management at that time was that such structures were not appropriate to their organisational structures or the nature of their core businesses (*The Irish Times,* 30/6, 1996). The EWC directive was seen to sit uneasily within their operations, given their structure and localised approach. A divisional manager complained that:

> In fact, we have been very uncomfortable with it because we don't organise our management like that, we don't manage our companies that way, so why be organising to be meeting people that way? We don't transfer production between countries.

Under their current EWC arrangements, CRH need only hold meetings when the changes being considered affect at least 3 per cent of its entire EU workforce or 10 per cent of those directly affected by the changes in plants in at least two countries. Subsequently, there have been no meetings held since its introduction. There was speculation that the EWC directive might increase the speed with which CRH introduces meetings for HR managers. Even though EWCs do operate within some of their European operations, these are seen by the Group to be 'low grade'.

6.6.3 Trade Unionisation

Levels of trade unionisation levels vary across CRH sites and national operations with a stark difference between home and overseas unionisation levels. As an annual report in the early 1990s stated:

> The majority of the Irish employees of the Group and less than 20% of the employees outside of the Republic of Ireland are members of unions. The Group believes that relations with its employees are satisfactory (CRH Annual Report, 1992).

UK-based management also report low levels of unionisation in their operations. This is against a background of high-unionisation levels across the industry in the UK, suggesting that high levels of trade unionisation may be being avoided in overseas acquisitions. One head office manager attributed the variation in trade union levels to CRH's 'benignly paternalistic' approach. Given the diversity of IR regimes across European operations, from the heavily unionised plants in Spain to the highly institutionalised works councils in the Netherlands, CRH is exposed to a number of different experiences of IR regimes, and due to its strategy of decentralisation chooses not to operate Group-wide standardised IR policies.

6.7 CONCLUSION

CRH plc operates a highly fragmented approach to the management of their employment relationships. On one level the management of non-managerial staff is highly decentralised to local management. This is an approach that the Group has maintained through particular structural arrangements. Specifically through the use of subcontracting, the retention of identity of local operating companies and a refusal to negotiate directly with trade union representative bodies or engage in Group-wide discussion, CRH has largely been able to maintain a highly localised approach to the management of IR.

Layered on top of this decentralised approach has been the recent introduction of a head office designated HR function. This development represents a shift in the Group towards a centralised approach to the management of mangers. It is a role that has grown in its strategic intent from its origins as a administrative function to a more interventionist entity following the introduction of European works council directive. The head office HR function is now focused on issues such as management development, succession planning and leadership training. This distinction between the central management of managers and local autonomy with regard to non-managerial staff has, however, become blurred in recent times with the head office adopting an increasingly interventionist role with respect to the introduction of the European Works directive. Given the recent adoption of pan-European structures by the Group, it will be interesting to monitor the changes in their approach to the management of IR.

The culture of CRH has been shaped by its history. The Group internationalised out of what they saw as a need to spread their risk beyond the Irish context so as to ensure their long-term survival. Diversification through internationalisation appears

to have been sparked by an acrimonious national industrial dispute, and their approach to the management of employment relationships has been greatly influenced by this and other particular contextual factors, including the rate of internationalisation achieved by the Group in the past and a traditional resistance to negotiate on the basis of profitability. CRH has grown quickly since their initial decision to 'go international', and this case study shows how an MNC with a highly decentralised approach may very successfully follow a strategy that seeks to supplement traditional IR arrangements with softer HR approaches geared toward to management of managers. However, CRH's recent stance towards the introduction of European Works Councils, raises questions as to whether the Group's approach is this clear cut. One might surmise that this stance indicates a move toward the sort of 'managerial unilateralism' advocated by the globalisation literature.

CHAPTER 7

GREENCORE GROUP PLC.

The Greencore case depicts an example of a recently internationalised MNC and examines the impact of this recency on their approaches to employment relationships. Differentiating this case company from the other three cases is the transitory 'position' that the Group presently occupies between a highly centralised approach that characterised the Group prior to its privatisation and a more recent decentralised approach to the management of IR pursued post-privatisation. It is the management of this transition that appears to be shaping Greencore's current approach.

7.1 INTRODUCTION

The internationalisation of the Greencore Group is underpinned by a number of key factors. Similar to the CRH case, internationalisation has occurred by default rather than the result of any 'grand design'. Despite this similarity, what sets Greencore apart from the other cases is the 'recency' with which the process of internationalisation has occurred. In an attempt to engage in international markets, the Group has recently undergone a number of organisational restructurings. This has resulted in the movement toward a greater decentralisation of the management of IR and away from traditional centralised approaches. As with the previous case, this has been accompanied by the recent establishment of a HR function at head office level. In short, the current approach of Greencore represents a juncture between a traditional highly centralised approach to the employment relationship and a more recent decentralised approach the management of IR. What this case also reveals is the role that historical Irish IR issues have played in the shaping of Greencore's current strategies, particularly locational decisions.

Hence, these developments can best be understood in light of the Greencore's wider historical and social context – in particular, the change in ownership and privatisation of the Group. Many of the current structures and approaches are reflected in this event. More specifically, as the case discussion will demonstrate,

Greencore's approach to the management of employment relationships is still being shaped by attempts to break away from their legacy of state ownership and IR agreements that arose at the time of privatisation.

7.2 Company Profile

The Greencore Group emerged in the early 1990s amid a considerable degree of public debate and controversy. It arose from a former state-owned enterprise (SOE) into a commercially driven 'major supplier of primary foods and related products, food ingredients and prepared foods to industrial and consumer markets' (Greencore Annual Report, 1995). Operating within Ireland, the UK, the US and Mainland Europe, the Group employ 2,300, the majority of whom (90%) are located within Ireland. In its short existence as a commercial entity, operating profits have increased steadily from IRE£28.1m in 1991 to IRE£56.5 in 1998 (cf. table 7.1).

Table 7.1 Operating Profit (1991-98) IRE£m

1991	1992	1993	1994	1995	1996	1997	1998
28.1	36.7	40.0	40.5	45.2	49.9	45.6	56.5

Source: Greencore Group Annual Reports, 1991-98.

Table 7.2 Group Turnover by Sector (%)

	1991	1998
Agribusiness	33	20
Sugar	39	25
Food	28	55

Source: Greencore Group Annual Reports, 1991-98.

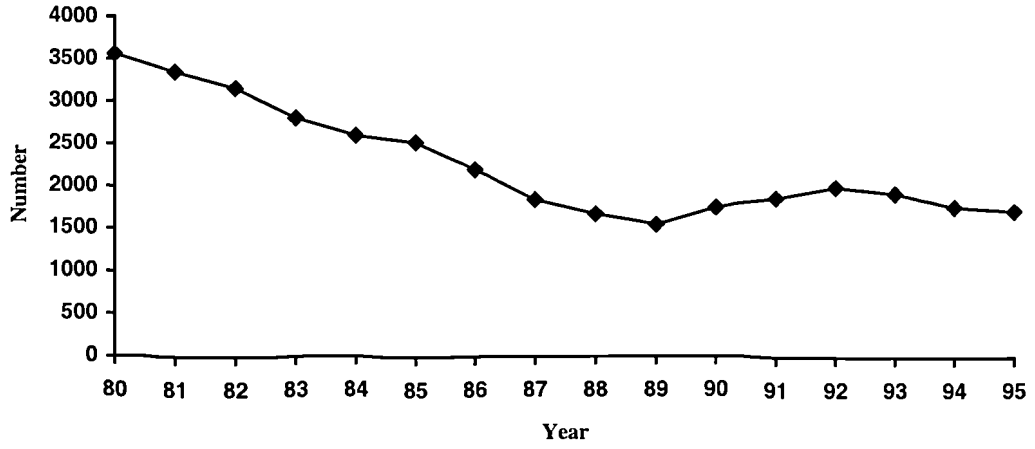
Similarly, turnover has grown from IRE£326m in 1991 to IRE£592m in 1998, albeit with a shift in direction from sugar production toward the higher value-added end of their business – Food Ingredients (Greencore Annual Reports 1991-98, cf. table 7.2). Overall employment levels declined steadily in the 1980s but have fluctuated broadly around the same level throughout the 1990s (cf. table 7.3). This is reflected in the distribution of employment that has shown a steady decline in the Sugar business in recent years, with a corresponding growth in the agri-business and the food divisions employment levels (cf. table 7.4).

TABLE 7.3 TOTAL EMPLOYMENT BY DIVISIONS (1990-95)

	1990	**1991**	**1992**	**1993**	**1994**	**1995**
Agri-business	255	331	404	356	337	345
Sugar	926	902	895	868	788	691
Other Food	576	641	704	704	649	685
Total	**1757**	**1874**	**2003**	**1928**	**1774**	**1721**

Source: Greencore Group Annual Report 1990-95.

FIGURE 7.1 IRISH SUGAR EMPLOYMENT (1980-1995)



Source : Figures (1980-86) Hastings (1994); Greencore Annual Reports 1987-95

7.3 The Nature of Competition

The nature of competition for this Group has changed dramatically over the past decade. Greencore operate within markets whose focus has changed from being regional or national to pan-European or global (Greencore Annual Report, 1994). Cost-rationalisation and the emergence of 'centres of excellence' and 'designated production centres' have contributed to a fundamental shift in the nature of competition for the Group. However, despite these changes and unlike food industries in many other countries the Irish food industry extends from 'tiller to table'. The Irish food processing industry is largely an indigenous one, controlled and owned by companies that are large in a local context but relatively small in international terms. With the opening up of the Irish economy in the 1960s the Irish food industry broadly fared well in resisting import penetration and increasing net employment. As O'Malley (1985: 18) suggest, their strong performance of this sector is explicable in terms of the nature of the sector which 'consists largely of activities which are not subject to the constraints imposed on latecomers by barriers to entry'. In short, while the economy has opened up to external competition, the Irish food industry has continued to operate in markets that are naturally protected, a shelteredness that is due to high transportation or logistical costs, the closeness to source materials and the non-traded nature of the sector. In O'Malley's words (1985: 21):

> The indigenous Food industry...includes products...which are virtually non-traded. But its relatively successful performance has probably been due to the fact that it consists mostly of low value-added, basic processing of commodity type products.

Within these market forces, the Irish food industry has radically reorganised in the 1980s and early 1990s (Lynch and Roche, 1996). As an industry traditionally dependent on a system of intervention and the export refund mechanism of the Common Agricultural Policy, reforms in the early 1990s were introduced to change

from what was perceived to be an over dependence on subsidies. The opening up of national borders and Ireland's entry into the EU increased the competitiveness of the Irish food industry by expanding the scale and geographical scope of its businesses.

The drive towards scale economies has resulted in an acceleration of the acquisition, merger and alliance activities concerning food companies within Europe, trends that have led to the consolidation of the European food processing industry. The emergence of Eastern European countries as low-cost producers has opened up new supply channels and markets for Irish producers but at the same time threatened Ireland's comparative advantage as a low-cost producer. Eastern European countries have become increasingly competitive as new economic and farming systems replace traditional systems of collective farming. Furthermore, the internationalisation of the 'big' food MNCs, such as Cadburys, to overseas markets has increased the pressure on Irish producers to follow their large customers. Commentators believe that for Irish food companies operating within consolidating and globalising markets, the dependency on commodity products will remain a problem. Subsequently, an extension of their scale and geographical scope is seen to be critical to the survival of Irish food companies (*The Irish Times,* 12/11, 1996). At the same time, it is thought that the future competitiveness of Irish companies in the industry lies in a movement from low-tech commodity type products to high-technology, high-value added products aimed at the upper end of the market (Lynch and Roche, 1996).

Within Ireland, the biggest change has been the movement from the traditional practice of suppliers (i.e., farmers) negotiating their contracts at the point-of-sale, to pre-determined contractual relationships, where the price is agreed prior to delivery. This has resulted in the emergence of a number of large processors like Greencore and a consolidation of the food processing industry itself, placing larger processors

in stronger negotiating positions. In response, suppliers have organised together into national organisations under commodity groupings.

7.4 Historical Evolution

Despite Greencore's recent emergence, many of its main constituent companies can be traced back to the foundation of the Irish State and the subsequent drive to industrialisation, most notably the formation of the Irish Sugar industry (*Address by Murphy*, 1993). Prior to the foundation of the State, attempts to create an indigenous sugar industry proved unsuccessful. However, in 1926 the Irish Sugar Company was successfully founded. By 1933 the industry was experiencing difficulties. As with the CRH case, the Government took control of the Irish sugar beet industry through the intervention of the Minister for Trade and Industry, Sean Lemass. Comhlucht Siúicre Eireann Teo (CSET) was duly established as a State-owned enterprise (SOE) to operate as a manufacturing and trading concern, in the same way as private enterprise companies, under the Companies Acts. CSET became a key component of the State's industrialisation programme and, in effect, the vehicle for pioneering and accelerating rural industrialisation (cf. http://www.irish-sugar.ie). As Hogan (1997: 87) writes:

> The final policy tier of the nineteen-thirties was the extension of the system of state companies, which came under the aegis of Lemass's department and were inaugurated in line with his declared policy of providing state investment to generate employment and economic growth in areas where private enterprise had been slow to embark on initiatives.

Based on the philosophy of the co-operative movement, it was designed to serve the needs of local beet growers and farmers. Hence, due to the potential employment benefits, the location of each production site became the focus of intense political lobbying, involving senior Church and political representatives. Location decisions were to result in fierce opposition and industrial relations problems when the

decision to rationalise was taken in the late 1970s. As in the CRH case, while initial State investment was focused on the creation of an indigenous base, key personnel were sent overseas and foreign managers with their technical and managerial expertise were brought in to manage the early development of CSET. However, with the onset of the Second World War, foreign managers returned home and CSET became fully resourced with Irish management as the focus shifted to the achievement of self-sufficiency (Leavy, 1988).

Under the direction of a new Chief Executive, General Costello, attention was placed upon the modernisation of facilities, investing in research and development, improving the quality of raw materials and disseminating information to farmers, CSET's main suppliers. In order to ensure an adequate supply of raw materials, the Group embarked on a campaign to entice farmers to change to the production of sugar beet. This was largely successful and by the end of the 1950s domestic requirement was fully met. However, with little prospect for export overseas due to the domination of world markets by UK and US companies, there was soon a saturation of domestic markets. This coupled with an inability to enter the 'free market', drove the company to diversify their product portfolio beyond the food processing sector.

Despite the development of a new product line and some technical successes, within five years the newly acquired food processing company was accumulating substantial losses. Amid a highly public power struggle and a change of leadership, the group refocused on food processing as CSET entered into a joint venture with the large food group, the Heinz Corporation. Another change of leadership saw the reintegration of the food 'project' and the consolidation of organisational structures. By this time, the Group consisted of two very different businesses: one operating in a

sheltered monopolistic environment, the other in a highly competitive climate. This led to the co-existence of two distinct ideologies: one developmental, the other commercial. By the late 1960s, State development policy has shifted from traditional concerns toward the attraction of foreign investment, and with that, the notion of CSET as an indigenous 'engine of growth' was undermined. As previously highlighted, accompanying the shift in State industrial policy was a rapidly changing external environment. With Ireland's entry into the EU and the introduction of a quota system, the organisation shifted their focus toward marketing issues and a major modernisation programme, funded by its main shareholder, the Government.

By the 1980s, accumulating losses coupled with a growing debt deficit and a tightening of public finances, brought the role of SOEs and the viability of privatisation to the fore of public debates. The Irish economy was now experiencing a recession largely due to the impact of the second oil crisis. The State's strategy of stimulating the economy through consumer demand leveraged against foreign borrowings was dependent on continued growth in the world economy and a willingness by Irish workers to accept lower wage increases, and neither had occurred. Exports and imports declined while foreign borrowings continued to rise. This led to problems of public finances and increasing pressure for Government investment into public sector enterprises. The Government subsequently established a review body to examine the role of SOEs. The committee feared that unemployment costs and tax revenue losses would be greater in the event of a closure than through sustaining the operations (IRN, 3, 1981). Their recommendations for CSET called for a radical rationalisation of the sugar operations, with a loss of 520 jobs, coupled with greater State subsidies to maintain operations until alternative sources of employment could be found. The recommendation and eventual decision to close two processing plants, was to be one

of the most contentious decisions in Ireland's industrial relations history and a watershed for the Group as a whole. The closure of the plants became a national issue that took five years to complete. As one director explained:

> It became political. It was difficult to close the factories down because you had to deal with the bishop and local politicians. With the emergence of a new Chief Executive, he took on the bishop, the unions and eventually reduced the sugar factories from four to two and the industry became efficient.

The seeds of privatisation had been sown. With the appointment of a new Chair to the board in the early 1980s, the notion of commercialism was translated into structural forms and the first steps towards privatisation were undertaken. From 1989 to 1991, the Group was focused on identifying alternative sources of equity. Funds obtained were subsequently spent on redundancy payments in the closure of the processing plants. By the late 1980s, the Irish Government took the decision to privatise CSET, based on a belief that this was the best way to fund the equity necessary to modernise operations and to compete in a globalised food producing industry. Consequently, the floatation of the newly named 'Greencore Group plc' took place in 1991.

As Greencore was floated, it faced limited expansion opportunities within low growth markets, increasing EU regulation and a lack of scale to compete internationally. This was further marred by the replacement of the entire top management team within twelve months. In response, the Group restructured and consolidated its operations to strengthen the balance sheet. By now the Group consisted of a number of related but diverse businesses, ranging from The Irish Sugar Co. which was 'very much steeped in the semi-state idiom' to Odlums 'a traditional Irish family-owned company' (IRN, 7, 1994). In an attempt to overcome volume constraints in the sugar industry the Group had diversified into flour milling,

malt, grain trading and fertiliser. However, once domestic operations were strengthened one of the first developments the Group took was to expand overseas.

Two forms of internationalisation were favoured: minority stakes and acquisitions. While the former has been largely pursued in Britain, the latter has been key to development within mainland Europe (*Address by Dilger*, 1995). While greenfield sites are regarded as an option, as the director for finance remarked: 'they do not tend to produce as quick a shot into earnings growth... because you are buying something largely without markets'. As a result, the Group focuses on acquiring businesses in existing markets. As the head of strategic planning explained:

> All you have to do [here] is strip out the overhead and build on the synergies. Whereas from start to profits in a greenfield site, you could be looking at three or four years, the first two of which you might be taking a lot of grief. It is difficult to put that proposition to a company that is driven by cash flow and earnings per share.

In an attempt to match the growth of their main competitors, the Group found itself under increasing pressure to acquire. Driving the Group's acquisitions abroad have been two attributes: the location of their main customers and return on capital (*Address by Murphy,* 1992). The company's relationship with Cadbury is exemplary in this respect. In the words of one senior executive:

> We supply flour for biscuits to Cadbury's. They are going to build a big plant in Poland, now we would ask ourselves the question 'now we can't transport flour from Ireland to Poland... can we build a strategic alliance with Cadbury's where we would buy the flour and supply them. You are not taking a real flyer into the dark and you may reach that sort of arrangement with them - you may not. They may say 'Okay we are prepared to take you on board based on your record here in Dublin and if you can ensure us that the same quality standards are going to apply we will buy in'. So, customers are driving our acquisition policy to a certain extent.

Britain was initially avoided as a growth area given intense price wars in this market. As an alternative Greencore examined mainland Europe. By 1994, Greencore had completed its first acquisition of a malting business in Europe. As with CRH, Greencore's expansion into mainland Europe occurred by default as much as by

design. As one of the managers who was actively involved in the process recounted:

> The Belgium operation came by default. Fortuitously, a phone call was made to say this business had gone into receivership. We went out and had a look at the business and we sent the malting guys out to have a look at it. They came back and said 'Yes, it has potential'. We had bought it with the intention of offloading it but then China started to mop up huge quantities of malt and barley for no explicable reason. All of a sudden the two plants in Belgium we bought for a song went to full capacity. These are now servicing European markets.

What this acquisition highlights is the particular approach adopted by Greencore to internationalisation which, is not the responsibility of development teams but of individual operating companies. Individual businesses have a developmental role to play, as one senior executive from head office explained: 'We have a strong catalytic role in developing the people we have, looking at their strengths and weaknesses and trying to eliminate their weaknesses and build on their strengths'. As part of the change in ownership and movement towards commercial profitability each operating company is given the brief to 'go international', in effect to grow their respective businesses. Whereas head office could initiate the process, all potential acquisitions are channeled down to operating companies. Motivating those individual companies is a necessity to maintain their position within the Group. As a local manager explained: 'If we have become uncompetitive because of lack of scale, somebody will make a decision within Group to change direction and concentrate on another area of operation'. Newly acquired businesses are then integrated into and managed by those divisions.

As with the CRH case, one of the crucial criteria in Greencore's growth strategy is the retention of management. While replete in market knowledge, there is a recognised lack of existing managerial resources given the size of the Group. As senior management recounted, in the build up to privatisation there was a steady

decline in employment levels that resulted in a scarcity of managerial resources. As a result, head office has limited ability to add management value and therefore management is needed to remain in all companies that are acquired. Unlike the previous case, Greencore informally contacted other Irish organisations with operations in their target location. As one of the managers involved in the process remarked, 'this proved to be a valuable informal contact and source of cultural knowledge'.

Based upon this informal benchmarking process, Greencore identified a number of key attributes to the management of overseas operations. These included: the immediate relocation of a home country manager once the acquisition was complete, and secondly, that the preferred home country manager would emanate from the finance function. In so doing, the financial reporting systems would be installed and an operation quickly integrated. The rationale for relocating a finance person is, according to the manager of Irish operations, that they are someone 'who understands everything that is going on in the place and can spot something which is unusual, very quickly and run the essence of that to ground very quickly'. Finance as a function is regarded as 'de facto number two within an organisation'. As a head office executive explained: 'we were warned about [having a finance person in place] repeatedly by everybody we contacted who are involved in Belgium or anywhere else in the Continent'.

Their overall size and lack of internal resources also largely shape the size of acquisitions pursued by the Group. In assessing acquisitions, head counts are taken into account. For example, the person managing the process in Belgium is held in high regard for not, in the words of one local Irish manager: 'believ[ing] in HR, he just believes in letting people out the door as quick as he can. The head count

numbers are tighter there'. The Group currently pursues small to medium sized acquisitions for control reasons and there seems little incentive to acquire large companies given current structures and what head office perceive to be a lack of managerial resources. However, the Group is conscious of being an 'acquirer' to avoid being acquired, given the globalising efforts in the international market place. In the words of a Greencore senior executive, international expansion has come to be high on the Group's agenda in the 1990s (*The Irish Times,* 12/5, 1997). Table 7.4 summarises the key events in Greencore's internationalisation against its broader historical evolution.

TABLE 7.4 KEY EVENTS IN THE EVOLUTION OF GREENCORE GROUP

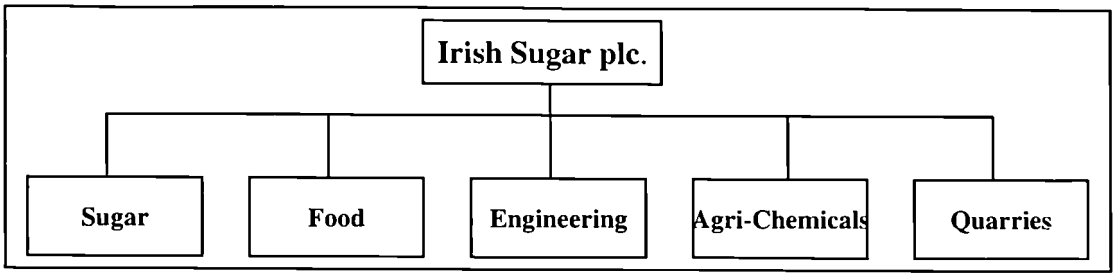
Key Dates	Key Event
1933	Establishment as State-owned Enterprise – foundation of Sugar industry
1940	Influx of foreign managers and secondment of key personnel overseas
1945	WW II return of foreign managers overseas, plants fully resourced by Irish management SOE to become self-sufficient, investment in R&D and modernising facilities New Leadership - focus on information, consultation and quality
1950	Saturation of domestic market and inability to enter 'free market' due to market domination
1960	Diversification into food processing sector
1965	New food project makes accumulating losses
1966	New Leadership - group enter joint venture with Heinz major food company Change of Leadership – separate boards and management structure for two main companies
1969	Change in State development policy – shift from SOE to foreign owned MNCs
1972	All operations integrated into single structure under one board and management structure
1974	Ireland's entry to EU – introduction of food quota system 4 year programme of modernisation introduced
1980	Accumulating losses Questioning of SOE viability Appointment of New Chairman, beginnings of move towards commercialism
1981	Decision taken to close two processing plants

	Industrial Action & intervention by Church and local politicians
1985	Call for Privatisation Joint Oireachtas Committee established to review operations
	Exposure to and hardening of external environment Organisational restructuring businesses divisionalised and decentralised
1991	SOE is privatised and newly formed company is floated
	Organisational restructuring reduction to 4 divisions
	Enter UK through minority shares
1992	Complete change of top management team (TMT) New management structure
1993	Group directors appointed Further decentralisation of operational responsibility
1994	First full acquisition in Mainland Europe
1995	Change of Leadership Small bolt-ons in Agri-business sector

7.5 Strategy, Structure and Control

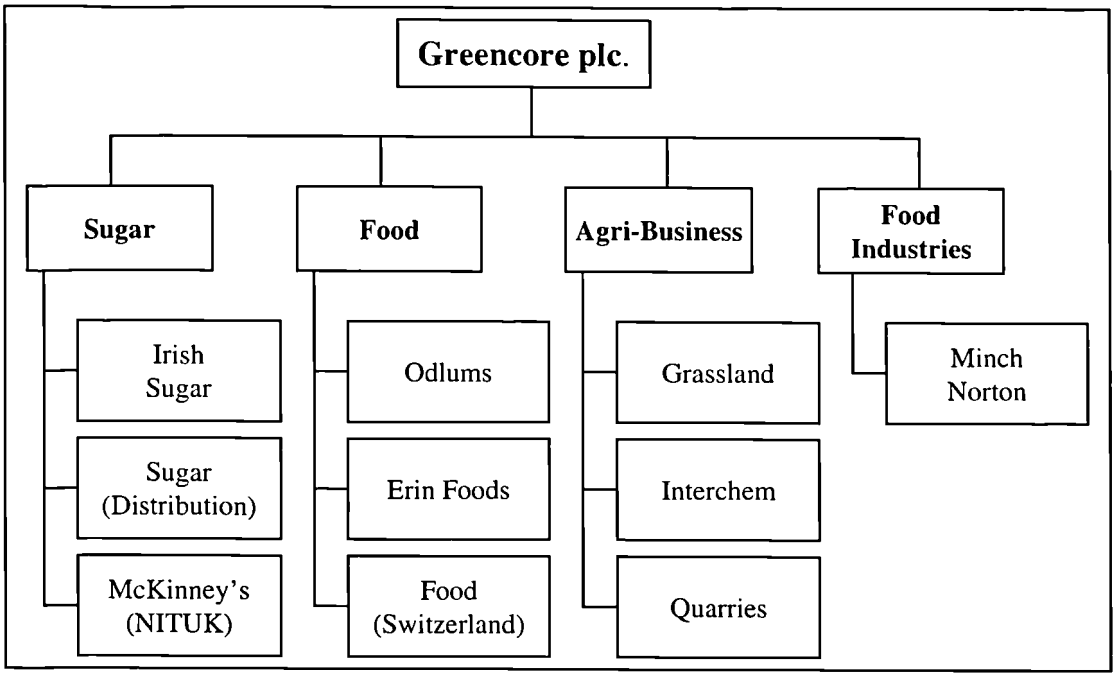
Greencore's development is characterised by a number of organisational restructurings. Prior to privatisation there was what the director of corporate planning described as, 'an absolute hierarchical structure, all the way up to the Ministry of Agriculture, who was the ultimate shareholder'. Essentially in its pre-privatised form, the Group was structured around the core sugar business (cf. figure 7.2), with the head office located at the main Irish Sugar office. With a change in the political climate regarding SOE's and privatisation, the company diversified into a number of related businesses, many of which represented and 'organic' vertical progression out from sugar. As senior head office executive explained: 'the animal feed thing was a natural progression from the waste of the sugar process. The amount of lime Irish farmers were putting into the ground was not sufficient so the company thought that they would get into the quarrying business.'

FIGURE 7.2 ORGANISATIONAL STRUCTURE OF IRISH SUGAR PLC.



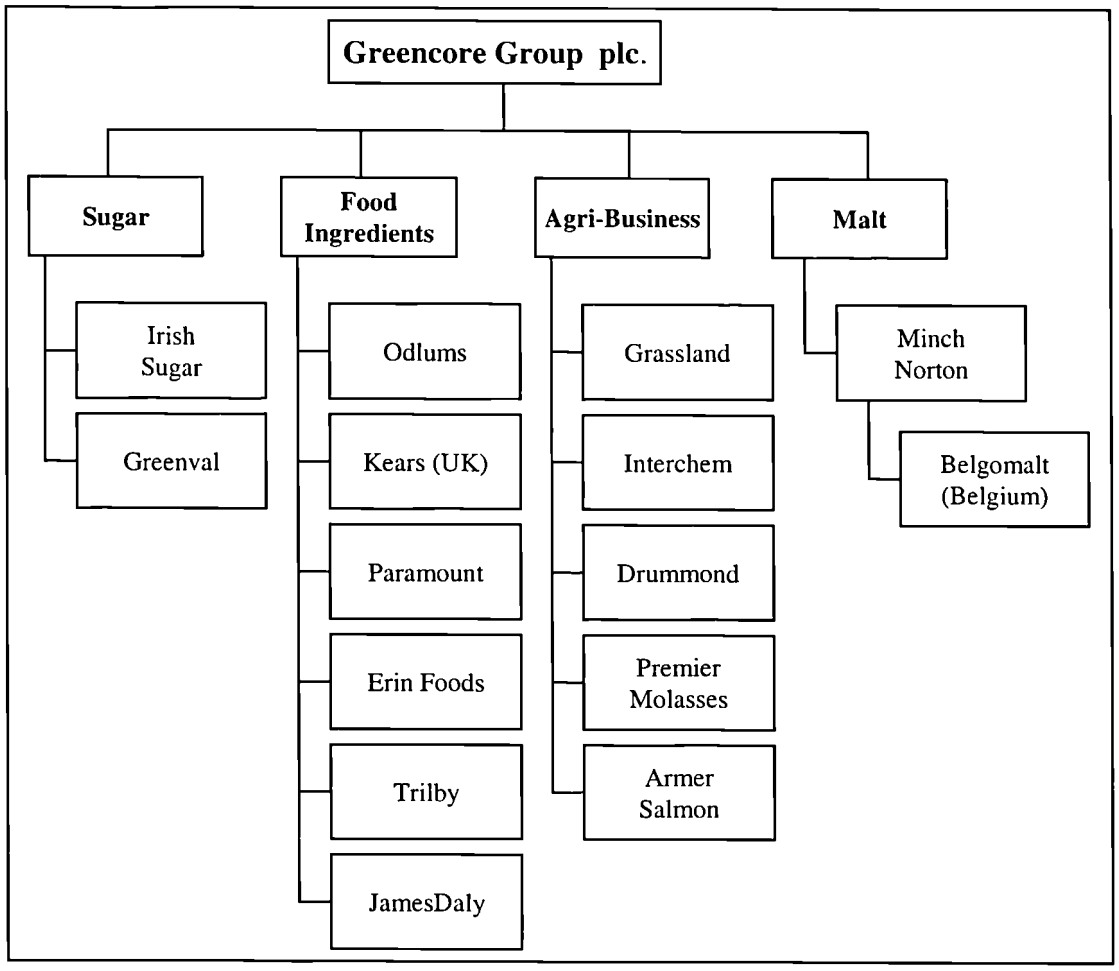
However, the movement toward divisionalisation occurred prior to privatisation. With the appointment of a new chair in the early 1980s, there was a shift in focus towards greater commercialism. Following the Oireachtas review of operations, all SOEs were requested by the State to plan their businesses, differentiating between commercial and non-commercial activities. To that end, Irish Sugar began to examine its businesses according to commercial criteria. Individual businesses were subsequently separated out into discrete units, producing individual accounts and subject to individual evaluations from head office. While managed tightly from the 'centre', this was essentially the first step the Group took towards divisionalisation and financial devolution. With privatisation, the newly formed Greencore adopted the role of a holding company, with individual businesses restructured into main businesses or divisions. Within its first year of operation as a commercial entity, Greencore acquired a fertilising company and a food group. This brought the total number of divisions to four (cf. figure 7.3).

FIGURE 7.3 GREECORE PLC. – ORGANISATIONAL STRUCTURE AFTER PRIVATISATION



The opportunity to restructure management structures was taken with the highly publicised and controversial replacement of senior management in 1991. At head office level, two executive management committees were established to support the main board, one focusing on Group strategy, the other on operational management. In order to support this internal structure, a number of Group-level directors were appointed in areas such as human resources, corporate planning, corporate affairs and technical affairs. Correspondingly, autonomous business units were created, reporting structures simplified and operating managers given clear accountability for running their businesses within broad group guidelines. In the last decade, Greencore has grown substantially by entering into new businesses while integrating these into the four divisions (cf. figure 7.4). Further adjustments to the structure are not ruled out. As one manager commented 'at the moment we are waiting for some people to fall out of the system [so as] to clean up the lines'.

FIGURE 7.4 GREENCORE PLC. – CURRENT ORGANISATIONAL STRUCTURE



7.5.1 Group Strategy: 'Autonomy with Financial Responsibility'

As an SOE prior to privatisation Greencore had a long background of centralised management, with management decisions taken by the State. Following privatisation, a more concerted attempt at decentralisation occurred, with discrete business units encouraged to think laterally about their business. As the director of corporate planning explained: 'up to privatisation, head office would have been seen as the place where everything was done whereas since the change of management, we have been trying to push responsibility back to the individual businesses'.

Since privatisation, the strategic focus of the Group has been threefold – cost competitiveness and efficiencies, the development of internal structures, and growth

by acquisition. According to Greencore's Annual Report of 1994:

> The strategic imperatives since privatisation have been to upgrade the efficiencies and internal structures of the Group, strengthen its balance sheet and establish a track record with a shareholder base which has become progressively more international.

Despite the drive towards decentralisation, local management continues to see head office as 'the place for major strategic decisions'. The role of Greencore's centre is said to be primarily one of co-ordination, development and advice. One manner in which the role of the centre has changed dramatically with privatisation is in relation to equity. Following its emergence into a publicly quoted commercial entity, Greencore's head office became the main source of equity for capital expenditure. In short, it became 'the bank' by eliminating the need for individual businesses to deal with commercial banks, subject to commercial lending rates. With the restructuring of the Greencore's operations and the establishment of directorships, a number of new company-wide functions were established. These included Corporate Affairs, Strategy Planning and Human Resources. Functions that remained decentralised included information technology, marketing and sales. Past attempts to centralise marketing and sales have failed due to a perceived lack of synergies between the companies in these areas.

7.5.2 Control Mechanisms

Greencore's decentralised approach to financial and operational responsibility is controlled through tight financial management systems. As one senior executive explained, 'the achievement of these finances allows for the management of autonomy'. Ultimately dependent on the delivery of results, the achievement of targets results in little direct head office intervention. As a senior finance manager explained: 'If a manager goes through the planning process, submits a budget that is acceptable and if he keeps reporting on budget, then he will have very little interface

with head office at all'.

Following the formation of the Greencore Group, a number of new financial reporting procedures were introduced. One of the main financial control mechanisms operated by Greencore is the annual budget. Containing the balance sheets and cash flows this is designed, in the words of the finance director, to: 'focus managers on what they have to do in the current year. Each month they have to submit their accounts, which are integrated and put into group accounts. So that is the essential form of control'. Aside from the annual budgetary process, individual businesses also have to submit a five-year strategic plan. Driven from the 'bottom-up', the underlying rationale is to give management the opportunity to examine their business outside of a budgetary context. These plans are then presented by the managing directors to the board. Once approved, plans are then edited further.

As with CRH, Greencore's most important control mechanism is the capital budget. One executive explained that 'in the absence of goals it exists to ensure that practices make sense'. As part of the revenue budget, the capital budget is subject to critical review by head office. It focuses on how capital is spent and its likely returns. Approval for capital projects is again dependent on the amount sought and position held within the organisation. For example, the capital expenditure limit for executives is reported to be around £100,000. Requests exceeding this amount require main board approval. Capital expenditure involves a rigorous process of approval and is driven by the cyclical nature of Greencore's core businesses. What makes the autonomy 'real', in the words of the HR director, is the linkage between pay and the achievement of targets. Apart from these simplified financial controls brought in to focus the accountability of management, a calendarised system has recently been introduced for the dissemination of information.

In contrast, financial controls are mainly applied domestically, overseas sites face somewhat different mechanisms. The Belgium operations, for example, which are managed by the Irish malting operations, finds that the controls exerted over its operations are much tighter than between head office and Minch Norton. Due to the remoteness and need for non-financial information, a variation of the standard financial reports that existed was developed for the Belgium operation. As a local Irish manager explained: 'there are a lot of things that I would instantly know what is going on here so I do not have a formal reporting system. The same however does not apply to Belgium. It is a much more formalised system we demand from them, rather than what we demand from ourselves'.

This reporting system is expected to act as a model for future acquisitions. The 'report' is a hybrid of the Group model and what was 'left behind'. The operations here are managed as much from a particular 'physical' perspective as from a financial one. As the local managing director explained:

> The first things I start looking for are not the financial numbers but actually some of the production yields and some of the production through-puts. Employee numbers and aspects such as that. And then, after having gone to that, come to look at the monthly management package, accounts package.

With regard to capital expenditure controls, a differentiated and more centralised approach is evident. This stands in contrast to the situation Irish operations enjoy. With the Belgian operations, capital expenditure is subject to the proof or approval of divisional management. For purchases over £10,000, the Belgium operations make requests to their divisional management, who review it and forward it to head office. If approved, it then comes back to the division to be actioned.

Greencore statements demonstrated certain limits to their decentralised approach. In summary, these include the repatriation of profits to the centre, strict capital expenditure controls and head office intervention in the event of non-conformity. In the event of targets not being delivered procedures are set in place whereby the Chief Executive will intervene, with the intention of taking corrective measures. Head office involvement goes all the way up to the CEO if there is a problem. Again re-emphasising the financially driven approach of the Group, senior management explained that: 'A manager can have the quietist life by achieving his budget. Head office only interferes when things are going badly'.

Where Greencore departs from the previous case is with respect to the incidence of non-financial co-ordination mechanisms. Greencore's distinctive history and the recency with which they have operated within international markets, means that few non-financial co-ordination and control mechanisms are yet in existence. Attempts to change the culture and pursue synergistic returns remain underdeveloped. Apart from quarterly operations executive meetings, no formalised managerial networking occurs. Rather these operational meetings review broad trends within the business environment, with the stated aim of 'accounting for the performance of the business to [their] peers'. Membership to these meetings includes local senior management. Furthermore, this would be the location where pertinent HRM issues are addressed. While not attempting to standardise or homogenise structures, their intention is, according to the HR director, 'not so much in terms of trying to standardise practices but to gain the benefits of different perspectives of it'.

Greencore consists of a mixture of ex-semi-state companies, mature businesses and companies within growth sectors. Simple synergy is seen to come from putting people from these very different backgrounds together in one room, with no formal

agenda. This Group argues that they are 'not about a corporate culture' and therefore prefer head office to appear anonymous in the process of disseminating corporate values. Rather, what they do is actively seek to get different companies together to pool stories and ideas. Again, in examining the relationship with overseas operations a differentiated approach between home and overseas operations is apparent. In relation to overseas operations there is a monthly management meeting which senior management from Ireland attend to review performance. On an informal basis, day-to-day communication occurs.

Similarly any attempt to benchmark across divisions is externally driven. Given the diversity of its companies, local backgrounds and markets, Greencore currently resist internal benchmarking, seeing little to be gained from it. This view is echoed by local management who perceive the difference between Greencore's markets as prohibiting any significant benchmarking. Externally, however, the picture is somewhat different. Given that a number of their main customers are large MNCs, Greencore are finding that as their customers seek financial economies, their operations are increasingly subject to external benchmarking. It is often only through this external benchmarking process that some of Greencore's individual businesses gain the opportunity to see similar practices in other companies. As a local Irish manager explained, 'we sell a lot to Guinness who would sit down on a cost-plus basis with us. This involves a fair amount of benchmarking with other people'. It is thus through their main customers that individual businesses would be aware of specific industry developments and practices. While developments towards benchmarking are limited, both local and head office management note that the industry as a whole is consolidating and that benchmarking will increasingly become a prerequisite for survival. As another local Irish manager noted:

> We are now dealing with an industry which is consolidating at a rapid rate. As they consolidate, their purchasing practices become far keener and if you are not staying pace with that development, we will become enslaved very

quickly.

Rather than going down CRH's more formal approach to developing synergies, Greencore have adopted a very informal and ad hoc approach to synergistic pursuits. However, as the following chapters will demonstrate much of this departure is explicable in terms of the differences with regard to the recency of Greencore's internationalisation and its relative size.

7.6 Approaches to the Management of IR and HR

Shaping Greencore's approach to the management of employment relationships is a deliberate attempt to move away from a traditional highly centralised approach to the management of IR. Subsequently, their current situation represents a juncture between a highly centralised and a decentralised approach (albeit with limitations to that decentralisation). As the HR director explained:

> The Group has moved away from its historic centralised approach to employee relations towards a system based on local management at the operating company or individual plant level.

Under its pre-privatisation structure, with its Irish Economic development orientation, all IR and HR issues were centrally managed and essentially within the remit of the Government. As an SOE, employment related issues often had a wider political agenda, with sites frequently maintained for employment rather commercial reasons. Moreover, the provision of HR departments across sites was *ad hoc* and varied. Under the 'pre-privatisation' structure, the former Irish Sugar head office was effectively the centre from which all IR and HR issues were managed. As the following section will demonstrate, much of Greencore's current approach is shaped by attempts to move away from this.

Following privatisation, the structure and role of HRM within Greencore has

changed dramatically. The appointment of a Group HR director in 1991 set in motion a process that saw the establishment of Group guidelines and policies, along with the decentralisation of the management of IR to local levels. A number of structural changes followed. These included the resourcing of all newly acquired businesses with HR departments. As part of the drive to decentralise, head office developed a composite HRM manual to inform and monitor operational responsibility. This was designed to introduce accountability and manage growing diversity. The manual consisted of policies ranging from industrial relations, communication and salary approval to annual leave, recruitment, sexual harassment and late attendance. As the then CEO outlined in the preface of the manual, the rationale was that:

> Given the large number and diverse nature of companies which make up the Group, there is a need to provide a set of policies/guidelines which give us a comprehensive approach to the treatment and handling of employee conditions and the relationship throughout the Group. The primary purpose is to provide clear guidance and not to restrict the operating companies in the day-to-day management of their business.

Through a set of clearly defined guidelines Greencore outlined procedures and legal requirements for local management that, in most cases, involve consultation with or approval from head office. In the case of employee dismissal, for example, Greencore's policy states that no suspension or dismissal can take place without the direct involvement of executive responsible for HR and the approval of the local chief executive. In addition, all cases involving suspension or dismissal are to be brought to the attention of the head office HR function. Similarly, with recruitment of non-managerial staff, each company is requested to submit a 'recruitment request form' containing detailed information on the qualifications sought and salary levels to head office. Salaries of £25,000 and above require the approval of the head office HR director. While covering most Irish operations, these polices do vary across national borders. For instance, in the case of third party intervention, Greencore's

policy within Ireland is that employer representatives may represent the company, while in the UK the use of council at tribunals is favoured.

7.6.1 Management Development: 'From Tillers of Soil to Men of Commerce'

With the change in Greencore's focus away from rationalisation and divestment concerns to the professionalisation and resourcing of managerial levels, one of the key functions of Greencore's HR function has become the 'management of managers'. In a similar vein to CRH, the main responsibility of the HR function, according to the HR director, is:

> The critical responsibility of this function here is to ensure that group-wide we have essentially the management resources to carry this company into the next millennium. That is the primary responsibility of not just me but all the senior people here.

In the years leading up to privatisation Greencore had focused largely on the rationalisation of operations and the culling of employment levels. However, by the early 1990s the Group found itself faced with succession problems and a lack of skilled managers. The high turnover of senior management during privatisation had led to difficulties in retaining key senior personnel. As a result, Greencore introduced a succession plan in 1993, one of the key components of which was the development of managerial capabilities. Periods of simultaneous growth and rationalisation had also resulted in gaps in the managerial demography of the Group. As a head office director explained: 'We have very few people that can be freely released and sent out to manage these businesses'. This leanness of management resources was to shape Greencore's prerequisite for management retention in new acquisitions.

By the early 1990s, Greencore found that the age profile of management was either skewed towards the 'highly mobile but young and inexperienced' or the 'older

highly experienced but immobile' managers (HR director). As a result more emphasis was placed on the training and development of existing management. The main shortfall identified in skills of a professional business or managerial nature. The need for such skills drove the development of a tailored MBA programme. As the HR director explained:

> After I joined and we were looking at this whole question, we said we had a huge amount of technical expertise in the organisation – what we did not have was a business side to that, which takes the technical skill and harnesses the natural business skill that we all have. So, we devised a Masters programme. Rather than taking the standard MBA route we said 'give us the academic bits of the MBA that are good, that built bricks and put down this foundation for learning and take projects created by us'. They came up with 35 projects, which took the group two years to complete, some of which have paid for the programme six times over. It developed our managers into business people and led to greater understanding amongst managers of other functions that they interface with.

Another head office initiative was the introduction of an externally sourced leadership training programme. While this programme was initially focused on senior management, it is intended to filter down to lower managerial levels. The HR director commented that:

> The most critical thing that CEOs have to be are leaders. So we set out and sourced the market and found a company doing leadership training. We put it to the fifteen CEOs and said 'try it if it works you do it for your managers. If you do not like it tell us and we will go find somebody else'.

Another factor underpinning Greencore's movement towards commercialism concerns performance management strategies. In an attempt to change the ethos of the firm from 'a non-accountable, non-performance driven' culture, to one where there was full individual accountability, Greencore has linked the remuneration packages of senior management to the performance of individual businesses. This cultural change was promoted by targeting performance and setting objectives to maximise the efficiency and the cost competitiveness of each business. In so doing,

Greencore's approach has changed from managing tasks to 'management by performance'. As the HR director explained:

> At the time of privatisation you had a group of managers who were not very well paid, the ethos was one of security. That ethos has changed and with that came a change of message to management, a message that we would introduce performance-based reward. What we set out to say to people is what we have here is a very profitable business and we are prepared to reward people to make it even more profitable on a personal level. If you manage this business for this company and you deliver profits then progressively you will share in those profits.

These are, however, limits to this devolved responsibility. For example, the situation differs for lower level managers. For all managers below senior management level, pay recommendations are sent to head office for review. This, the HR director explained, is 'to ensure fairness':

> It was built in as a check. The managers felt that check was necessary because it avoids a Chief Executive getting to a situation where he may favour somebody for whatever particular reason, whereas somebody else may not be. We have no particular contacts with the Group companies that would lead us to have a bias of any particular individual, so we look for the standard normal distribution of bonuses, of salary increases and we go through a questioning process with them rather than dictate.

All managerial redundancies, promotions or pay increases also require the notification and approval of head office.

Since changing to a commercial entity, Greencore have focused on performance management in an attempt to 'bring home' to managers the importance of profit targets. As a senior finance manager explained: 'you set the objective guides because this is all we want at the end of the day. All we want is the delivery of the profit target'. Defined by the HR director as a 'classical performance management system', this works from the premise that individual business targets are set from the top down, starting with the CEO. These targets are then broken down and translated into

processing and production targets that are linked to monitors of the finance function. Collectively, all the targets add up to the Group's total target. As with other strategies, the performance management programme was devolved to local management. As the HR director explained, this increases 'ownership':

> They understood what their performance was all about and how they had to manage the guy above them. They also understood how to manage the other people who were reporting to them and that has helped enormously in the process. They actually feel that they control the performance management system and that they have ownership of the damn thing because we do not want it – it is too cumbersome.

Managerial performance is reviewed on a monthly basis, while the CEO formally reviews the performance of managing directors bi-annually. Individual performance is more regularly reviewed on an informal basis (IRN, 26, 1994). The non-delivery of profit targets would not just result in head office intervention and the withdrawal of bonuses for the individual managers concerned.

7.6.2 The Management of IR

Attempts to break away from their historical centralised approach to collective bargaining have also shaped Greencore's approach to the management of IR. A senior trade union official described the IR climate at the time of Greencore's privatisation as 'embedded'. Prior to privatisation, all negotiations were conducted centrally as a single bargaining unit and all were conducted by the 'National Executive Negotiating Committee' who negotiated for the entire Group. The rationale, as a head office executive explained, was that 'given that we were all one outfit, it made sense to centrally negotiate rates of pay'.

At the time of privatisation, the main trade unions negotiated to maintain these collective arrangements. As one trade union official explained: 'While there was a time when producing sugar was a license to print money the unions were aware that

their quotas were not 'set in stone' and therefore vulnerable to being bought out by large overseas food groups'. In 1991, a privatisation agreement was eventually reached that held that IR issues would be negotiated centrally with Greencore as one single bargaining unit. Enshrined in the privatisation agreement was collective bargaining rights for the employees of pre-privatisation organisational structures. Furthermore, it provided for the application of uniform terms and conditions to all employees of the companies contained in the pre-privatisation structures. This collective arrangement was agreed by management, counter-signed by the Labour Court, the Labour Relations Commission (LRC) and the Irish Congress of Trade Unions (ICTU).

Much of the Greencore's current approach to the management of IR is influenced by attempts to move away from the uniform 'rigidity' of this privatisation agreement. Management see the trade unions as trying to 'strongly hold on to the collegiality' of the agreements, which they view as no longer practical to the Group as a whole. As a senior executive explained:

> The unions' interpretation was that we agreed that privatisation would change nothing and they say that means forever and we would say no. You cannot compare across Greencore's three companies, they are not the same but under the agreement a pay increase in one means a pay increase across all the businesses.

In contrast, the unions view recent attempts by the Group to decentralise as a breach of the 'spirit if not the letter of the privatisation agreement'. Since privatisation, there has been a move to decentralise negotiations and to break negotiation links between the pre-privatisation companies. As a result, the threat of 'sell-offs' has become greater and job security has become an increasingly important issue for the trade unions. Thus, attempts to decentralise collective bargaining are currently being met with resistance from the trade unions. The Group's attempt to decentralise the

management of IR and trade union resistance has recently manifested itself in industrial action. In 1996, strike notice was served on the Greencore Group over their failure to negotiate as a Group concerning claims arising from a grading review (IRN, 6, 1996).

In brief, the Irish Productivity Centre (IPC) conducted a review of grading structures in 1994. Their findings recommended that the existing eight-grade structure be replaced with a five-grade structure. A dispute arose over the allocating of values for different grades. Much of the tension centred on the issue of pay. The Group are regarded by the trade unions as a low payer, who believe that historically such low pay rates have been 'tolerated' by workers because as a SOE the Group met certain 'community' or 'social' aspects of local needs. This dispute highlights the tension resulting from the changing role that the Group currently adopts. While the trade unions sought the uniformity of terms and conditions under the privatisation agreement, Greencore sought individual negotiation rights for each of its companies based upon their local requirements. The Group rejected the link between the three pre-privatisation companies (Irish Sugar, Erin Foods and Glenstone Quarries) on the grounds that they operated in distinct markets, with different influencing factors, and thus argued that there were no grounds for across-the-board pay increases (IRN, 2, 1997). Subsequently, contrary to the privatisation agreement the Group refused to negotiate on a group-wide basis and challenged the collective nature of that agreement. Industrial action intensified and by April of 1996 the Group were forced to source sugar from their UK operations.

Initial Greencore offers toward a settlement were rejected by SIPTU on the grounds that as an SOE the Group had low wage rates but now that the 'game had changed' management needed to bring rates of pay 'up to those of good employers'. (IRN, 4,

1997). Intervention by the Labour Court ensued following the placing of an ICTU sanctioned all out strike picket on Irish Sugar premises. The strike action lasted eight weeks until it was eventually resolved with pay rates agreed for the new five-grade structure. Workers agreed to separate the rates of pay between companies but retained the right to review and make representation for the re-establishment of parity (IRN, 5, 1997).

During the industrial action, pressure was also being exerted on the Group from farmers to increase prices paid for beet (*The Irish Times*, 2/28, 1996). As the Group's main suppliers and as, in many instances, key customers for some of the Group's products, the refusal by Greencore to respond resulted in a boycott of their produce by growers and their representative body which severely hurt the Company. This and the strike action described above highlights Greencore's strategic attempts to reduce its dependence on traditionally powerful groups from within Ireland. Despite reports of growth and high profits, the ensuing disruptions have adversely affected Greencore making their perceived need for change even stronger.

Greencore's movement to decentralise the management of IR has been reinforced with the recent introduction of a number of structural changes to local arrangements. The Group has now moved to prevent any future inter-company trade union linkages by keeping all post-privatisation businesses discrete and free-standing with respect to IR and HR. All businesses acquired post-privatisation are now fully resourced in HR terms. This is coupled with on-going attempts by senior management to replace old pre-privatisation employment contracts with generic Group contracts. Greencore's decentralised approach is further reinforced by Greencore's refusal to engage in direct negotiations with union officials on any issue outside the terms and boundaries of the privatisation agreement. At present, there are no direct

negotiations between head office and the main trade unions.

Despite this decentralised approach there are limits to the degree of local autonomy. Whereas, traditionally, a combination of Group and local management negotiated with the union, with the recent strike, that position has changed. The unions noted the attendance and leading role played by the HR director at the recent strike negotiations. The resulting process was, in the word of one trade union official 'one step removed from direct negotiations'.

While refusing to negotiate directly with the unions, head office intervention also occurs through the close monitoring and direct communications in discussing any claim lodged against an individual company in the group. Adopting what a senior executive described as a 'sounding board, consultancy or third party hearing', head office HR take the company through different scenarios. Given the links between businesses, strike action in one business would be seen as having far greater consideration beyond that business, hence management felt justified in their degree of involvement. As the HR director explained:

> If one company goes on strike you have considerations far wider than that, you have the farmers outside, you have the profits of the overall Group, you have a huge company who supply chemicals to the farmers etc. So it is not an issue for one company alone, it is an issue on a much wider scale.

However, head office reject claims that these recent developments constitute attempts to marginalise trade unions. As the HR director pointed out:

> There appears to be difficulty in getting across the fact that we want to communicate more with our employees. It is seen as bypassing the trade unions... It is important for our individual companies to build relationships with the trade union movement because they are a fact of life, they are not going to go away. This is the persuading that we try to do, to say 'you have to sit down with the shop stewards and explain to them what you are doing'. I'm not saying that you have to like or dislike it but it's a fact of life.

Finally, Greencore's attempted to decentralise the management of IR have been accompanied by an increase in corporate communication and 'voice' mechanisms. Such measures were introduced to ensure 'greater sharing of financial information is used by managers in their negotiations with companies'. In response, the trade unions perceive the erosion of their position particularly within those areas of the business that have steadily been rationalised. Given that no new staff have been recruited into an ever-rationalising Irish Sugar company in the last ten to fifteen years (the unions estimate that employment figures for that negotiating unit have declined from 1600 to 370 in 1996), the main trade unions now represents an increasingly aging workforce. Head office has opted not to go down a strict legal approach to IR. Instead, they describe their focus as being to 'put in front of any of the unions the wider group dimensions and to ensure that they have to take this into consideration'.

7.6.3 Trade Unionisation

As a SOE until relatively recently, Greencore has traditionally been heavily unionised, even among senior management levels. Similar to the other case companies examined here, the overall level of unionisation in domestic operations is estimated by management to be 75%. While exact figures are not obtainable, overseas unionisation levels are described by the HR director as low, largely due to the 'smallness of these operations'. In examining the distribution of employment, it can be shown that overseas employment levels are relatively small with only 8% of total employment located overseas.

Industrial relations issues play a definite role in the growth strategies of this Group. In assessing potential acquisitions, head office examines the 'staffing and the costs

of labour versus what we are doing here', as the HR director explained. Management expects that an IR assessment would take on greater importance within labour-intensive acquisitions. For instance, as a senior executive explained:

> One would take a slightly different view if for example we were going into a country like Poland where every business is labour intensive...labour becomes a particularly critical element in looking for example at a flour mill in Poland...it is not a difficult exercise but we would have to look carefully at the labour side. We would look at the trade union implications in another, say look at France, we would ask ourselves is this a situation whereby labour unions are going to fight us job-by-job because if it is then we are going to seriously question if this is worth the effort.

Recent growth in mainland Europe has further highlighted the role of IR legislation. As one of the local managers involved in Greencore's recent European acquisitions explained:

> The bulk of IR legislation in Belgium is absolutely horrific, compared to here. The cost of employing someone is 38% in Belgium as compared to 12.2% here... if you make someone redundant, you may not increase your workforce within the next two years without first giving that person first option on any job you want to bring in, unbelievable.

Resistance by management to negotiate collectively is further evidenced by Greencore's refusal to introduce EWCs, on the grounds that employment levels within mainland Europe are too low. This combined with management's assertion that figures are kept low in overseas sites suggests that the Group will continue to resist EWCs until such time as a large European acquisition is made. As part of the their attempt to drive a decentralised approach to the management of IR, employment levels are kept low in mainland Europe. By doing so the Group can maintain a position below the EWC requirement. As the HR director explained:

> Part of the reason for three [operating sites in Belgium] is to keep the number of employees in each down. If it gets up above a certain level – I think it may be 30 or 40, if you get above that, you are into a works council – and a works council with teeth.

Substituting for EWC involvement in domestic sites is what is referred to as 'safe link committees for normal IR interaction'. There is no formal contact among union officials across borders. While informal structures exist for the informal sharing of information within union, there are no such channels currently being employed by trade unions across national borders. The unions foresee the movement toward EWC as facilitating such a move. However, according to Greencore's head office IR remains a very parochial issue dependent upon national factors and local IR issues.

7.7 Conclusion

What the Greencore case highlights is the role and impact that the movement to commercialism on an international basis has had on the management of employment relationships. Again, driven out of a need for corporate survival, this MNC emerged from a previously state-owned enterprise that sought to expand overseas. This change in ownership structure has resulted in the Group's adoption of a centrally defined approach to the management of managers and a new approach to the management of IR. Driving this is an attempt to breakdown traditional arrangements, toward a more localised focus. Greencore's approach to HRM has subsequently become somewhat fragmented, incorporating the drive to decentralise the management of IR, while at the same time pursuing a highly centralised approach to developing head office HR functions concerned largely with the management of managers. Unable to maintain the collegiality of traditional approaches to collective bargaining, Greencore have moved to decentralise negotiations and dismantle collective arrangements. Such an approach has been reinforced by the full resourcing of local companies with their own HR departments and a refusal by head office to enter into direct discussions with trade unions. The aim is that industrial conflict will become ultimately localised.

Despite the drive to decentralisation, head office maintains a highly centralised approach to the management of this 'devolved responsibility'. While largely focusing on the 'management of managers' decentralised arrangements are also closely monitored by the head office HR function and tightly defined guidelines set. This dual approach has devolved responsibility and accountability while simultaneously maintaining centralised control though limited autonomy. The implication is that it is harder for the unions to influence Greencore's corporate agenda. In conclusion, this case study would suggest a movement towards the co-existence of different approaches to the management of IR and the management of managers. Moreover, the current approach to the management of IR represents a juncture position between a traditional centralised approach and a more recent drive by management to decentralise collective bargaining.

CHAPTER 8

CLONDALKIN GROUP PLC.

Clondalkin Group plc adopts a highly decentralised approach to the management of IR. This is shaped by a number of factors – the financial arrangements between the Group and individual operations, the impact of previous industrial action and the form of internationalisation pursued. The Clondalkin Group pursues a financial economies route. In contrast to the previous cases, subsidiaries of the Clondalkin Group are financially independent, particularly with respect to their individual financial plans. As this case demonstrates, the approach to the management of IR is strongly shaped by a very tight financial-driven approach to the management of operations. Distinct from the other case companies, this MNC has no designated HR function at head office or local level HR departments. The management of IR is ultimately driven by local line management, which is monitored by head office through the financial reporting system. Operating within sectors traditionally characterised by strong craft trade unionism, recent technological advances have resulted in dramatic changes to this industry.

8.1 INTRODUCTION

In reviewing the case of the Clondalkin Group, four key themes become apparent. These are: a highly decentralised, financially-driven approach to the management of IR in the absence of any centralised HR function; the inter-relationship between the Group's current structures and co-ordination mechanisms; the role of IR in shaping internationalisation; and, the influence of two major turning points in the evolution of this Group in shaping current practices. This case highlights a highly decentralised approach to the management of IR, supported by the organisation's structures. Unlike the previous case companies there has been no recent 'layering' of a central HR function focused on the management of managers. Hence, the approach adopted by Clondalkin is best understood in light of a number of key junctures in the formative years of the Clondalkin Group – key events that shaped current practices. Despite a hard financial-driven approach, the influence of the management of IR is somewhat underestimated in the Group's growth strategies.

8.2 COMPANY PROFILE

Clondalkin Group plc is an international producer of specialist print and packaging

products with manufacturing operations in Ireland, the UK, mainland Europe and the United States. The Group employs 3,500 people at more than 50 different operations. The majority of these employees are situated outside Ireland with the largest percentage of employees located in the UK (Clondalkin Annual Report, 1998). Group sales have grown dramatically in recent years from IRE£152 million in 1997 to IRE£391 million in 1998. Mainland Europe is the Group's largest geographical sales area, accounting for 43%, followed by the US with 25%, the UK with 20%, while Ireland accounts for just 12% (*The Irish Times,* 2/18, 1998). In the last decade, Clondalkin has spent in the region of Euro 315m on capital projects, the majority of which have been acquisitions. Most of the Group's sales (72%) are located within the packaging division (Clondalkin Annual Report, 1998).

8.3 The Nature of Competition

The Print and Packaging industry has traditionally been a strong indigenous sector within Ireland. This strength is again primarily due to the virtual 'non-tradedness' of the industry.[23] As O'Malley (1985: 22) writes: 'there is a substantial degree of natural protection against foreign competition in the domestic print and packaging market because of the advantages of local knowledge and contract and flexibility and speed of response to local demand'. However, the nature of competition for Clondalkin has changed dramatically in recent years. The print and packaging market is no longer a 'sheltered' sector, the Group has moved to diversify in product and geographical terms. This has placed them in direct competition with MNCs from other countries. Their Irish operations currently face stiff competition from UK-based printing firms. In employment terms, for example, the Print and Packaging industry is one of Ireland's largest sectors.

[23] O'Malley (1985) argues that the paper industry was not afforded the same protection given the domination of a few large firms overseas. This led to import penetration and a decline in employment during the 1970s.

Figures for 1993 highlight the output at almost IRE£1,250 million within the industry. In 1994, the sector employed 18,267 workers and had a turnover of IRE£1,317 million (Business and Finance, 1994). A total of 622 firms employ approximately 19,000 people (FAS, 1994 – cf. table 8.1). Within Ireland, small to medium-sized companies account for 75% of total employment in the print and packaging sector. Foreign-owned companies account for just 22%. The thirty foreign-owned firms operating in the industry tend to be large, and concentrate on the packaging and printing sub-sectors. Heavily reliant upon imports and labour-intensive processes, firms attempting to relocate operations in low cost labour countries are increasingly subject to intense price competition from foreign manufacturers. The domestic market accounts for 75% of Clondalkin's total sales, while exports to the UK are valued at over IRE£140 million annually, representing 80% of the Group's sales overseas.

TABLE 8.1 OUTPUT AND EMPLOYMENT IN THE PRINT, PAPER AND PACKAGING SECTORS

Subsector	No. of Firms	Output IRE£m	Employment
Printing	281	330.5	6,540
Packaging	102	420.3	4,567
Paper	44	165.3	1,312
Pre-Press	85	35.9	819
Newspapers	46	217.6	4,163
Services	64	73.5	1,162
Total	**622**	**1,243.1**	**18,563**

Source: FAS Print and Paper Industry Survey (1994).

Intensifying competition by the early 1980s resulted in a decline in Irish employment levels within this sector. Despite this, the print, paper and packaging industry has grown more, on average, than total manufacturing since the early 1980s. This growth

is largely attributable to the demand for computer-manual printing by computer software firms. The main drivers of change are global technological change, the move towards world class business (WCB) and Total Quality Management (TQM) initiatives, environmental issues and changes in market requirements. WCB and TQM techniques have provided the industries with new opportunities for implementing information technology – through better production control, database management systems, telecommunications and new high-tech approaches to publishing. These advances have radically transformed the production process and customer choice within these industries. The industry has recently undergone a shake-out in terms of uncompetitive firms, who have not invested in, or modernised, their production technology and new approaches such as imaging, CD-ROM, EDI and electronic banking are reducing demands on hard-copy business forms, security printing and print media. One factor that has been claimed to have resulted in radical change of the industry is the introduction of digital technology. Facilitating greater automation, standardisation and economies of scale, these advances are thought to result in a decline of craft activity. Commentators believe those Irish companies operating without adequate technological specifications will face increasing constriction of competitiveness (Lynch and Roche, 1996).

8.4 Historical Evolution

The origins of Clondalkin Group can be traced back to the operations of the Paper Mills company during the 1930s. Having grown modestly from this point until the 1960s, Clondalkin Group consisted of the Paper Mills, Guys of Cork, Bailey Gibson and C.B. Paper Sacks. The Group employed 600 people at that time and was large by Irish standards.[24] However, it was not until the 1970s that geographical and product diversification became an issue of serious concern for Clondalkin. During this

[24] Of the 600 people employed by the Group 400 were located at the Paper Mills (interview notes).

period, the Group faced a number of debilitating dependencies. With the bulk of raw materials sourced domestically within Ireland, Clondalkin was highly exposed to currency fluctuation. In addition, local energy costs were rising and demand levels falling. Also, by the mid 1970s their had been a build up in industrial unrest at Clondalkin.[25] What followed was a major for the Group. As one of the directors explained, it was a situation that has shaped Group policy ever since:

> The strategy is based on the bad experience we had on one site, too many employees employed in one location and too strong a union, no control over the dollar, the bulk of raw materials being bought in one currency, and very high energy costs. These dependencies that we had mid-1970s all came home to roost. When we finally got out from underneath this burden, the policy was never to repeat the same sin.

Senior management grappled with steering the Group through rising costs and falling production during the 1970s (*Business Plus*, March, 1998). What followed was a key juncture in their development towards internationalisation.

Largely 'grown' under tariff protection, Clondalkin watched the demise of the paper business in the 1970's. Producing paper for the Irish market had become increasingly uncompetitive by the 1980s (*The Irish Times,* 6/7, 1996). Faced with these conditions, Clondalkin decided to diversify into the higher growth sectors of print and packaging. By 1981, the Group took the strategic decision to divest out of paper manufacturing and concentrate on print and packaging in. The decision to close the Paper Mills, which employed 450 people, was taken by Clondalkin on the grounds of 'non-viability'. Vehemently opposed by the workers, Church and Government of the day, the decision resulted in an acrimonious and protracted dispute that took over three years to fully resolve (*The Irish Times,* 6/7, 1996). For more than a year,

[25] There was a nine-month strike in the paper mills in 1969. The Group attempted to move from a three to a four shift system that mirrored the continuous shift system that characterised the paper industries in the US at that time. Negotiations broke down, a nine month strike ensued and the Mills never moved to a continuous shift system.

workers occupied the mills while two employees went on hunger strike demanding the business be saved. The conflict lasted until the Government intervened, agreeing to back the purchase of the mills by a third party.[26] It was what the CEO described as a 'protracted affair' that took until 1985 to get out 'from under the weight'. Once the dispute was resolved, the Group began to actively source overseas investment. The closure of the paper mills was the first step the Group took in moving out of the cyclical paper producing industry and into the more profitable print and packaging activities. It was to be the beginning of a decade of growth, diversification and internationalisation for the Group.

By the 1980s, the Clondalkin Group was still relatively small with few opportunities for local growth. As a senior director explained 'because the Irish economy was reasonably small, the only big growth opportunity was to invest externally'. In an attempt to reduce the dependencies outlined above, to spread both financial and geographical risk and enter new growth sectors, the decision to diversify along geographical and product lines emerged in the early 1980s. In the words of one of the directors, there was a belief at that time that 'the only way to get balance was through major currency exposure to balance related currencies with the dollar'. The Group engaged in 'financial risk balancing' in an attempt to control currency exposure. To this end, the Group began to 'avoid distressed regions and mature markets that [were] less responsive to management action' (Clondalkin Annual Report, 1990).

The US was targeted as a potential growth area with relatively low overheads. The first acquisition into the US and UK occurred in 1986, thus enabling the spread of

[26] The Government agreed to back the purchase of the mills by the FDI International Group.

risk between products and regions. [27] The Group's diversification strategy focused not just on the geographical location of operations, but also on the Group's products, resulting in substantial diversification of markets, products and technologies. At the same time, Clondalkin attempted to reduce domestic dependencies on high commodity content products by investing in value-added products in growth sectors. Expansion in the UK and US continued until 1991 at which point the Group shifted its focus to the rationalisation and upgrading of operations. Through a series of acquisitions and expansion programmes, a broader style of management was introduced to its operations. [28]

The 1990s signalled a new phase of development for Clondalkin. By 1991, the domestic market was exhibiting flat demand placing increasing pressure on price reductions, but low raw material prices and low cost inflation. The Group took this opportunity to invest heavily in some of the faster growing segments of the printing industry and expand their customer base to protect against economic downturns (Davy Report, 1992). At the same time, the Group streamlined their businesses, reduced employee numbers and divested what were seen to be 'poor performers', giving the Group a 'sharper focus and definition of objectives'.

In response to increased competition and further currency crises, the Group restructured its operations in 1993. Establishing geographically defined divisions, Clondalkin Group separated out the UK from domestic operations. This resulted in a reshuffle of senior management across national borders and a redefinition of reporting lines. This was to pave the way for the Group's first entry into mainland

---

[27] In 1986 the Group acquired The Cavendish Press in the UK. Owned by three people, of which one wanted to retire another who through illness wanted to realise his capital, while another for no particular reason sought to realise his capital. The decision was taken to sell to Clondalkin who persuaded the third director to remain on a three-year contract as CEO. That owner-entrepreneur remained and has since moved to a Group role.

[28] Between the years 1986 to 1991 seven acquisitions were made.

Europe in 1994 (*The Irish Times,* 6/1, 1998).[29] While expanding into mainland Europe, the Group also implemented cost-cutting exercises and investment programmes in the US. Allied to the Company's investment strategy was a redundancy programme that resulted in a 10% reduction in staffing levels. Clondalkin is expected to continue to expand overseas and to engage in further organisational restructuring (*The Irish Times,* 2/18, 1998). While future acquisition opportunities are believed to be outside Ireland, management do not contemplate expanding outside their current bases of the US, UK and mainland Europe. However, as the managing director claimed 'Clondalkin Group has bigger fish to fry' than those in Ireland (*The Irish Times*, 6/7, 1996). Table 8.2 summarises the key events in Clondalkin Group's internationalisation against its broader historical evolution.

TABLE 8.2: KEY EVENTS IN THE EVOLUTION OF THE CLONDALKIN GROUP

Key Dates	Event
1930	Foundation of the Group
1969	Strike action in mills over changes in shift system lasted nine months
1978	Change in Leadership (new CEO)
1980	Decision taken to grow through overseas investment
1981	Decision taken to close paper mills on grounds of non-viability
1982	Worker occupation of mills, hunger strike by two protesters, intervention of Church and State
1983	Decision taken to exit paper and diversify into higher growth areas of print and packaging
1984	Government intervention backing purchase of mills by third party
1985	Final resolution of strike action
1986	First acquisitions in the UK and US
1987	US acquisition
1988	US acquisition
1989	US acquisition, UK acquisition

[29] Two acquisitions were made in Holland and Switzerland in 1994.

1991	Rationalisation programmes leading to reduction in employee numbers in Ireland and US, US acquisition
1993	Reorganisation of operations, divisionalisation of operations and separation of UK from Ireland, Reorganisation of senior management across borders, Introduction of redundancy programme resulting in 10% reduction in staff, Divestment of US plant
1994	First acquisitions into Mainland Europe, reorganisation of US management structures, Cost-cutting exercises and investment programme in the US
1998	Change in leadership (change of CEO), Rationalisation of operations cross border and reduction in employee numbers

8.5 Strategy, Structure and Control

Clondalkin's internationalisation has largely been shaped by the nature of their products. The print, paper and packaging sector is an industry 'whose products are long established, labour-intensive and face mature or declining markets'. It faces high import-penetration levels and produces non-traded goods that 'incur high logistic costs and are not readily exported' (Lynch and Roche, 1996: 91). As a result, a location 'close to market' is a key competitive factor. This explains why the UK is Clondalkin's main destination, accounting for 80% of total sector exports. Due to high transport and logistical costs, Clondalkin's core products are not conducive to export across national borders. In contrast to the expectations apparent in the MNC literature, it is not the location of their main suppliers that drives Clondalkin's growth but the 'localised' nature of their products.

Consequently, Clondalkin pursues a mixed strategy of organic growth and development through business acquisitions, with a clear geographical division. The majority of this Group's organic growth occurs within Ireland and the US, while acquisitional growth strategies are the main means through which the Group has grown in mainland Europe (Clondalkin Annual Report, 1995). There is also a clear division between the 'initiators' of corporate development. Those driving organic growth strategies tend to be local managers, who are described by head office

executives as 'encouraged to bring forward organic development opportunities'. In contrast, acquisitions are the responsibility of a dedicated team whose remit is to 'identify and evaluate a sizeable number of investment opportunities'. As the CEO explained: 'We always have a few at various stages of negotiation, the more deals we do the more opportunities present themselves'. Having now earned its 'place' in international markets, Clondalkin is continually active on the acquisitional front and clearly defined acquisitional criteria have emerged (cf. table 8.3). These criteria include an evaluation of the strength of trade unions on sites being considered.

TABLE 8.3 ACQUISITIONAL CRITERIA

- Sales of up to $200m
- Low-cost, profitable producer
- Management retention
- Good asset condition
- A Weak or No trade union
- Broad customer spread
- Maximum payback period of 4.5 years

Source: Interview Notes.

As demonstrated above, the drivers of locational decisions are both new growth regions and the need to spread dependencies. However, within these constraints, cultural similarities or 'fit' and taxation considerations also shape the location of the Group's overseas operations. As with CRH, Clondalkin's decision to locate within the Netherland's, for example, was influenced by perceived cultural similarities between the Dutch and Irish. As a senior executive explained:

> The Dutch culturally are very close the Irish and English in their whole approach. The Dutch for a long time have had to trade internationally so they are very receptive to foreign ideas. Whereas you will not find that to the same degree in any other country of Europe.

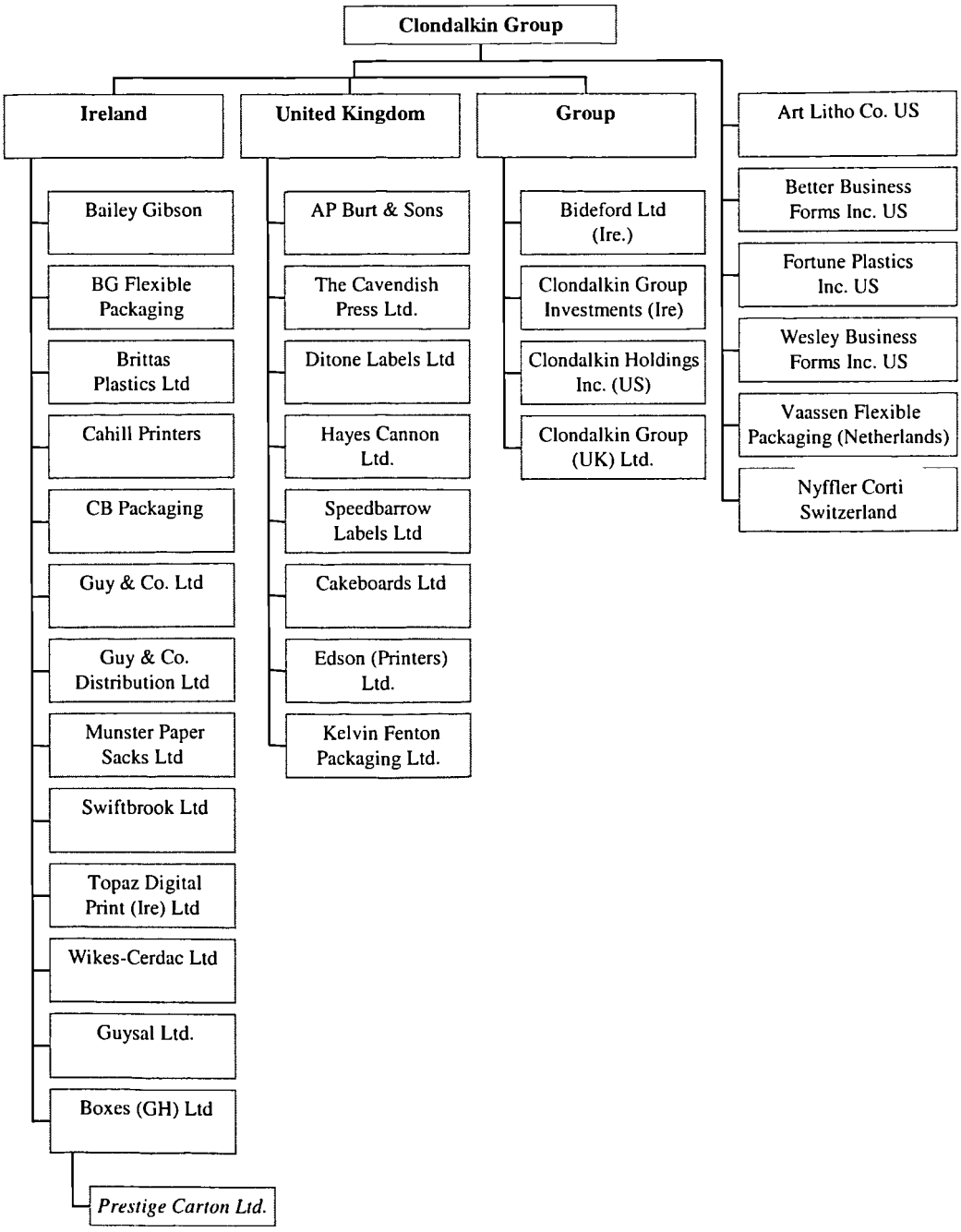
The Group perceived similarities such as a shared history of trading, their

international orientation as a nation, their ability to accommodate different cultures and the same approach to dealing with foreigners as having influenced their decision to expand into the Netherlands.

This criterion is combined with more financially and market oriented factors. As Clondalkin's financial director explained: 'the Dutch have some tax breaks, in Germany your consideration is deducted, and in Switzerland the tax rates are low. The Dutch have good treasury locations'. One difference they do note is, in the words of a senior executive, that 'the one thing we have noticed is that the Continental companies we looked at always look outward. While the Irish and UK look inward. So each time you come across a new approach, we try to assess whether it has any relevance to what you're doing'.

With increased competition and a currency crisis in 1993, Clondalkin Group restructured their operations into geographically defined divisions (cf. figure 8.1). Through the establishment of geographical divisions, Clondalkin separated out the UK operations from domestic ones and assigned geographical heads. This dichotomy also broadly reflects different product lines, with the majority of the Group's packaging operations located within Ireland and all the printing operations situated in the UK. Coinciding with the restructuring of the Group, there was a reshuffling of senior management into geographically defined management structures. What resulted was a very flat organisational structure that was clearly reflected in their main reporting lines.

FIGURE 8.1: CLONDALKIN GROUP STRUCTURE



According to senior management, the current organisational structure is expected to change given their rate of growth. Key to the anticipated change is the current pressure being exerted on reporting arrangements. Management expects that as the reporting relationships expand it will become more difficult to continue with

existing structural arrangements. A senior executive claims that 'there will be no question but to introduce another layer in the structure'. It is anticipated that the Group will move towards a more divisionalised structure with the introduction of divisional heads rather than existing geographical heads. Clondalkin also expects to recruit managers with particular expertise as it expands. They expect that as more European operations are acquired, the need to understand other banking arrangement relationships will become greater. As the finance director explained: 'we can no longer manage our banking relationships out of the fact that we know five or six bankers very well. That is grave. We put in resources because you come to understand that the potential for error now is much higher.' The Group expects to appoint a local divisional head for their European operations that they anticipate will become extensive.

The flatness and simplicity of this Group's organisational structures is understandable given lean management resources. Of all the case companies examined, this MNC has the smallest head office. Clondalkin employs fourteen people across two *de facto* group head offices, one in the US and one in Dublin. The CEO is located within the US and manages that geographical region. Headquartered in Dublin, the 'centre' employs eight people. Group functions are split across the two head offices. Through the use of electronic technology and the networking of operations, the accounting function has been relocated closer to the CEO in the US. All financial reports are sent direct to the head office in Dublin and on to the US. All other treasury matters are handled out of the main head office in Dublin.

The main role of the head office is, in the words of a regional director, to 'focus management's attention on the items which from experience impact on the bottom line'. Rather than adopting what they title a 'collaborative approach to managing

managers' they focus on those issues which directly impact on the bottom line performance of operations. Another role adopted by head office is to ensure that practices in one company do not adversely affect another. As a senior executive outlined: 'the group monitoring requirement is to ensure that one company, say, in one location does not do something silly and leave the others vulnerable to its consequences'.

Furthermore, the Group has moved to centralise particular functions at higher levels within geographical regions in an attempt to achieve financial economies of scale. While marketing and sales are the responsibility of the local sales manager, the Group recently introduced the concept of a Group sales and marketing manager in Ireland. As the head of the Irish operations explained: 'each of the units independently was so small, we could not sustain the cost of sales and marketing.' As a result, the Group appointed a Marketing Manager whose function is to 'professionalise' the sales function of the company. The introduction of this is what head office describes as 'a pragmatic response', rather than any generic Group philosophy.

To summarise, the role of the head office at Clondalkin is one of co-ordination, control, strategy formulation and approval. Ensuring that practices in one site do not have an adverse effect on another has also become a key role adopted by the centre. With increasing internationalisation the role and responsibilities of head office have steadily increased.

8.5.1 Group Strategy: 'Autonomy with Financial Responsibility'

The Group adopts a highly decentralised approach to the management of operations, which is reinforced through tight financial management structures. From the early

1990s, this hard financially driven MNC has had one clear strategic objective - 'to create shareholder value by growth in earnings per share' (Clondalkin Annual Report, 1996). This is effectively achieved by maintaining low cost producer status, the development of new markets and the improvement of competitive positions. To these ends, each operating company is designated profit centre, with its own fully resourced management team comprising a general, production, sales and finance managers. HRM is ultimately the responsibility of each general manager and there are as such no local HR departments. Each company within the Group is said to operate autonomously in its own market sector and geographical location. However, the autonomy is totally dependent on the achievement of continuous performance improvement. Strict financial disciplines and continuous evaluation are constantly applied from the centre. As a local Irish manager remarked 'if you produce the goods you will be given the autonomy'.

In keeping with this approach, there is no attempt by Clondalkin to standardise management practices or structures across sites, in an attempt to minimise diversity. This MNC adopts a highly localised approach. As a UK-based executive explained: 'you adapt to the local culture because the management is local. They are the ones who best understand the employees and the potential of the operations. The Group cannot really add anything to the equation in terms of instructing them on how to handle their business or make executive decisions on a day-to-day basis'. While recognising the merits of maximising economies of scale, senior management insists that the autonomous bottom-line approach be maintained first and foremost. In effect, homogenisation is seen to add little value to Clondalkin. It is rather seen as a threat to local autonomy and operational responsibility. As the finance director noted: 'if the autonomy is diluted in any way then that will undermine the whole culture of the organisation'.

Adopting standardised practices or structures is seen to dilute local autonomy and undermine the 'localised' culture of particular sites and, consequently, the Group as a whole. For instance, the Group had an opportunity to introduce some synergistic economies to their operations but decided against this on the grounds that to do so would have diluted the autonomy and changed the culture. As the financial director explained: 'For instance, all of the subsidiaries have their own bank facilities. If those facilities were combined to one centralised clearing unit, I have no doubt that it would save us. But we readily forego that cost, to make the subsidiaries responsible for their own affairs otherwise their own performance does not count any more, it would get lost and we do not want it to get lost.' Again, the main difficulty highlighted by head office in pursing synergistic routes is the high degree of diversity between businesses. The manner in which this MNC manages diversity is through simplified country-neutral financial messages that are constantly re-emphasised by the head office. As a senior regional director explained:

> The beauty of having a very simple objective is that it loses nothing in the translation from Group to local management. If you ask any of the local managers what are they trying to do, they will tell you, 'Improve profits'. There is nothing else.

Not surprisingly, there is little integration between individual Clondalkin companies given a highly decentralised and hard financially driven approach. Their lack of integration, particularly in production terms, is reflected in Clondalkin's particular history. A 'near death experience' which occurred in the 1980s with two plants sharing one site arose out of what management views as a lack of autonomy. This has become a reinforcing and shaping element in their current approach. As a senior executive elaborated:

> We nearly went down the tubes in the early 1980s. It could have brought the Group with it but due to management skill it did not. Because the company suffered a trauma it never again will we be one unit, one band. We will be 20 or 40 little companies instead.

Dissuaded by these experiences, inter-company arrangements have so far been largely avoided. Furthermore, the Group is cautious to avoid customers seeking volume discounts. However, given the pace of growth the Group is currently reviewing the possibilities of future co-ordination and synergy. Until such a change occurs, the current approach is very much focused on full accountability for performances, with little integration between companies within the Group.

8.5.2 Control Mechanisms

This highly decentralised and hard financial-driven approach is communicated and reinforced through the financial control system. Operating companies are responsible for putting forward capital plans, maintaining their own administration and developing local banking and professional relationships. To that end, operating policies are geared towards the management of such performance-driven factors as cost control, productivity and working capital management.

There is one group-wide management control system around which all else revolves – the financial management system. This includes monthly operating reports (MORs), standard financial statements (SFSs), budget setting and capital expenditure processes. Each has a particular role to play in the overall control system. The MOR is a statement of key indicators that measure current competitive positions. They provide head office with a condensed view of factors seen as within 'the control of management'. These include employee costs, payroll costs, material costs, debtors' days and stock days. Employee costs are measured in terms of a total percentage of sales, redundancies and flat overtime rates. Reporting procedures are standardised and automated. Initially sent into the centre, they are subsequently transferred electronically to the CEO in the US, which, in the words of one

interviewee, is where a 'full and immediate disclosure effect on poor performance becomes evident'. In contrast, the SFSs are a broad overview of each individual company's financial details. As the year progresses, forecasts are adjusted and run alongside budgets. These forecasts act, according to the financial director as 'either a reminder to companies of out-performance or as a check against under-performance'.

The CEO and his senior management team work to achieve an annual budget that is drawn up in consultation with local management. This Group budget specifies the performance expected of each segment of the business. Each operating company is then responsible for putting forward an annual plan to head office for approval. Part of the plan involves the setting of their budget, which is based on the simple premise, according to the HR director, of 'you have to do better and faster, otherwise we are going backwards'.

Given pressures to grow, each company is requested to quantify their objectives. These quantifiable objectives then become the basis for subsequent assessment by head office. The process of quantifying targets drives down the line a message of full accountability and transparency. As the finance director explained, 'the role of the Group is communicated beyond local management so that the sales staff, in particular, understand that interest in their targets goes beyond local management'. In their assessment, head office examine such performance measures as sales activity levels, selling prices, margins, costs, profit, working capital, cash-flow, capital expenditure and bonds. These measures are seen as the vital signs of any given site and provide head office with early warning signs of poor performance. To ensure accuracy of returns, Clondalkin also operates an internal audit. Senior management sees the annual budget as the main 'motivational device'. As the director of

corporate planning manager explained: 'The Group likes to consider the budget to be an obtainable target but difficult to achieve, so that we can satisfy ourselves as a Group that everything is working at full stretch. That is our form of motivation'. Budgets are set late to make them more realistic to market conditions and assessment occur through a process of negotiation with head office. The 'centre' has the right to request a reassessment of a company budget and, should 'sites not enter the fray ambitiously enough' it is further understood that the request would be forthcoming. Companies are managed on a 'zero terms basis.'[30] This bottom-up approach to budget setting reflects an on-going negotiating process between individual operations and the centres' top-down financial targets.

The final area where strict Group control is exercised is capital expenditure. While each of the operating companies are, unlike the previous cases, requested to independently source capital for expansion plans, the Group considers requests for capital expenditure. The main board deals with all major capital projects and allocates capital on the basis of performance levels. Even though capital expenditure requests are submitted to geographical heads for prioritisation, the decision ultimately rests with the CEO. There is competitive tender for capital projects and, as the finance director explained, 'the best one wins'. Unlike the financial report there are no standardised forms to fill in for capital expenditure requests. The procedure is that local management submits a detailed proposal to head office explaining the rationale, financial consequences and benefits. The payback principal for capital expenditure is three years or less.

Similar to the previous two cases, Clondalkin employs a 'post-acquisition control model'. Once a new company is acquired, an integration process begins for the

[30] Each year's performance is compared against that of the previous year's results that provide the baseline that the company must improve upon.

Group. Again, similar to other Irish MNCs, the first system introduced is that of the monthly operating report, followed closely by the standard financial statements. There is also no attempt to by Clondalkin to impose a generic Group-wide culture. As the director for corporate planning explained: 'if you impose a culture, you are changing what you have just bought. The reason you bought it is because it has performed well as it is. Why change the culture?'

In the case of non-delivery of performance targets Clondalkin's approach is to 'try and support the local management', particularly in situations where overall conditions are favourable. According to one Irish-based manager, this roughly equates 'to discuss, analyse, identify the problem and come up with the solution'. However, in situations characterised by what head office perceive to be 'poor management', executive decisions are taken and local management 'instructed' to implement them. As the head of one region pointed out:

> If a company has not performed, there are two possible outcomes. One is there is light at the end of the tunnel, you just have to put things right. Even if we do put things right, this company maybe does not have great prospects and in the latter case, it is into the closure route.

Beyond these strict financial controls, there are certain non-financial mechanisms that Clondalkin has recently introduced to influence and monitor performances. Supplementing strict financial controls are such personal control mechanisms as monthly operational management meetings, *ad hoc* management conferences, informal site visits, internal auditing processes and Group-wide league tables. In order to encourage internal competition, the Group recently introduced working capital league tables. Circulated on a monthly basis, these tables cover a whole range of issues, such as profit, productivity, working capital and performance. Presented in an index format relative to size, head office sees these league tables as being 'truly comparable between one company and the next'. As a senior executive explained,

the message communicated is one that states: 'there are genuine differences across boundaries but we remind sites that this is the cost of doing business in Ireland versus doing it in the US. It is not an excuse for poor performance. It costs the group'.

Providing information on the performance of other companies within the Group, these league tables act as internal benchmarks. Emphasising internal competition, the league tables provide exposure to poor performers and maintain pressure. Designed, as the finance director explained, 'not so much as to complement some but to embarrass others', league tables are perceived by head office as highly effective in exerting informal peer pressure on sites. 'It is amazing the effect that it has', he went on to say. 'If a company finds itself near the bottom of the league table, on say, working capital and performance, over about four months you suddenly find that they are getting up into the top quartile'.

A further way that Clondalkin influences and monitors performance is through a system of monthly management meetings. These monthly management meetings occur within every company and follow a fixed format of sales, production, investment and capital. In some cases, head office management also attends overseas monthly management meetings. Despite the formality of these practices, management spoke of the informality process that operated around these meetings. As head of one of Clondalkin's regions remarked: 'there are occasions where we have just arrived, we sit down, there is a comfortable, relaxed, casual pre-meeting chat, where you might actually cover matters that are far more important than the agenda themselves'. Furthermore, in a similarly *ad hoc* way, the Group conducts management meetings to coincide with their Annual General Meeting. While attendance varies, these meetings usually take the form of a one-day conference

where head office concerns are voiced.[31] As one of the managers explained: 'If the meeting has say 20 people getting up to talk about the same topic, at around about number 15, there is a sense of 'I have heard it all before' and it conveys Group concerns'. The rationale, from a head office perspective, is that issues high on the Group agenda are conveyed without detracting from local autonomy.

Apart from the somewhat informal agenda operating around management meetings as described above, there is little evidence of collaborative management. The Clondalkin Group does not have any formal arrangements for managerial networking. Contact between head office and local management is infrequent, which local management acknowledges can lead to isolation. The focus is again placed on the informality and *ad hoc* nature of managerial networking. While there have been infrequent occasions where senior Irish management have met socially, no formal attempt to network management on an international basis or to equate practices across national borders in order to achieve certain economies has been made. At times, and again largely 'by default', certain best practices are highlighted through the internal auditing processes. As part of the financial reporting system, the internal auditing process conducted by senior management is designed to provide feedback and to encourage cross-fertilisation. As a UK-based manager explained: 'From time to time, it brings ideas and solutions that have been devised in one subsidiary to another'. With these reports sent to local managers, the finance function, geographical heads and the CEO and the regional head, this environment of 'full exposure' is further reinforced.

8.6 Approaches to the Management of IR and HR

In keeping with their overall strategy and approach to operations, Clondalkin

[31] In 1995 all the managers from right across the group came to a meeting at HO in Dublin. Prior to that a number of Continental European, US and Irish managers attended a get-together.

operates a highly decentralised approach to the management of IR. The Group operates without either a head office designated HR function or fully resourced local HR units. The management of employment relationships is treated as an operational issue and therefore the responsibility of local line management. Local line management are responsible for bottom-line performance and all factors that impact on that performance, including what head office sees as IR and HR issues.

8.6.1 Management Development

Despite the absence of HR representation at head office, the management of senior managers is a key responsibility of each regional head. The 'management of managers' in this particular group is focused on the remuneration and development of senior local management. The latter is examined first. Clondalkin have recently initiated a drive towards professionalising local management as a result of their recent growth and a focus is now being placed upon the development of 'home-grown' managers rather than seeking managers externally. The Group has recently established a graduate management programme largely arising from issues of succession planning that came to the fore in the early 1990s. Recruiting a number of highly qualified graduates, participants were exposed to different functions across a number of sites for specific periods of time. Many of those original 'recruits' now occupy senior management positions. The main benefit of the programme is, according one of the participants, the informal managerial networking that takes place: 'I can ring most companies in Ireland, some in UK and US. I know who to ask for - they know me and that is very important'.

Clondalkin's overseas operations also tend to recruit and train locally. Given localised approaches to the recruitment and training of management, there are very low levels of managerial mobility within the Group. In tightening labour markets,

such as the printing industry in the UK, Clondalkin Group has recently introduced placement schemes in an attempt to entice young graduates into the industry. Their predisposition toward the internal development of key management levels is attributable to a highly decentralised approach, emphasising the importance of devolved responsibility.

Performance-related pay (PRP) is a key component of the Group's disposition toward devolving responsibility to senior management. The remuneration of managing directors is linked to the performance of their individual business. As a senior executive explained: 'in our plc environment, shareholders do not understand anything other than a 45-degree angle, so we convey that pressure in a manner which subsidiary managers enjoy'. No formal performance appraisal schemes operate within this Group and assessment is measured in terms of individual company performance. With the move towards higher levels of profitability for the Group as a whole, there has recently been increasing pressure on local management to extend PRP to other management levels and to link it to the achievement of pre-defined goals. Much of the pressure is emanating from local levels. For example, all local salary reviews are based on recommendations from a general manager and referred to geographical heads for approval.

In short, Clondalkin adopts what is often labelled a 'hard' approach to the management of IR, in which human resources are viewed in terms of 'costs'. Again, albeit in a less formal manner than was apparent in the previous cases, their has been a recent refocusing upon the strategic development of managers at the highest levels. However, Clondalkin Group has not established of a head office-designated HR function, opting instead to devolve all but the most strategic of HRM issues to regional management. The Group's management of IR consequently remains highly

decentralised. As the case highlights, while much of this Group approach is attributable to its smallness in employment terms and leanness of management structures, it can also be attributable to the tight financial management approaches they have adopted.

8.6.2 The Management of IR

Clondalkin Group pursues a highly decentralised approach to the management of IR. This is shaped by two main factors: their industrial relations history and their current hard financial-driven approach to the management of operations. Historically, the Group is better known for a highly acrimonious closure of its paper mills than for its earnings per share. As a result of the 'strangle-hold' that IR issues had over the Group in the early 1980s, the Group sought to adopt a highly decentralised approach to collective bargaining, wherever possible. As a senior executive explained: 'the Group has a history of industrial relations where workers went on hunger strike and where one of the problems was the stranglehold that the whole IR scene created. Since then the Group's experience has changed'.

Clondalkin's pursuit of a traditional decentralised approach to the management of IR within domestic and extended markets has been largely shaped by what management refer to as their 'historical IR baggage'. Given the union-employer relations within Ireland and the UK they see it as difficult to move beyond this 'historical baggage'. As a directors remarked:

> One of the problems is that the union—employer experience in Ireland and the United Kingdom has been very adversarial and it is very hard to back out of that historic baggage. If you have a company that has been in operation for 60 or 70 years and the industrial relations practices have grown up over that period, it is very hard to get rid of them.

The management of IR remains wholly within the remit of local management. Head

office intervention occurs only when a problem arises through the financial reporting system, for instance the erosion of production. In such situations, head office would look to local management for reasons and attempt to redirect local management thinking. As one regional head outlined, the focus in on the questioning of approaches:

> It is dialogue in terms of 'what are the circumstances that gave rise to that situation?' Why do we have to approach it this way, why can we not do that way? The local culture may give you a response that says, 'You cannot do it that way'. There are state regulations as to why you cannot do it that way. But at least, by dialogue, you get the message across.

As a result of past IR experiences and exposure to overseas IR regimes, the Group has a preference for non-union environments. As a senior executive explained:

> Part of the equation is exposure to other economies and how people get on with their lives in other countries has had a great impact. In the United States unionisation is very, very light over there. And, even in Holland, when we were acquiring the company, the unions [the works council had the right to give their advice] did not mention pay or conditions once. They mentioned investment, they mentioned sales growth, what were we going to do with the company, so their agenda was different.

This does not, according to head office, amount to an 'aversion to unions'. As one senior executive explained 'We do not mind dealing with unions as long as pay and conditions is not the first and last item on the agenda'. The difference they see in their approach is, as one senior executive explained;

> In making the due diligence process we would take a look at the industrial relations history, say, over five years. We look at pay settlements, relative to the national level settlements, to see whether management was able to manage the situation adequately, that they were getting relatively good deals or relatively poor deals.

The Group's tight financial management also approach informs their decentralised approach to IR. As the manager of an Irish subsidiary explained: 'In terms of industrial relations, all negotiations are on the basis of: 'if we have to pay more, we

must get more out'. It's a simple equation. All decisions are taken, subject to the objective of increasing earnings per share'.

The inter-relationship between the financial reporting system and the management of IR has resulted in the close monitoring of decision making at local levels. When cost discrepancies emerge, operating sites are immediately questioned by head office. This highlights a certain limitation to local management autonomy. While it might seem that local management has full autonomy in the management of IR, closer examination reveals particular limits to this. While the management of IR is largely devolved to operating companies, its management is monitored closely by regional heads through the financial control systems. Conscious of a need for consistency and control, these heads 'take a very close management role in pay negotiations or negotiations in relation to working conditions'. As a senior UK executive commented:

> The reason for that is because you are a member of a Group and because the majority of the companies in the printing industry in the UK are unionised. You cannot do some things in South Wales and do something different in Leicester. So you have to be careful you are consistent if you are going to make any redundancy arrangements, etc.

Other examples of limitations to local decision-making include the Group's approach to employer association membership. Here consultation with regional heads is always required. Similarly, head office intervention remains a 'final' but very real option in the case of threatened industrial action. Again, despite a highly decentralised approach, the role of the centre in the management of managers remains to the fore – albeit in an indirect manner.

Prior to the introduction of national centralised negotiations, sectoral level bargaining occurred within Ireland through the Irish Printing Federation. Despite

abiding by national wage agreement, Clondalkin management has moved toward more informal company level negotiation. If management wants to secure a productivity deal they do it locally. As one manager remarked: 'I have had memos in the past which say any wage increase outside of the national wage agreement for anybody needs to be approved by Head Office but like everybody else I ignored it. I have got something better to do than to ring head office to ask if I can give someone a £5 a week wage increase'. Head office claims that the decision to 'hold back on collective bargaining practices' lies ultimately with local management. However, there appears to be a different policy with regard to some overseas operations. Movement *toward* trade union amalgamation in the UK, for example, is seen to have eased negotiations here.

Overall, Clondalkin management acknowledges a gap between IR policy and practice and call for more IR expertise in the industry as a whole. As a local manager explained:

> A lot more expertise is needed in Industrial Relations systems, especially in the printing and packaging industry. The official line is one thing, it's generally policy or guideline but where the deals are made and where practices are made is another thing.

8.6.3 Trade Unionisation

Levels of unionisation vary across national borders with highest levels of unionisation in domestic operations and low levels in their US operations. As head of the Irish operations explained, unionisation in the US is very low, whereas in Europe they found the trade unions to have a very different agenda. Operations in Ireland are multi-unionised with four main unions operating in some sites. Levels of unionisation for Clondalkin have been influenced by changes within the industry as a whole. The introduction of technological advances, periods of rationalisation and changes to work arrangements have dramatically altered the demography and skill

base of the print and packaging industry. As a result of technological advances and structural changes, the printing industry has transformed from a craft-based to a signs-based industry.[32]

The introduction of new technology has radically reduced employment numbers within the sector and also changed the nature of the work itself. Clondalkin management in the UK argues that the level of trade unions in their sites have declined due to technological advances and structural changes to the UK Print and Packaging industry as a whole. For instance, a local UK manager noted that: 'the department which was dealing with [hot-metal setting] had about three times the number that is in the department today and produced half the amount of work'. Similarly, the Irish unions note a general decline in employment numbers within Ireland due to changes in technology and what they see as a general movement out of the more labour-intensive sides of the business. As one trade union official observed: 'In but a short span of time, the highly skilled typesetter who had built his skills up over a lifetime at work was replaced in just one decade by the 23 year old graphic graduate, who produces twice as much work in half the time'.

As a result of reduced employment numbers and a changed demography, management believes that the power of the trade union has decreased. In the UK, the print union has over the past decade, in management's eyes, been 'knocked into shape'. Moreover, changes to customer bases have placed pressure on companies to move towards continuous work operations. This, combined with technological advances, has shifted the power of trade unions.

[32] In the print and packaging industry, shop stewards are known as 'Fathers of the Chapel'. As one of the local manager's explained 'In the old days a lot of the printing was done in chapels, so basically the Father of the Chapel was the Shop Steward'.

Local Irish management spoke of introducing redundancies in highly trade unionised environments as the 'only' option to move beyond traditional adversarial approaches. As one local manager explained:

> The history was that the unions ran the place. In 1993 we made 20 to 25 redundancies and scaled back the business to sort things out. It was blatantly obvious that there were a lot of things going on that should not have been going on. There comes a time when you have to say stop and that time came in June 1992. There was a whole series of issues that nobody had ever tackled. I saw these and basically made a 'hit list!' We did not go for them all at once, but gradually and as a result we did not lose our 'no strike' record.

As part of the 'due diligence' process of any potential acquisition, the trade union history is reviewed by Clondalkin management to assess local management's ability to 'handle local IR issues'. As a senior executive explained:

> In the due diligence process we would take a look at the industrial relations history, say, over five years. We look at pay settlements relative to national level settlements to see whether management was able to manage the situation adequately. Our theory is that if you make poor deals, they come home to roost. Each individual unit will get its blip and it is at those stages that bad IR decisions always come back to roost.

The role of IR in shaping acquisitional growth decisions, combined with differences between levels of unionisation across geographical operations suggests that, while Clondalkin may not have an explicit approach to the avoidance of trade unions, the industrial relations history and the strength of trade unions has a critical role to play in the Group's international development.

In keeping, the Clondalkin Group is strongly opposed to the introduction of EWC directives and to any move towards the provision of employee consultative structures. (However, senior management's attitudes to EWCs involvement on the Continent are different given what they see as the different approaches of trade unions there). Clondalkin management suggest that given the long history of adversarial collective bargaining in their Irish and UK operations, EWCs are not

applicable to them.

As local managers explained, Clondalkin has a long traditional of 'not divulging information' and therefore the introduction of EWCs would involve a complete change in direction. Given their current approach of minimal employee involvement, the introduction of EWCs is viewed as too radical a route to pursue. Moreover, similar to the CRH case, the introduction of these pan-European structures is seen to threaten the Group's localised approach. The introduction of EWCs would, in management's view, lead to inter-company trade union linkages, an outcome management does not wish to facilitate. In response, the Group's approach is to maintain low level of on site employment in Ireland. As a head office executive explained, 'Things like hiring and firing of staff is certainly left to the individual company. They could take on 50 people, but it will show up in the monthly reporting in terms of staff numbers, and there would be strong questions asked. There is a pretty strict, unwritten law about staff numbers'. While broadly accepting the right to be advised, local management believes such consultative arrangements would be over-shadowed with a focus on pay and conditions. Management envisages that EWCs would amount to 'talk-shops' with no right of veto.

8.7 Conclusion

This thesis seeks to investigate the impact of Irish patterns of industrialisation in understanding the formation of Irish-owned MNCs and their approaches to the management of employment relationships. This case, and the two that precede it, clearly demonstrate that the approach adopted by Irish-owned MNCs to their employment relationship may be best understood in light of key historical events shaping the evolution of the group and the strategies and structures that have developed in response to these. The formative years of the Clondalkin Group

demonstrate a number of 'push' factors that eventually led to the internationalisation and product diversification of the Group into higher value-added sectors. Consequently adopting a highly decentralised and tightly defined approach, it gains expression from and is reinforced through a number of financial controls. Any attempts to standardise or equate practices in the pursuit of synergies threaten this Group's highly devolved approach. Ultimately, the route to homogenisation runs the risk of a build up of 'dependencies', a situation Clondalkin Group seeks to avoid at all costs. As pervious sections have shown, these factors and the ensuing corporate strategies have shaped Clondalkin's approach to the management of IR and HR.

CHAPTER 9

AIB GROUP PLC.

This case study examines the approach adopted by the AIB Group towards the management of IR and HR, focusing particularly on their International Retail Banking Division. This Group runs contrary to those previously reported in that it operates a highly centralised approach to the management of IR and HR. Under increasing competitive pressure, the Group has had to devolve autonomy to improve its responsiveness and have recently established business units 'clusters' at local levels. AIB is also distinct in that recent industrial disputes and competitive pressures have facilitated a movement towards a more partnership-like approach to the management of IR. However, as with the other case companies, this has been matched with a greater focus upon the development of managers.

9.1 INTRODUCTION

While the development of the AIB Group exhibits a number of features common to the previous three cases, it is also the Irish-owned MNC that most obviously stands apart. In this sample AIB is distinctive in the manner with which they have internationalised. In contrast to the previous case companies, AIB have pursued a much slower and more deliberate internationalisation strategy. Initially entering overseas markets through the acquisition of minority shares, they have gradually increased their initial stakes from this point. Once their confidence has been built up in a business and ownership is secured, each acquisition becomes the basis from which further expansion takes place. However, in recent years the Group has moved more toward acquisitional growth. Whilst the previous cases were decentralised in their approach to the management of IR, AIB adopt an approach which is highly centralised.

Given the highly competitive environment within which AIB operates and its long history of acrimonious industrial action (Roche, 1998a), this case suggests that pursuing a traditional low-trust adversarial approach is no longer a viable strategy for a service sector MNCs. Located within a dynamic sector that has recently been deregulated, there has been growing pressure on the AIB Group to decentralise

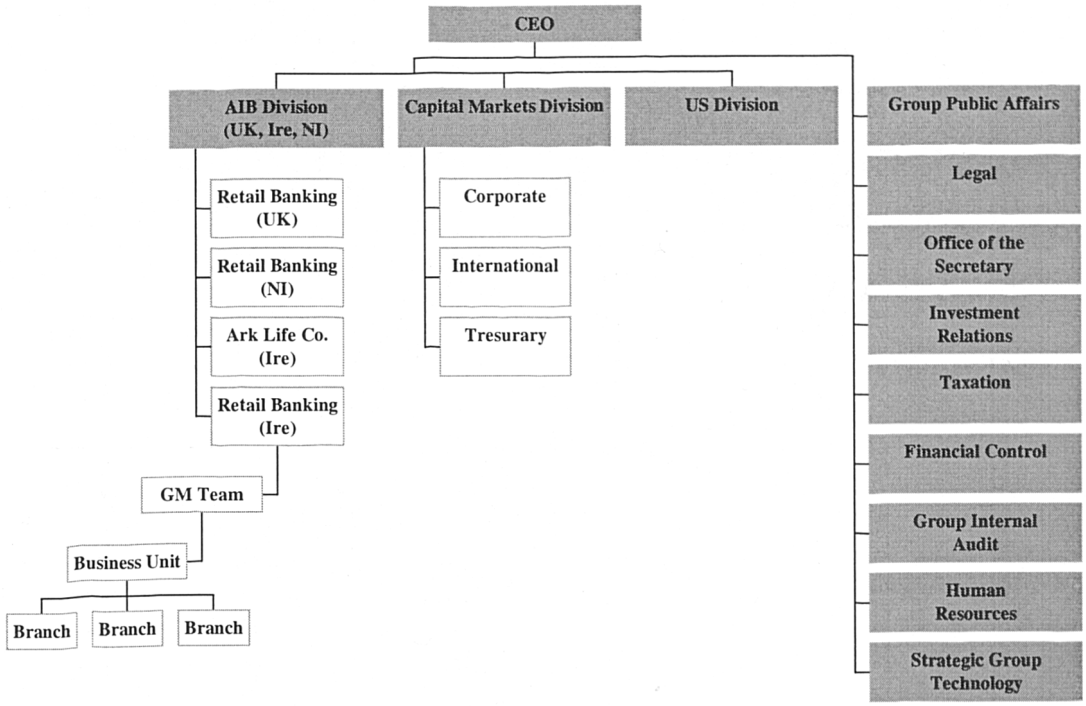
responsibility to local levels. However, maintaining strong co-ordination and control over operations is still seen by the Group as paramount. In response to increasing competitiveness and the need for local responsiveness, AIB are seeking to develop a highly centralised approach to the management of IR while moving toward more local level representation.

9.2 Company Profile

AIB is the largest financial services company operating within Ireland. With total assets of $53,830 million, the Group is ranked 124th in the *Financial Times* Top 1000 world banks (*FT*, July, 1998). Amongst the largest employers in Ireland, the AIB Group comprises 15,100 staff, of which half are located within Ireland, 15% in the UK and 35% in the Rest of the World (AIB Publications, 1996). AIB have a total of 461 branches Group-wide, 70% of which are located within Ireland. The Group operates a diversified range of business within the financial services sector, the largest of which is retail banking.

The structure of the Group reflects a number of dimensions, more notably legal and tax considerations, administrative requirements and historical concerns. The Group is divisionalised into four operating divisions: AIB Bank (retail and commercial banking in Ireland and the UK, along with Irish Life Assurer), Capital Markets (Treasury, Investment Banking and Corporate Banking), United States (retail banking) and Group (60%-owned Polish subsidiary and Other) (Riada, 1998). The Retail Banking division, with which this case study is specifically concerned, encompasses operations in Ireland, the UK, Poland and a number of outlying international consultancy operations. The management structure reflects five main trading areas: Ireland, Northern Ireland, the UK, direct banking and a life insurance company in Ireland (cf. figure 9.1).

FIGURE 9.1: AIB GROUP STRUCTURE



9.3 THE NATURE OF COMPETITION

The Irish banking industry consists of thirty-four licensed banks in the Republic, four of which are associated banks. The remainder are either merchant or industrial banks. In addition, there are two savings banks. Two major players, in terms of number of branches, deposits and advanced market share, dominate the retail banking market in Ireland. Largely composed of merged groups, retail branch banking in Ireland saw a wave of rationalisation during the 1950s, which resulted in the formation of the four main associated banks.

During the 1980s, the Irish retail banking industry went through a 'financial services revolution' due to increased competition (Bourke and Kinsella, 1988). In anticipation of additional competitive pressure from European banks in particular, Irish banks sought to strengthen their competitive position by undergoing major restructuring and modernisation programmes (Peat *et al.*, 1982). The deregulation of

financial markets, advances in technology, increasing internationalisation, an intensification of competition and national industrial strike action brought about major changes within the industry. The introduction of the Building Societies Act of 1989 led to a significant deregulation of this industry, which effectively eliminated traditional competitive demarcation lines. As a result, building societies and savings banks began to enter retail markets that had traditionally been the domain of banks. More particularly, the building societies and savings banks began to enter the personal loans and deposits markets, while simultaneously the major banks moved into the mortgage, credit cards and life assurance markets. The disappearance of traditional demarcation lines resulted in an intensification of competition and an acceleration of innovation (Bourke and Kinsella, 1988). Technological developments and external competitive pressures led AIB and others in the banking industry to redirect their focus to the marketing and selling of financial products and services. The Irish Banking sector is currently witnessing increasing integration of banking and insurance sectors. In light of this, some argue that one of the main challenge for banking trade unions is to 'raise their profile in the new banking and insurance services, such as call centres where unionisation rates are low' (EIRR, 1999: 32). This issue will be addressed in full detail later in this case.

Approximately 60 percent of the Irish workforce are currently employed within service-related activities, and the international financial trading sector is one of the fastest growing areas of the Irish economy. Exports for the sector amounted to IRE£2.3 billion in 1992 (12% of total Irish GNP).[33] However, the Irish market is small in comparison with its British and European counterparts. Most Irish-owned financial services institutions have limited structural links with European institutions which is regarded as one potential competitive weakness in the integrated market

[33] 660,000 people are employed in service-related businesses (Government Publications, 1990).

that is currently emerging (Government Publications, 1990).

Since the establishment of the Irish Financial Services Centre (IFSC) in 1987, the financial sector has become an important growth area for Ireland. As a Government strategy paper (1999: 1) on the development of the international financial services industry recently stated that:

> International financial services have become a jewel in the crown of Ireland's economy over the past decade. The International Financial Services Centre, which was born on a patch of urban decline in 1987, has been the driving force behind the development of the sector.

In 1998 it was reported that more than 6,500 people were directly employed in the IFSC. Furthermore, half of the world's top banks, accounting for £68 billion in total assents, have operations in the IFSC.[34]

One of the main challenges now facing the Irish retail banking sector is the drift towards the consolidation of the global banking industry (Lynch and Roche, 1996). International trends point to increasing merger activity as European and American banks battle to extend their global reach. Increased competition from non-traditional suppliers such as the supermarkets has further challenged what was traditionally a highly sheltered sector of the economy (*The Irish Times,* 11/6, 1998). Other issues facing Irish banks are ongoing developments in technology, the cost of operating extensive branch network structures and the impact of the low interest rate environment on savings. In the light of these forces for global change, the primary challenge for Irish banks is to hold on to their customer base in the domestic market as the needs of this market change. For example, as the large Irish food companies begin to relocate part of their cost base to the UK, Irish banks become open to

[34] The OECD reports that 'The extension of the 10 percent corporate tax rate from the manufacturing sector to international financial services has attracted a large number of foreign enterprises since the early 1990s' (OECD Economic Surveys - Ireland 1997).

competition from British banks for their customers. Acquisition by one of the larger overseas banks is also a very real threat for smaller indigenous Irish banks. To date such a threat has largely been countered by AIB's high earnings and the regulatory controls imposed by the Irish Central Bank. However, these circumstances may not hold in the future.

9.4 Historical Evolution

AIB was formed during a period of consolidation in the Irish banking industry during the 1960s. Initially established through a merger of three long-established banks.[35] It was not until 1972 that total integration of the Group as it now stands was complete. During the 1970s, the Group expanded its operations into the UK, Northern Ireland and the US, with a mandate to extend banking facilities to large Irish emigrant populations and to Irish companies operating within overseas markets.[36] By the early 1980s, domestic markets were dominated by two main players, with limited opportunities for further growth. The smallness of the Irish market, coupled with the increasing saturation of domestic personal and corporate markets; and a lack of sophistication in Irish capital markets eventually led to a need to diversify overseas (Murphy, 1989).

To minimise dependency on domestic and UK markets, AIB diversified geographically. By this stage the UK operations had exhausted their growth

---

[35] AIB's origins can be traced back to three separate banks: the Munster and Leinster Bank Limited (founded 1885), the Provincial Bank of Ireland Limited (founded 1825) and the Royal Bank of Ireland Limited (founded 1836). When the three banks amalgamated to form AIB limited in 1966 they continued to trade as separate entities until 1968 when a decision was taken to integrate operations. The amalgamation is said to have occurred in an attempt to take advantages of businesses that were complementary in terms of geographical distribution and the nature of their activities (AIB Publications, 1996).

[36] Entry in the UK for the banks was through greenfield sites. From 1966 onwards, approximately twenty managers were sent to the UK and told to obtain deposits from the expats who were doing very well from the boom of the 1960s and 70s. This led to the setting up of a branch in Kilburn a largely Irish populated area, from which a branch network grew and the bank diversified out into different related areas. In the late 1980s the banks grew into 'yuppie banks' and diversified into financial services. The bottom eventually fell out of that and the bank narrowly escaped closure. Thus the IBOA expanded into the UK when the banks expanded to service a largely extended Irish market (Interview Notes)

possibilities and further expansion was regarded as not providing the Group with sufficient diversification of risks. This left the Group with two feasible regions for expansion – mainland Europe or the US. However, European markets, with their highly developed indigenous banking operations, were viewed as non-responsive to overseas banks. This, combined with a lack of local cultural and language knowledge, led to the strategic decision to diversify into the US market. At that stage, the International Banking Act of 1978 was still in its infancy in the US and as a result the AIB Group believed the climate to be right for entering.[37] An examination of potential sites began in the early 1980s.

The criteria employed for sourcing acquisitions were: a reasonable spread of risks, proven record of sound management, significant shares of existing markets, the ability to provide a quick return and the receptiveness to AIB's overall corporate governance approach. In 1983, AIB acquired its first US Company - the First Maryland Bancorp, a company of similar size to AIB.[38] An initial stake of 43% in the company was acquired, with an option to take majority holding within four years. This was increased to 50% by 1988, and after seventeen consecutive quarters of increased earnings, AIB purchased the outstanding shares in 1989. First Maryland became the basis for further acquisitions within the US market. In a very slow and deliberate manner AIB continued to search for new business and acquisitions, taking ten years to consolidate their major position in the US market.

The early 1990s saw renewed interest in operations closer to domestic markets. In 1991, AIB merged with the TSB Northern Ireland to become the third major banking group within Northern Ireland, with a combined strength of 1400 employees and 100

[37] A branch of AIB had been established in New York from 1978. In much the same way as the Group's entry into the UK, this mandate of this branch was to offer banking services to Irish and British companies operating in the US.

[38] An American regional bank founded 170 years previously.

retail outlets. Further business diversifications continued, and in 1996 AIB entered Eastern Europe with the acquisition of share holding in a Polish bank. As the Group grew the size of the companies acquired also grew. In early 1997, AIB made the largest ever acquisition by an Irish company when it acquired the US-owned Dauphin Deposit Group for £900m. This moved the Group into a different league, upgrading their debt ratings and promoting their ranking against US financial institutions (*The Irish Times*, 1/22, 1997). Following this acquisition, AIB set about diversifying their shareholder base by enticing foreign institutions to invest in their shares. As a senior executive explained: 'we wanted to diversify the shareholder base to reflect the fact that it had become an international company after the US acquisition. But the bank was not well known. It involved knocking on doors and trying to get their ears'. Overseas investors now hold half of the Group's shares (*The Irish Times,* 1/22, 1997).

AIB's approach to internationalisation and form of geographical expansion differs from the previous cases. Until its recent large acquisition, this MNC effectively grew by entering extended domestic markets, such as the US and the UK; or alternatively, through the acquisition of minority stakes which are expanded over time. As a senior executive explained:

> In looking at the history of the development we have only really advanced our business deliberately in the areas where we believe that there was continuous fit between what we traditionally represent and areas where that would be valued.

As a result, mainland European markets have been largely avoided and, apart from a representative outlet in Brussels, this remains the situation today.

In recent years, AIB's strategy has moved toward greater geographical expansion. This has occurred due to two main factors. Firstly, their maturity in national terms – as one manager highlighted: 'in a sense AIB is out-growing Ireland'; and, secondly,

management see an ability to build on their nationality abroad as something they are now keen to take advantage of. As a senior executive involved in corporate planning claimed:

> AIB represents the best of 'Irish-ism' and the fact that we have moved beyond that to presenting ourselves as business people. If you are based in Ireland, then you represent the best of what Ireland is but you then also embellish that with what AIB stands for.

More recent changes to their overseas growth strategy are attributable to this reputation and positive 'image' overseas. Partially based on Ireland's perceived economic success during the past decade, the Group has recently shown success in their bid for international business. As a senior executive commented:

> We recently tendered for international consultancy work. There was something like 31 people bidding on the first flash of the tender which was put down to a short list of five. At that stage, we were up against an UK bank, a Swedish bank, an Italian bank and a German bank. And we won. We found that the regard people have for the name AIB International is very strong. Strangely, the regard they have locally is a heck of a lot less!

AIB's head office regard this positive 'national image' as having facilitated their entry into new overseas sites like Poland. As a manager involved in the Group's expansion into Eastern Europe commented:

> Ireland has become known to be successful internationally. We have the highest growth economy in the OECD countries, the highest among the European Union countries. We are very strong and very positive. On the back of that, we are seen as a progressive player in the Irish marketplace.

This newfound international success has led to, what one senior manager regarded as, a 'strange anomaly in terms of the perceptions held in Ireland'. Strangely, management find that domestically they are not regarded as progressive or successful in international terms.

As AIB grows, their management believes that their size has become increasingly

restrictive from a domestic sense. As a head office senior executive remarked: 'being an MNC based within Ireland, the parish politics very often can be inhibiting, particularly in relation to executive salaries. This sense of begrudgery and moaning decries what AIB stands for internationally'. Furthermore, as one of the largest indigenous employers, the Group perceives their responsibilities as being broader than other Irish companies. In the words the director of corporate planning:

> You have to be responsible in terms of both providing the service and also the employment. I think there are a lot of responsibilities on institutions like ourselves. There is a big expectation from Government, for example, that we will act responsibly, that we will act fairly, that we will provide leadership and guidance to the industry.

Unlike the other cases investigated here, there are no head office or locally designated development or acquisitional teams operating within the Group. In the words of one senior executive: 'there is no monopoly on opportunism'. Propositions generally emanate from overseas operations, which are then subjected to a vetting process and evaluated. The involvement of the head office HR function is confined to those acquisitions where industrial relations issues are 'evident'. As a senior HR manager explained: 'the HRM implications would not be the first item on the strategic agenda when it comes to acquisitions, but there has to be someone who says hold on a second have you thought of such and such? That is the way it operates to a large extent'.

AIB are presently known to be 'in the market' for acquisitions. However, the Group is also aware that it is itself increasingly susceptible to take-over. As a head office executive explained: 'the only question one has to ask in the background is that it is fine being on the hunt but what about being hunted?' Despite this threat, there are features particular to the Irish market that the bank regards as obstacles to overseas players. These include the invasiveness of the State, through interest and price

controls, and high taxes. As a senior finance manager explained:

> The features of banking which pertain in Ireland, which do not pertain across other parts of Europe, would be the invasiveness of Government because of the fact that we are subject to interest and price control. We are the second country in Europe to be subject to price control and we are the only country in Europe to be subject to interest rate control.

Table 9.1 summarizes the key events in AIB's internationalisation against its broader historical evolution.

TABLE 9.1: KEY EVENTS IN THE EVOLUTION OF AIB

Key Dates	Event
1966	Merger of three separate banks to form the AIB Group plc
1972	Total integration of operations Operations set up in Northern Ireland and UK
1978	Bank Branch set up in New York
1980	Decision taken to enter the US rather than mainland Europe
1983	Enter the US market through minority stakes
1988	Full acquisition of US bank
1989	Acquisition of small US bank and minority stakes in another
1991	Merge with bank in NI to create third major banking group in NI
1996	Further acquisitions in US Acquisition of Asset management group in UK Associate status within Polish banks
1997	Increase in Polish interest to gain control Biggest ever acquisition of Irish company - acquisition of US bank
1998	New era in internationalisation?

9.5 STRATEGY, STRUCTURE AND CONTROL

AIB's structure reflects its historical evolution into a highly formalised and bureaucratic form of organisation. In contrast to the previous cases, the AIB Group has a large 'centre' with 1,500 people employed at head office. Referred to as 'bank centre', the role of head office is two-fold. Firstly, it represents the strategic 'centre' of the Group; secondly it acts as the 'steering and clearing' house of Irish and British

operations.

Head office supports encompass five main functions: central services, information technology, financial control, human resources and strategic development (which includes marketing). There are fifteen members in the main senior management team, most of which are Dublin-based and heads of geographical businesses. The senior management team meets once a month as a means of guiding the strategic direction of the Group as a whole, in which they review businesses and examine performance indicators. A one-to-one relationship between board representation and the main businesses does not exist, primarily due to the area structure within the Republic.

The structure of this MNC has constantly changed as its strategy has evolved. As part of an overall drive to localise responsibility, AIB recently introduced a business unit structure at local levels. The underlying rationale is that a fully resourced 'collegiate of branches' will manage the implementation of policies. Through the establishment of locally resourced units, more development and management occurs at local levels. Unable to completely restructure their highly centralised and bureaucratic structure, the Group chooses instead to circumvent obstacles by initiating change from the 'ground up'. Accompanying the introduction of local business units have been changes in the roles and responsibilities of local management. With the devolving of responsibility and, the effective replacement of regional management with local management, greater emphasis has subsequently been placed on the management of performance. As a result, head office has established closer reporting links with local management in an attempt to monitor their development, push accountability down the line and encourage more 'initiative-taking'.

9.5.1 Group Strategy: 'Devolved Responsibility with Limited Autonomy'

AIB's approach to the management of operations has been shaped by their geographical locations, organisational structure and industrial developments. While the Irish retail banking operations are treated in a homogenous manner, the UK operations are managed differently. In every case, however, no absolute authority is devolved. Local senior management must seek authority and explain the consequences of actions back to the centre. The overall management team is, in the words of a HR manager, a 'Big melting pot'. However, this is tightly controlled. As a senior executive concerned with corporate planning explained:

> Once they have degrees of autonomy in terms of their responsibility and authority, they have got to seek authority to do certain things. If the central bank decides to change the liquidity policy, I cannot argue with that, I have to implement that. But I have then got to explain the consequences back to business and work with the businesses to say, 'Look, the implication of this is the following'. Everyone has to understand their rules and responsibilities.

The culture of the Bank has become far more competitive at local levels in recent years and the maintenance of a centralised approach at head office to the management of IR facilitates the decentralisation of some HR issues. The AIB Group regards itself as a 'people-focused' organisation and, as such, does not pursue a hard financially driven approach which, according to the HR director, can 'turn people into overnight failures'. However, shaping head office expectations are stock prices, shareholder concerns, rating agencies and public expectations. These measures are in turn quickly translated down to local levels in order to keep diversity 'on track'.

9.5.2 Control Mechanisms

As we have seen, financial control is at the core of AIB's business with each branch

bank regarded as a cost centre. Largely driven by volumes of business, branches are managed through the technological networking of branches. This MNC pursues a centralised approach to collection of information that ensures consistency, accuracy, speed and monitors irregularities. The introduction of recent technology, most notably site networking, has enabled the Group to devolve responsibility to local areas. In effect, the introduction of technology has enabled senior management to maintain a tighter control over operations and to manage an approach of devolved responsibility. Head office provides local branch management with monthly targets and plans. The only HRM information collected is profits per head and overtime costs. Local business volumes are feed back into head office who provide volume reports on a daily basis thus enabling branches to see the status of their balance sheet at any given time. This process of 'full transparency' places greater pressure on branches to increase their product and customer base.

AIB subsequently employ a concept known as the 'balance sheet score card'. This provides the Group with the means to collect information on a variety of issues such as volumes, products, margins, profits and costs – in effect, all the aspects that managers or business units are responsible for. AIB effects control through a system that has consistency in terms of its product descriptions.[39] Branch banking is semi-autonomous, but reports directly into the financial control function at head office. Other operations, including the UK, report to their respective finance directors who, in turn, report back into the head office finance function, described by senior management as 'the ultimate divisional controller'. The planning process begins with bank branches bidding into head office with volume estimates. Those balances are then forecast to the end of the trading year and incremented on a monthly basis, with the provision for seasonality to forecast the next twelve months. Pricing

[39] AIB head office provides standard descriptions of products to ensure consistency.

structures are 'applied for' from head office or 'central bank'. At this stage, branches are also alerted to forthcoming product campaigns in an attempt to, in the words of a senior executive involved with corporate planning, 'heighten the profile of certain products'. Having taken all these considerations on board, volume estimates are again 'bid in' to head office, having worked through cost controls, inflation, salary and supplier side, depreciation and formulated an acceptable plan. Once complete, it is then put forward to central bank – if it is not acceptable then 'a bit of bargaining goes on at the edges'. From a financial control outlook, head office specifies direction and expectation.

The business planning and the financial planning processes run tangentially. Local management has no autonomy over capital expenditure. The provision of capital expenditure comes from the central services and information technology functions at head office, who provide branches with premises, maintenance services and so on. Requests for capital rests, in the words of the finance director, upon a: 'demonstrative business case or sufficient reason being given to warrant why that capital should be provided'. In the event of non-conformity, the gravity of the situation would determine the readiness and level of involvement from head office.

Non-financial co-ordination and control mechanisms are employed by the Bank as an attempt to control across their large size and the dispersion of their branch network. In order to increase competition and maintain local management focus, AIB has recently introduced a system known as 'best in class' within Ireland. As opposed to the strict definition of benchmarking, under this initiative head office identify best practices against which other branches can measure themselves. As head office management relay, 'it produces a do or die situation'. Peer pressure is seen as one of the most powerful tools operating within the bank. As a senior

manager explained: 'individuals do not want to be last in the league. We are being open and sharing information across the business so that if people can see their relative performance, they can see their absolute performance'. In the UK the situation differs somewhat. In the UK the Group have introduced an ideal type or *super-branch*, which outlines the attributes of an ideal branch from which all branches can benchmark against.

In addition, in an attempt to consolidate recent growth, AIB have recently introduced a 'homogenous' value system called 'AIB 2000'. Designed to lay the foundations of a common value system, the programme outlines the future constituents of the businesses. Other means through which synergistic returns are sought and values are transmitted include a strong emphasis on sports and social activities. As a local manager explained:

> Sport creates team values and respect for the individual. It allows for individuality in play style. With a lot of these homogenizing training programmes, there is a degree to which corporations will try and enforce their values, whereas our method is much more about giving freedom to enable styles and approaches, within a broad set of guidelines in which to develop.

However, AIB still seeks to maintain standard styles and approaches.

9.6 Approaches to the Management of IR and HR

The Irish retail-banking sector has a long and checkered history of industrial disputes. The first major strike can be traced back to the formation and entry of the first trade union – the Irish Bank Officials Association (IBOA) – into Irish banks in 1919.[40] The eventual recognition of the IBOA resulted in the establishment of separate minimum salary scales for males and females, pension schemes and the provision of holiday leave (McMullan, 1979). The 'war years' of the 1930s to the

[40] McMullan (1979) noted that membership grew from 2,400 in 1919 to 4,844 by 1931. For a fuller explanation of the 1919 strike cf. McMullan (1979).

1950s, were characterised by a number of disputes concerning the improvement of employment conditions (IBOA, 1988). Extended strike action during the mid-1960s saw the introduction of a modern salary structure, with the retention of a single-tier recruitment system.[41]

The first major strike action to occur in Irish banks, in 1970, resulted in a significant change to the nature of industrial relations across the industry. The dispute centered on issues of pay. In 1968 the banks and the IBOA drew up an agreement for a fixed term of two years. Within a year there was increasing pressure on the banks to approve a pay increase. These events unfolded against a background of national discussions on wage restraint and price controls and general trade union unrest. The ensuing dispute went to arbitration which found against the IBOA claim. In response the union called for restricted working hours from its members. Working hours were eventually reduced to the point of closure. In total, 787,000 working days were lost during the 1970 dispute, one of the greatest losses in working days in the economy at that time. As McCarthy (1973: 184) relates:

> At the beginning of February 1970, all the offices of the clearing banks in the Republic of Ireland began working restricted hours because of an industrial dispute. By 1 May, they had closed completely and did not open again until mid-November; it was not until the middle of February 1971 that full banking hours were resumed and full services restored; that is to say. business was disrupted for a whole year and the banks were closed completely for over six months. It was the most prolonged and comprehensive stoppage in banking yet recorded for any country in the world.

The 1970 strike had a profound effect on employees, many of whom were forced to depart for work in the UK. Its resolution heralded a 'new era' in industrial relations within the banking sector, particularly through the establishment of a Joint Industrial

[41] This stands in contrast to the introduction of the two-tiered recruitment system that was introduced later. In the single-tier recruitment system all new recruits would enter the organisation at the same point with the capacity to reach managerial positions.

Council.[42] The admonishment of poor industrial relations and the legacy of bitterness between the two sides were to remain common features of Labour Court recommendations in the late 1980s and early 1990s.

The second strike that would shape AIB's current approaches occurred in 1992. This was the first bank strike in Ireland for sixteen years and its outcome had major implications for the conduct of IR since. The dispute, which lasted ten weeks, initially centered on pay issues but widened to include other terms and conditions of employment. The dispute arose out of a 6.5% wage claim by the unions, based on the view that senior management wage increases had been upwards of 15%. The claim became broader when the Banks' negotiating team sought to resolve the issue of extended opening hours, an issue that had been on the agenda for twenty years, at the same time. Thus, the dispute came to incorporate wider issues of representation and worker's rights in the face of a more 'determined management culture', to quote a prominent trade union official.

The 1992 strike marked a departure in the traditional strategies adopted by both the banks and the trade unions. Directly targeting the Banks' management as opposed to customers, the IBOA introduced the incremental and protracted style of action of withholding bank charges. While the Bank of Ireland, the National Irish Bank and the Ulster Bank, through their representative body the Banks Standing Relations Committee (BRSC), were content to penalise staff with a 20% pay cut, the AIB took an unprecedented action of suspending 600 staff. Just as the dispute markets a departure in the tactics employed by both sides, it also heralded a new perception of bank disputes. Two factors shaped this. The development of technology and the pre-

[42] Established under the Industrial Relations Act of 1946 its object 'is the promotion of harmonious relations' and 'if a trade dispute arises between such workers and their employers a lock-out or strike will not be undertaken in support of the dispute until the dispute has been referred to the association and considered by it'.

emptive move by the banks to introduce merit pay into managerial ranks. The computerisation of branches enabled the banks to remain open throughout the industrial action (cf. table 9.2). This was to signal a fundamental change in the nature of IR within the retail banking industry. Secondly, the introduction of performance-related pay (PRP) secured the commitment of management to the banks and eventually led to their expulsion from the union.[43] The introduction of PRP in effect tested the loyalty of managers. As noted in the commentary of the time, the tougher approach adopted by more 'proactive' personnel chiefs in the banks had begun to erode the strength of the IBOA (IRN 42, 5/11, 1992). Following the resolution of the dispute, the IBOA joined the Irish Congress of Trade Unions, which afforded them a direct role in the national agreement and pay bargaining processes.

TABLE 9.2: EMPLOYMENT, BRANCHES AND ATMS OF THE 'BIG FOUR' IN 1992.

Employment	**No. of Employees (Republic of Ire.)**	**No. of Branches**	**No. of ATMs**
AIB	8,000	366	300
Bank of Ireland	6,000	300	280
Ulster Bank	1,700	109	55
National Irish Bank	800	51	17

Source: *Irish Independent*, March 13, 1992.

The final recommendations by the Labour Court were seen to be 'largely a vindication of the bank's position', in that the recommendations endorsed the fundamental aspects of the bank's position. These included the extension of opening hours, payment of the full 3% of PESP as well as the 3% local productivity clause, a lump sum of £750, an extra day's annual leave, a review of the technology and change agreement and a review of the industrial relations climate. Largely viewed as

[43] Of the 4,000 members expelled from the IBOA, an estimated 1,000 were managers, assistant managers or senior officials.

a major loss for the IBOA, the resolution of the dispute was followed by the expulsion of 4,000, mostly managerial, members from its ranks (cf. table 9.3). In response, the IBOA noted the entry of about 700 new members during the dispute mainly from the new lower entry grades.

TABLE 9.3: IBOA MEMBERSHIP LEVELS (1993-98)

1992	1993 *	1994	1995	1996	1997	1998	1999**
19,000	15,399	14,971	14,585	14,387	14,340	14,259	19,000

Notes: * 1992 Expulsion of 4,500 members. ** Estimate (interview notes).

Source: IBOA Annual Reports (1990-98)

The end of the strike signaled what many believe to be the drawing to a close of one era and the 'dawning of a new and uncertain industrial relations future in the major Irish banks' (IRN, 15, 1992). For the banks, the strike was akin to the 'crossing of the rubicon' in that many of the branches managed to remain open with normal working conditions while hurting profits. From the perspective of the IBOA, the tactics pursued by the banks, and AIB in particular, were seen as an attempt to 'break the Association'. Subsequently, the unions believe that the strike reintroduced a radicalising influence on the membership. In sum, the 1992 dispute was a watershed in bank and staff relations (IRN, 17, 1992). As an industrial correspondent (*Irish Independent,* 3/10, 1992) remarked:

> While the public's perception of bank disputes may be lock outs and closedowns and striking staff traveling abroad for long spells, both the bank's management and the IBOA by their conduct of the present row recognise that the ball game has totally changed.

As part of the resolution, the Labour Court recommended a review of the conduct of industrial relations within the banking industry following what it regarded as a deep and fundamental mistrust in the management/union relationship. The sporadic nature of industrial action enforced the need for change from traditional adversarialism.

Recent developments have seen the banks move towards a 'partnership-based' approach, something the unions see as enabling 'a consensus of the language' between the interested parties. The factors that IBOA cite as having facilitated to this change of direction include the retirement of a number of the 'old personalities', greater exposure to competitive forces, and also that the industrial relations climate has changed somewhat. Following the breakdown of the BRSC in 1994, both management and the union went to Denmark to examine their participative model. As a result of this initiative both the language and dialogue changed and a deliberate policy of engagement was agreed between the parties. This partnership approach to the management of IR is subsequently embodied in 'seven core principles of partnership'. The proposed next step is that the 'principles of partnership' will be brought down to the joint committees and business unit levels.

9.6.1 Management Development

HR within AIB is a 'critical function'. Traditionally, the Group's provision of HRM revolved around three discrete departments – training and development, staff relations and personnel. According to a senior HR executive, this led to 'a scattering of decentralised decisions which resulted in conflicts and personal politics so instead it was put working together under one roof'. The Group has recently begun to integrate and consolidate the provision of HRM. As a result the HR function has been streamlined to a total of eight people.

In recent years, AIB have, according to the HR director, actively sought to devolve more responsibility for certain HR issues to local levels – but within very tightly defined limits. In order to facilitate an increase in local decision-making, direct reporting lines were set up between local management and the HR function at head

office. Local managers view this autonomy as being synonymous to 'hiring and firing powers'. Despite this, recruitment and selection practices are, according to the HR director, controlled and managed from the centre 'for consistency's sake'. Thus, the approach AIB pursues is one of devolved responsibility with limited autonomy. In the future, head office expects that local management will take responsibility for certain HR issues. This is, however, expected to occur 'within limited standards and limited areas of activity'. One such activity envisaged as becoming decentralised to local management is staff planning and the day-to-day administration of staff. While head office insist that the primary function of local management will be to manage, develop and deal with staff, they insist that issues such as selection, recruitment, dismissal, relocation, promotion will remain firmly at head office level. The rationale they offer is that such a centralised approach is applicable to their highly distributed workforce.

As the nature and structure of the retail banking business has changed so too has the role of HRM. Traditionally, contact with head office was driven by a need-by-need basis and the general approach was, according to the HR department, one of 'reasoning as to why this could not be done'. Given a perceived need for greater flexibility and facilitation, the role of the head office HR function has changed to one that is focused on 'creating an environment to enable the businesses to do what it is that they need to do'. Pursing an in-house consultancy role, the HR function is still largely concerned with the formulation of policies. Emerging from a bureaucratic history, all policies have traditionally been fully documented and made available to branches through their networked system.

Given the pace of development, an increasingly important role for the HR function is to keep pace with the new needs brought about by this change. As a senior HR

executive commented: 'when a lot of the policies were written it was years ago. It stood there like the Ten Commandments. The problem is that the world changed and so one of our roles became to initiate change sometimes'. However, the main role of the HR function across all areas is to set standards derived from 'best practices', which act as the means for businesses to benchmark themselves against. Domestic operations are thus treated as homogenous and practices are standardised regardless of the legislative environment. As one manager explained:

> The fact that the legislative environment is different in one place to another should not interfere with the standards applied to the organisation. Our view of standards is that we want to go beyond what is the code of practice, whether that is the legislative code or business practice – we want to be the best at it.

However, by 'defining standards in such a way that they are not controlled', AIB see themselves as moving from a control-driven approach to one which is more coercive in its orientation. As a senior HR executive explained:

> [These standards] do not provide straight-jackets for managers. Rather they are designed so that managers will take a look at that and say 'it will not interfere with the way that I am doing my business but I can understand that these are the sort of things that I should be thinking about if I want to do this job properly'. Now, that is the way we have to think about our standards.

Within AIB, distance from the centre has shaped the level of autonomy at local levels. In general, the Group adopts a more decentralised approach to their UK operations. Within the UK, responsibility for recruitment and selection is devolved to branches, with the involvement of a local HR person to maintain local standards. This variation is largely attributed to the number of HR professionals located at UK branch level and the small size of the UK operations in comparison with Ireland. Hence, the HR function in the UK reports to head office HRM, by way of a 'dotted line'. In the first instance, reporting to a Group general manager with the facility to 'leverage off' head office expertise at any given time. Apart from retail banking,

other autonomous businesses do not report into the central HR function. Instead, a number of HR managers meet regularly throughout the year with members from each of the businesses 'who are largely brought together under the Group umbrella'. These meetings focus more on Group-wide strategic issues than operational concerns in an attempt to 'get some more synergy'.

9.6.2 Management Development

Traditionally, AIB operated 'lifetime work guarantees'. Staff were recruited directly from second-level education and progressed along a clearly defined and highly visible career path. Promotion to senior positions came from within and seniority the main criterion for promotion. However, due to low levels of staff turnover a serious imbalance, or 'grade drift', occurred in staff grading profiles by the late 1980s. By 1989, over half of the branch staff were situated on a higher bank official salary scale while conducting routine junior-level tasks (cf. table 9.4). This system of automatic progression also resulted in major imbalances in labour costs. In an attempt to maintain competitiveness, Irish banks set about reducing labour costs by reorganising their staffing grades. In 1988, one of AIB's main competitors introduced a new bank assistant grade. This had lower starting salaries (new recruits started on between IRE£7000 and IRE£8000), with limited and slow promotional opportunities. Despite initial outrage, the new grade was eventually introduced across all the 'Big Four' (IRN, 5, 1992).[44]

Staff were recruited to this new grade using a form of selection known as 'Biodata', devised to screen in candidates whose biographical attributes matched that of the

[44] Criticism of this new career structure came unexpectedly from the Church. Fr. Michael Cleary stated that the Bank had acted as a 'ruthless monster' by indulging in a cynical exercise in giving 'dead end' jobs to young people with the Bank's profits doubled. Likewise the Bishop of Galway commented that it saddened him that a major Irish business like the Bank of Ireland would eliminate 2,000 well paid, well structured jobs and replace then with relatively poorly paid jobs offering very limited career prospects.

new grade. New recruits came to be referred to as 'yellow pack workers'.[45] The introduction of the new bank assistant grade and the realignment of staff grades led to a two-tiered recruitment structures (Roche and Murphy, 1992). The introduction of this grade saw a corresponding reduction in senior level grades through voluntary redundancies, early retirement and career breaks.

TABLE 9.4: STAFF BY GENDER AND OCCUPATIONAL LEVELS IN THE BANKS (IRE.).

Level	Gender	1971		1985	1986	1987	1988	1989
Scale 1	Male	1,539		572	390	344	495	514
	Female	2,506		1,093	656	474	806	915
Scale 2	Male							
	Female	319						
Scale 3	Male	12		25	27	21	16	20
	Female	506		51	36	37	26	20
SBO	Male	1,076		1,712	1,772	1,756	1,611	1,573
	Female	69		5,843	5,977	6,105	5,897	5,724
Accountant	Male	920	OG	451	450	449	466	452
			AM	1,513	1,504	1,509	1,504	1,492
	Female	5	OG	274	297	318	389	452
			AM	283	303	319	364	393
Manager	Male	868		1,401	1,428	1,464	1,417	1,566
	Female	0		26	28	32	36	50
Grand Total		**7,820**		**13,244**	**12,868**	**12,868**	**13,027**	**13,171**
Total	Male	4,415		5,674	5,571	5,543	5,509	5,617
	Female	3,405		7,570	7,297	7,285	7,518	7,554

Notes: [1] Accountant Grade - replaced by two other grades, Officer Grade (OG) and Assistant Manager (AM); [2] SBO - (Senior Bank Official)

Source: Irish Banks' Standing Committee, (1992).

The perceived need for change and flexibility in response to new global challenges is

[45] 'Yellow pack' referred to cheap own brand goods introduced by the retail service outlets in Ireland.

evident in the differentiated approach adopted by AIB towards training and development. For non-unionised managerial employees, training remains a centrally managed function. However, for non-managerial employees, training is devolved to the local regions. As a senior HR executive explained:

> The main movement on the training side is away from a centralised approach. We are trying to get closer to 'just-in-time' training, where they can have it on the spot or where they need it. We have put regional trainers out in the branches to do cash, wages, accounts control. They go out with their Bible of standards, from the quality standards unit here and teach them to everybody and share the best practices as they go around.

In this new structure, a branch in any given geographical area is fully resourced to conduct training for a number of local branches. One HR manager claimed that this resulted in: 'shorter, snappier more relevant training... The fact that it is done in smaller numbers as well makes the impact better.'

Historically, AIB wage increases were determined along age rather than responsibility lines. However, changes in staff structures have brought about changes to salary scales. In recent years, the banks have moved from a short fixed scale to a sliding pay scale and the basis of promotion has changed from seniority and years of service to a merit-based system. Through the introduction of PRP for management, managerial pay determination was effectively removed from the collective bargaining arena. While not just focusing local management on local performance levels, the introduction of PRP has ensured the commitment of managerial staff to the Group.

The situation differs slightly in the UK. In contrast to the main industry trend of the unilateral introduction of PRP, AIB (UK), in collaboration with the IBOA and in joint consultation with ACAS (Advisory, Conciliation and Arbitration Service), has introduced PRP for all non-managerial employees. As a local UK manager noted:

> We wanted to get into performance-related pay but not at the price of alienating our staff and imposing it upon them. So, we reached an agreement with the union and staff. It was a fairly complex process and took over a year to negotiate.

As AIB have adopted a more devolved approach, they have also changed the emphasis on the measurement and management of performance. As a local manager explained, the current approach 'is now very much one where they actively look for advice from head office only to know the options'. Historically, 'hard' factors such as productivity levels and labour costs were measured. Promotion was based on the delivery of volumes, with little to no concern for the way in which staff were managed. This resulted in 'enormous industrial relations issues'. The approach has since changed to one which is designed to, as a HR executive explained: 'educate and to provide backup support and assistance to make sure that the soft gets measured because you find that what gets measured gets done'. 'Softer' issues that are now measured include performance reviews and appraisal systems, communication processes, frequency of meetings, customer service and employee attitude, while other two-way processes that have been put in place to elicit the views of employees. Having secured the commitment of management from trade union ranks, the bank are pursuing an approach that devolves greater operational responsibility to line management, within tightly defined standards. Correspondingly, a greater emphasis is now being placed on the re-education of managerial approaches.[46]

9.6.3 The Management of IR

In contrast, AIB adopt a highly centralised approach to the management of IR and collective bargaining in particular. One of the biggest changes to take place in recent years has been the breakdown of the industry level bargaining forum in 1994,

[46] The banks have begun to send their senior business managers to Harvard in the US for senior executive development.

following the 1992 dispute. Prior to this, the banks bargained collectively, operating a type of monopolistic cartel in IR terms, through the mechanism of the BSRC. From 1994, and the breakdown of the BSRC, the banks began to negotiate and operate on an individual basis. While much of this decentralisation is related to the 1992 strike, the unions would also attribute recent developments as attempts by the banks to follow cost-reduction strategies. From an IR viewpoint, the break-up of the cartel signaled the end of collective bargaining at an industry level. This is particularly evident in the individual course of action that AIB took in suspending staff during the 1992 dispute. Despite the breakdown of industry-level bargaining, the banks maintain informal contacts to ensure adherence to informal industrial norms and, as one executive explained: 'to ensure that we are not messing each other up'. The Group now has a single union agreement with the IBOA who represent the majority of bank employees. Annual pay settlements and redundancy terms are centrally agreed, and advice or guidelines are provided on most other issues.

Attempts by head office to, in the words of a senior HR executive, 'get managers to manage', has seen the devolution of responsibility for some local IR issues. AIB's approach operates within clearly defined guidelines and policies, and there is a direct reporting line between local management and the staff-relations function at head office level. However, branch management is now given 'the latitude to do what they think locally applicable'. The underlying rationale is to decentralise the process so as to localise the solution. Local management, on the other hand, views such an approach as feasible until, as one local manager noted: 'it blows up in your face then head office start to ask questions'. Thus, local management remains reluctant to take full responsibility for the management of local IR.

Local IR culture within AIB remains one of mistrust in light of the recent industrial

action. Branch management describes it as 'one of distrust'. While acknowledging this, management perceive 'a general awakening of staff, a questioning of what unions are doing. It is not a new dialogue, it is an awakening', in the words of one local manager. However, the biggest problem the trade unions see following the 1992 strike is the management of 'the people who stayed in' – in many cases non-unionised staff. Initially the banks established 'link-in' groups that met regularly. 'Partnership-based' meetings have since superseded these. However, non-unionised employees are no longer represented here. According to a trade union official, 'those who lost the most were the non-unionised group of employees'. The Group's recent HR initiatives include the movement towards flexible work options. Under the heading 'AIB Choice', the bank have introduced four options designed to provide staff with a range of flexible working options, these include job-sharing, new career breaks, special short-term breaks and personalised hours. Options are subject to their 'ability to accommodate the request based on local conditions' and strict conditions of eligibility apply (EIRR, 271, 1996).[47]

9.6.4 Trade Unionisation

Trade union membership levels within major Irish banks rose from 1942 to 1981, but have been declining ever since (cf. figure 9.5). Female trade union membership levels overtook male membership in 1975 and this has remained the situation ever since (cf. table 9.5). Despite the amount of change that has taken place, levels of trade union density remain relatively high in both the Irish and UK operations of AIB. Although management notes a decrease in unionisation in the last eight years, about 60% of employees in the Republic of Ireland are still unionised. Across the industry membership figures stand at 19,000, with 16,000 located in the Republic of Ireland (cf. table 9.6). Historically, capital markets and information technology staff

[47] This is only open to permanent staff with a minimum of six years of service.

were non-unionised.

TABLE 9.5: TRADE UNION MEMBERSHIP FIGURES FOR MAJOR IRISH BANKS (1942-90)

Year	Membership (Total)	Female	Male
1942	5593	686	4907
1943	5666	767	4899
1944	5776	893	4883
1945	5751	905	4846
1946	5792	944	4848
1947	5874	1016	4858
1948	5965	1105	4860
1949	6095	1202	4893
1950	**6142**	**1266**	**4876**
1951	6210	1324	4886
1952	6308	1387	4921
1953	6402	1448	4954
1954	6448	1484	4964
1955	6554	1612	4942
1956	6779	1731	5048
1957	7008	1892	5116
1958	7234	2031	5203
1959	7463	2174	5289
1960	**7625**	**2237**	**5388**
1961	7935	2373	5562
1962	8474	2604	5870
1963	8666	2710	5956
1964	8915	2793	6122
1965	9031	2867	6164
1966	9321	3138	6183
1967	9818	3409	6409
1968	10502	3883	6619
1969	11238	4317	6921
1970	**12213**	**4932**	**7281**
1971	13121	5363	7758
1972	13712	5787	7925
1973	14618	6395	8223
1974	15856	7379	8477
1975	16232	8202	8030
1976	16309	8335	7974
1977	17141	8798	8343
1978	18199	9524	8675
1979	19925	10716	9209
1980	**21145**	**11619**	**9526**
1981	21411	11777	9634
1982	21343	11771	9572
1983	19373	10937	8436
1984	19208	10757	8451
1985	18358	10217	8141
1986	18554	10347	8207
1987	18969	10714	8255
1988	18841	10744	8097
1989	18687	10682	8005
1990	**18665**	**10586**	**8079**

Source: DUES, University College Dublin, (1992).

TABLE 9.6: BREAKDOWN OF TRADE UNION MEMBERSHIP LEVELS (1998)

	Great Britain %	Northern Ireland %	Republic of Ireland %
Staff	80	90	70
Management	50	70	30

Source: Interview Notes (1999)

The importance of consultation and information sharing has increased in light of recent industrial action and the drive to devolve operational responsibility. Part of the bank's strategy is to increase communication at local levels through regular meetings between local management and staff. Trade union representatives also meet regularly at branch level, with or without management. However, some of the local managers have moved to counter-act this situation where staff meetings are the only meetings taking place. As part of a general strategy to overcome the limitations of a formalised hierarchical structure, AIB recently introduced a number of initiatives that formalise their 'voice mechanisms'. In order to monitor developments at a local level, the Group has recently introduced a 'link-in' team. Its role is to co-ordinate staff feedback, which is then presented to management on a monthly basis, to bring about more informed two-way communication. Since the recent strike, the HR function at head office regularly holds workshops with groups of staff. These consist of people from across-the-board and focus on feedback on a number of issues. AIB has also moved to 'formalise the grapevine' which they see as an accurate indicator of the IR climate. In the last few years, the Group has taken a number of layers of middle management, bringing senior management level much closer to local levels. Facilitating this process, the Group appointed an independent staff advisor to advise staff and represent if them necessary to increase the level of trust.

9.7 Conclusion

The strategy of this Group has moved from that of a traditional and conservative credit and debit facility toward the selling of a wide range of financial products and services. The sector within which it now operates is highly competitive and national boundaries are becoming less of a barrier to foreign competition. As a result, companies in this industry must provide service of a consistently high quality in addition to competitive cost structures. In keeping, factors such as management and employee commitment, consistency and an awareness of local concerns are heightened. In light of this recent shift in focus, and the Group's checkered IR history, this MNC has seen little option but to embrace a more innovative approach to the management of IR.

While much of this stands in contrast to the previous three cases, AIB are typical within the banking industry in their highly co-ordinated and centralised approach to the management of HR. This centralised approach co-exists alongside policies that are directed towards the refocusing of local management ethos, while facilitating the decentralisation of greater operational responsibility. Recent reports suggest that AIB are beginning to explore a more partnership-based approach between management and trade unions. Both management and the unions acknowledge that there is little to suggest that this approach is being adopted at local levels. AIB is clearly seeking to adopt a dual approach that enables centralised control at the hub of a decentralised network. As AIB enters a new phase of international development, the most immediate threat for this Group is the likelihood of a take-over.

CHAPTER 10

THE BEHAVIOUR OF IRISH-OWNED MNCS

Having surveyed the entire population of Irish owned MNCs and examined in greater depth the behaviour of four case companies, the following two chapters examine and analyse key attributes of Irish-owned MNC behaviour. In addressing the primary focus of this research, this chapter compares across the case companies to outline points of variation and identify the key attributes of Irish-owned MNCs practices, particularly with respect to the management of managers and the management of IR. Building on this, chapter eleven will compare this framework against key expectations of the literatures reviewed in chapters two and three to address the secondary focus of this research – an examination of the distinctiveness of Irish-owned MNC behaviour.

10.1 INTRODUCTION

This chapter is the first of two analytical chapters that draws upon the previously documented survey and the case study material. The aim of this chapter is to ascertain the extent to which any common characteristics are exhibited across the survey and case companies. While acknowledging key points of variation, chapter ten identifies shared patterns of Irish-owned MNC behaviour, particularly with respect to their management of managers and the management of IR. Following this, chapter eleven explores the distinctiveness or 'particularity' of Irish-owned MNC behaviour by comparing these findings with key expectations of the literature reviewed.

This chapter reviews the data previously presented in chapter five through to nine, in a manner that relates to the schema established in chapter four. The section that follows examines the patterns of internationalisation pursued by Irish-owned MNCs. The dimensions examined include: the impetus to internationalisation, paths of overseas expansion, forms of growth and the strategic role of IR dimensions in growth strategies. Section two identifies common strategic and structural attributes of Irish-owned MNCs and key control mechanisms. More particularly, it examines the role of the centre, the size of head offices, and the adoption of financial and non-

financial control mechanisms. These sections provide the context for analysing the third sphere – the approach of Irish-owned MNCs to the management of managers and the management of IR. Each section accounts for the differences between the case companies, before identifying key similarities. The final section draws together these key common attributes toward a framework of Irish-owned MNC behaviour, an outline that provides the foundations for further analysis in chapter eleven.

10.2 Patterns of Internationalisation

As the survey data and case studies have clearly demonstrated, the internationalisation of Irish-owned companies is a relatively recent occurrence. In short, Irish MNCs are 'late internationalisers'. The following sections examines some of the more salient patterns of Irish-owned MNC behaviour, with regard to the factors influencing and routes taken to internationalisation, their acquisition processes and the role played by IR considerations in evaluating potential acquisitions.

10.2.1 Routes to Internationalisation

While much of the somewhat anecdotal commentary has alluded to the late internationalisation of Irish companies, this research identifies two particular waves of internationalisation among Irish-owned MNCs. The first, the early 'pioneers', as exemplified by the CRH case, paved a route for other Irish companies to follow during the 1970s. This second wave of accelerated internationalisation occurred during the late 1980s and early 1990s, spurred on by an expanding Irish economy and increased cross-border corporate activity. The Clondalkin and the Greencore Groups provide examples of the more recent wave. The cases suggest that a diverse range of factors have led to the internationalisation of these companies. Factors such as the saturation of domestic markets, high logistical costs of exporting, the need to

reduce financial risk through geographical diversification and, in the case of the earlier pioneers, the need to overcome increasing economic dependencies during the 1970s, all shaped the decision of Irish companies to expand overseas. In short, many Irish companies internationalised for reasons of corporate survival. Moreover, as the individual cases suggest the process of internationalisation has been largely by default rather than by design.

As the previous chapters clearly show, differences are apparent in the 'timing' and the 'routes' to internationalisation for each of the case companies. For example, the CRH Group simultaneously entered both the UK and the US markets in the mid-1970s. However, it was not until the mid-1980s that the Group ventured to any great extent into mainland Europe. Similarly, the AIB Group extended their domestic markets into the UK during the 1970s. Again, it was not until the 1980s that AIB entered the US markets and, more recently, Eastern European markets. For Clondalkin, the decision to internationalise was taken in the 1980s with their first acquisitions into the UK and US markets. Similarly, it was also not until the mid-1990s that Clondalkin extended into mainland Europe. In contrast, the Greencore Group did not venture overseas until the early 1990s. It was, again, the mid-1990s before they entered mainland Europe and only recently that they entered the US market. While each case highlights different timings to internationalisation, much of this variation can largely be attributed to the length of time the companies have been established as chapters six to nine demonstrate.

Despite the variations, what is apparent from the case studies is that the 'path' to internationalisation has been broadly similar for all Irish-owned MNCs. All of the case companies entered the UK markets in the first instance, and for most this was accompanied by and co-ordinated with an entry into US markets. Similarly, it can be

noted that the entry of Irish-owned MNCs into mainland and Eastern Europe has been a very recent departure. In an attempt to minimise the risk involved in geographical diversification, many of the cases were found to target potential growth regions in similar business environments, where both language and business culture were familiar – thus indicating why both the US and the UK markets were the first destinations for the Irish MNCs examined. Moreover, this adds to an understanding as to why it is only in the recent past that the case companies have entered mainland Europe, in leveraging off established holdings in the US and UK.

Variation is also evident in the form and experiences of internationalisation for each of the case companies. For instance, the CRH Group has predominantly grown by acquisitional growth strategies. Within the US market, the Group have pursued a particular type of acquisition – that of small family-owned businesses with succession difficulties, where the owners are willing to remain *in situ*. This form of internationalisation may, in part, be explained by their earliness to overseas markets. In much a similar vein, the Clondalkin case highlights the pursuit of acquisitions where the retention of senior management is crucial. As will be seen later in the analysis, this has become a key criterion for Irish-owned MNCs. Similar to the other case companies, AIB has also pursued acquisitional growth strategies. This, however, has also been supplemented with the acquisition of minority stakes in larger companies. Similarly, the Greencore Group has grown both by acquisition and minority stakes, with the latter means of growth acting as the stepping stone to increase ownership over time.

In addition, the CRH Group managed the initial process of internationalisation by assigning key executives overseas. Akin to missionaries, their brief was to 'go forth and acquire' well-managed companies. Similarly, when AIB extended their domestic

markets, key personnel were also sent to areas in London frequented by Irish emigrants. Their brief was to acquire businesses within these predominantly Irish communities. It was from these origins that bank branches were eventually established within areas known for their large Irish populations, such as Kilburn in London. Adopting a somewhat different approach, international development in the Greencore case is devolved to each of the local domestic businesses whose brief is to develop internationally. This 'late internationaliser' exhibits an interesting new practice: prior to entering the Belgium market senior management informally contacted other Irish MNCs operating within similar overseas regions. Through an informal benchmarking process the Greencore Group were able to leverage off the experiences of other Irish MNCs.

Despite the variations, the case studies add weight to the findings of the survey. In particular, they confirm that acquisitional growth strategies are the preferred means of growth for Irish-owned MNCs. In addition, they suggest that minority stakes are an increasingly popular form of growth, particularly for more recent MNCs. Pursuing 'paths' of cultural and business familiarity, the cases suggest that the initial process of internationalisation is managed in a very definite manner: first, through a highly localised approach to Group development and second, through the relocation of key personnel overseas.

10.2.2 The Acquisition Process

While the case studies clearly highlight differences in the acquisitional criteria employed, a number of common attributes are also discernible. While CRH employ very broad but definite acquisitional criteria relating to size, business activity and owner retention; the acquisitional criteria of Greencore are still emerging. In a similar character to the CRH case, the Clondalkin Group employ formalised

acquisitional criteria that include strictly defined financial returns, the retention of management and the incidence of weak or no trade unions 'on site'. The criteria that AIB distinctively employ includes compatibility in corporate governance and cultural terms. Despite points of difference between the individual case companies, a number of core criteria are identifiable across the cases. These include a preference for: small to medium sized 'bolt-on' acquisitions; similar linguistic, cultural and business activities; the ability of the acquisition to generate a quick financial return; and, the chance of being able to retain senior management. In addition, two of the case companies were explicit about their concern to acquire non-unionised operations or companies where the trade unions involved were weak.

One of the strongest patterns of Irish-owned MNC behaviour to emerge, particularly amongst the CRH, Clondalkin and Greencore cases, is an approach that could broadly be termed a 'post acquisition control model'. Key to the integration of newly acquired businesses is the transfer of the financial reporting and control systems from Group head office. For the Clondalkin Group, these systems are the first and only structures to be transferred from the head office to newly acquired companies. As a result, the staffing of these positions are regarded as 'strategic' in the integration of new acquisitions and thus tend to be staffed by Irish managers. In the Greencore case, for example, once the financial control system was established and the delivery of bottom-line results secured, head office intervention declined. In general, positions that tend to remain staffed by host country nationals include the CEO, production, sales, marketing and HR. The rationale offered is that these positions require local knowledge and therefore are best staffed by local management.

Thus, key to the acquisitional growth strategies employed by the case companies is the retention of senior management. There are a number of factors that contribute to this situation, including a desire to maintain employee and customer loyalty and ensure historical continuity. There is also widespread belief among Irish-owned MNCs that the 'top job' should never be cut off from the people who have grown up with the business. Moreover, given the size of Irish-owned MNCs and their lack of managerial resources, management retention is a key means of overcoming obstacles to late and fast internationalisation. In sum, a very definite trend has emerged amongst Irish-owned MNCs, where 'strategic' finance and quality functions are staffed with home country managers, and where the CEO, marketing, HR and production positions remain staffed by host country managers. In effect, this would suggest that Irish-owned MNCs manage their overseas operations through key international assignments and the careful cultural staffing of 'strategic' positions in overseas sites.

Finally, there is evidence to suggest that Irish-owned MNCs view their 'nationality' as a source of competitive advantage as they grow overseas. A key theme to emerge from the case analysis was the 'popularity' of their national image. Both AIB and CRH spoke of their success in bidding for international business as being related to their image of Ireland as a smaller, 'neutral' and non-impositional country, as opposed to UK or US companies for example. This is further enforced by the attention placed on their home bases as the 'source' of their key resources, such as Irish managers. The rationale for this is highlighted later in the analysis.

10.2.3 The Role of IR in Internationalisation

While the attention paid by Irish-owned MNCs to IR dimensions in the process of internationalisation varies greatly between the cases examined, a number of cases

were explicit in highlighting the role that IR considerations play in their internationalisation strategies. For the Clondalkin and Greencore Groups, an assessment of trade union density levels and the IR history are key components of the pre-acquisition evaluation process. The other case companies noted the fit of the acquisition with the 'overall strategy and culture'. While both Clondalkin and Greencore would argue that their approach is not one of union avoidance or marginalisation, the strategic role of IR in the process of internationalisation remains evident in their practices. An important caveat is that a number of the case companies highlight low levels of unionisation overseas, even within sectors that are believed to be highly unionised, such as those applicable to the Clondalkin and CRH case.

Moreover, the historical evolution of each of the cases highlighted the role of key IR events in the internationalisation and behaviour of Irish-owned MNCs. Each of the case companies was found to have a history of industrial action characterised by protracted, public and highly acrimonious disputes. For the Clondalkin Group, the paper mills strike during the 1970s, which resulted in the State intervention, plays a key role in shaping their current approach to the management of IR. Furthermore, the resolution of this industrial action also coincided with their decision to diversify out of paper production and into overseas markets. Similarly, for the CRH Group the resolution of the 1970s cement strike was to result in the formation of the Group and the active pursuit of geographical diversification strategies. Notwithstanding these differences, a residual effect of a shared history of industrial action is evident from the cases, particularly during the 1970s.

10.3 Strategy, Structure and Control

The survey results reported in chapter five support the view that the corporate strategy, structure and control mechanisms employed by MNCs shape the conduct of IR. Thus, in order to understand the HRM behaviour of Irish MNCs in greater depth, a perspective that was broad enough to incorporate the influence of these issues was sought in the case studies. To this end, the internationalisation, strategic and structural aspects were examined in addition to the approaches to the management of IR and HR. The cases presented in chapters six through to nine indicate a number of common characteristics, with respect to the manner in which Irish-owned MNCs are structured and the internal control mechanisms employed. The following paragraphs highlight the more salient trends.

10.3.1 Strategy and Structure

Irish-owned MNCs have small tightly controlled head offices with lean management structures (with the exception of the AIB Group whose large head office adopts a dual role of corporate 'centre' and clearing house for domestic retail banking). The rate and pace of growth recently experienced by Irish-owned MNCs has led to a corresponding increase in the responsibilities undertaken by their head offices of Irish-owned MNCs. The case narratives demonstrate that as Irish MNCs have internationalised, new key functions have been established at head office levels.

For the CRH Group, increased expansion overseas led to the decentralisation of the business development function to major growth regions. At the same time, in an attempt to accommodate and manage the pace of growth, the Group also moved to establish key strategic functions at the centre, including an HR function to deal with the management of managers. Similarly, for Greencore the movement toward commercialism was accompanied with the establishment of a head office HR

function. For Clondalkin, who largely view attempts to centralise as a threat to their highly localised approach, recently centralised the sales and marketing function in the pursuit of synergies within geographical regions. The financial costs of maintaining decentralised sales and marketing functions in small subsidiaries led to pressures on head office to centralise the function and obtain the resultant synergies. In keeping with financial sector practices, the AIB case provides a contrast in their recent move to consolidate the HR function at head office. Traditionally the HR function consisted of three separate functions - training, staff relations and personnel. In order to provide a more integrated approach, departments were consolidated into one integrated function. Despite the differences between cases, these illustrations highlight an increase in the role and responsibilities of their head offices. Representing the 'centres' of Irish-owned MNCs, the head offices in each of the cases are located at the pinnacle of the corporate pyramid with a clear sense of hierarchy and order.

A further pattern of behaviour to emerge among the cases is the pressure for decentralised MNCs to centralise in the pursuit of economies of scale, and for centralised MNCs to decentralise in the search for greater autonomy. The cases clearly demonstrate that for highly decentralised Irish-owned MNCs, the pressure to pursue synergistic economies has led to the centralisation of key functions. Conversely, for those MNCs that adopt a highly centralised approach, there is increasing pressure on them to obtain financial economies through the process of decentralisation. In short, as Irish MNCs have internationalised, increasing forces have come to bear on them to adopt elements of both centralised and decentralised approaches and by implication both synergistic and financial routes to globalism. While practices vary, all Irish-owned MNCs studied here appear to be moving toward practices of 'centralised decentralisation'.

Reinforcing the results of the survey, the case studies highlight the divisionalisation of Irish-owned MNCs along product and/or geographical lines. For some, this divisionalisation has being accompanied by a decentralisation of decision-making and financial responsibility. For others, such as AIB, divisionalisation operates alongside a highly centralised approach. Emanating from a highly centralised and formalised bureaucratic history, the AIB Group have come under increasing pressure from local management and from changes in the nature of competition to devolve decision-making to local levels and facilitate local market responsiveness. In response, the Group have created clusters of business units at local levels which devolve responsibility to local management. While the establishment of this business unit structure represents an attempt to localise responsibility, the Group has at the same time limited the degree of local autonomy, through the use of guidelines and constant referral to head office for authorisation. The devolution of responsibility has thus resulted in only limited degrees of actual autonomy. Hence, the embracing of divisionalised and decentralised approaches has generally been accompanied by new forms of control as the next section will explore.

Similarly, for the CRH Group, a tension has emerged in recent years between the need for global integration and the need for local responsiveness. In response, the Group has moved to a federal-like approach that combines decentralised approaches with centralised co-ordination and direction. Due to increasing geographical diversification and exposure to international practices, pressure has been exerted internally on head office to adopt a more centrally co-ordinated approach. Moreover, certain HR issues arising from the rapid internationalisation, such as succession planning, management development led to the establishment of a HR function at head office.

Despite the variations described above, a number of strategic and structural patterns of behaviour are readily identifiable. These include the small size of head offices, a growth in the importance of the 'centre', moves towards divisionalisation and pressures to adopt both centralised and decentralised approaches. While it is difficult to classify the approaches adopted by these companies in any definite manner, the cases clearly delineate that Irish-owned MNCs are increasingly moving toward the adoption of both centralised and decentralised approaches, in the pursuit of both financial and synergistic economies. There are however, as the following section will further highlight, limits to the levels of autonomy actually afforded by these decentralised approaches.

10.3.2 Financial Control Mechanisms

Another pattern of behaviour to emerge from the cases which supports the findings of the survey, is the management of autonomy through tight and extensive financial controls. The case narratives suggest that the movement to decentralisation has been accompanied by a heightening of sophisticated financial control mechanisms. These include standard financial statements, monthly operating statements, five-year plans, half-year ends, annual budget setting processes, and capital expenditure requests. Exerting the strictest control over local autonomy are the capital expenditure systems. Within the cases operating sites are required to submit requests for approval by the Group board and/or CEO, outlining the impact of capital expenditure on the market and operating costs. Moreover, it was found that the level of financial autonomy is highly dependent on the level of capital sought. In the CRH, Clondalkin and Greencore cases, these autonomy levels are indicated by 'threshold' levels of capital expenditure, beyond which authorisation from head office is required. Often managers regard these threshold figures as reflective of their status within the Group.

In contrast, AIB, for whom financial control is at the core of its business, ensuring consistency, accuracy and speed of performance information is critical. In the AIB case control is effected through the technological networking of sites.

The prevalence and extensiveness of the financial controls employed by the case companies suggests a hard financial-driven and performance-orientated approach adopted by Irish-owned MNCs. Local autonomy is secured through the delivery of bottom-line results which is linked to senior management pay. Head office intervention occurs in the event of non-compliance or non-delivery of financial expectations, and in certain cases this can result in the replacement of senior management. Despite this emphasis on financial returns, instances of divestment are rare for Irish-owned MNCs. Local overseas management identified this avoidance of divestment as a characteristic attributable to an 'Irish style of management' – a further factor contributing to Irish-owned MNCs being favoured by potential 'acquirees' (cf. section 10.2.2).

The case studies ratify the results of the survey in indicating the regular collection of performance information through Irish-owned MNCs financial control systems. Fortifying an environment of accountability, the regular collection of financial information for use in resource allocation decisions is a crucial element in the management of local autonomy for Irish-owned MNCs. The implication of these linkages is that Irish-owned MNCs can closely monitor site performance through such standardised systems. Moreover, these reporting systems generate quantitative data that facilitate in the comparison of site and managerial performance and input into financially based resource allocation decisions. Essentially, such arrangements allow for the quantification and exposure of bottom-line contributions. Furthermore, the networking of sites in technological terms has increased the speed with which

these MNCs can collect and disseminate information back down to local levels. While the cases highlight the variability of technological arrangements within Irish-owned MNCs, there exists a general movement towards the greater utilisation of technology to effect control given new centralised/decentralised structures and strategies.

10.3.3 Non-Financial Control Mechanisms

Supplementing highly decentralised and tight financial management approaches adopted by the cases, are a number of informal personal, social and cultural co-ordination mechanisms. In the absence of head office defined guidelines, particularly in relation to their highly decentralised approaches, Irish-owned MNCs have adopted control mechanisms that facilitate the development of an 'organisational glue'. Mechanisms found to prevail include the networking of managers, the identification and dissemination of 'best practices' and the internal benchmarking of management practices and processes. The following paragraphs consider the use of these mechanisms within Irish-owned MNCs.

For the CRH Group, the introduction of a homogenous centralised system, manifest through the imposition of standard guidelines, is seen to not just detract from local accountability but also to impinge upon the Group's ability to attract acquisitions. In effect, CRH's highly localised approach to the management of subsidiaries and the subsequent absence of any centrally defined homogenous practices is seen as critical to their growth strategies. In addition, this growth strategy is dependent on the attraction of family-run businesses where the retention of senior management is a pre-requisite. Thus, the introduction of head office defined HR guidelines, for example, might be seen to threaten this.

Consequently, in an attempt to obtain some form of synergies without impinging upon local autonomy, CRH have introduced initiatives to network managers, primarily through annual management conferences. Through these conferences head office identify and disseminate 'best practices' throughout the Group.

Another means through which CRH has pursued 'synergies' is through the introduction of product focus groups, where again the focus is firmly placed on the identification and sharing of best practice. Similarly, for Clondalkin the emphasis is on maintaining an environment of full exposure and accountability. Despite their hard financial-driven approach, the Group employs a number of formal non-financial mechanisms. These include the provision of ad hoc management conferences, management operational meetings, league tables and internal audits. In the case of the league tables and internal audits the focus is on creating a 'culture of accountability'. For Greencore, whose current structure represents a juncture between a traditional centralised form and increasingly decentralised approach, the use of non-financial synergistic mechanisms is a recent occurrence. Besides conducting regular operational management meetings where the emphasis is on the sharing of practice, the identification of 'best practice' occurs primarily by default, through the external benchmarking of their major food customers.

The case company to place the greatest emphasis on informal personal and cultural co-ordination is the AIB Group. Supplementing a highly centralised approach, and as an attempt to devolve operational and financial accountability, the Group have introduced initiatives which they term 'best in class' for domestic operations and 'super branch' for UK operations. The former acts as a league table for branches to measure their performance, while the latter represents what local management sees as an ideal type with which to measure such indicators as employment size and sales

volumes. The 'super branch' represents what AIB perceives as 'efficient operational indicators' that can then be passed on to other AIB companies. The Group has also recently introduced a homogenous value system that outlines the core values of the future organisation. This has been accompanied with extensive dissemination sessions across sites. As a means of networking a largely dispersed workforce, AIB place a great emphasis on sports and social activities. These also act as a form of informal leadership and team working training.

The provision of managerial networking varies greatly across the case study companies. However, for the more decentralised Irish-owned MNCs the provision of managerial networking provides the means for heightening an environment of accountability amongst peers. In contrast, 'benchmarking' initiatives are a more widespread form of corporate 'glue' in Irish-owned MNCs. The impetus for the introduction of such measures emanates from internal sources, and also from suppliers who increasingly request pan-European deals in their search for financial economies. A general resistance against employing head office-imposed policies or advanced forms of external benchmarking is evident from the cases, where they are perceived by managers as involving the loss of local competitive knowledge and competitive advantage. It is also worth noting that the post-acquisition policy of placing Irish managers into key strategic positions into overseas sites (cf. 10.2.2) also enables Irish-owned MNCs to diffuse a 'corporate ethos', as opposed to more mechanistic forms of control across sites.

Having outlined a number of characteristics common across the Irish-owned MNCs examined, the following sections focus on the approaches adopted by the case companies to the management of managers and the management of IR. The

approaches will be shown to be consistent with the commonalties identified in sections 10.2 and 10.3.

10.4 HRM IN IRISH-OWNED MNCS

Despite individual case differences, the research clearly demonstrates that Irish-owned MNCs adopt a fragmented or 'dual' approach to the management of their employment relationships. For MNCs such as the CRH, Greencore and Clondalkin Groups a highly decentralised approach is adopted to the collective management of non-managerial employees. For these companies, the management of IR is regarded as an operational issue and is thus devolved to local line management. This is an approach which the following sections will show has been recently reinforced through structural arrangements. 'Layered' on top of these traditional adversarial arrangements is a more centrally co-ordinated and sophisticated approach to the management of senior managers. Through the recent introduction of HR functions at head office level, Irish-owned MNCs have focused on managerial issues arising from their rapid internationalisation. As the following sections will highlight, managers are increasingly been seen as a 'strategic resource' in the control of local autonomy. This dual or fragmented approach has enabled Irish-owned MNCs to achieve a decentralised and localised approach to collective bargaining and a more strategic and centralised focus on managerial resourcing. The decentralisation of IR to local levels facilitates an environment of full local accountability. A more strategic and centralised approach to managerial resourcing enables Irish-owned MNCs to focus on the development of future managerial resources. The following sections deals with each approach separately.

10.4.1 The Management of Managers

Just as the previous sections highlighted a growth in the importance of the 'centres' of Irish-owned MNCs, the four case companies correspondingly show an increase in the importance and role of HRM at head office level. Within Irish-owned MNCs the rate and pace of internationalisation has been accompanied by an increase in the role of HRM at the centre. This role has been heightened by the rapid geographical dispersion of Irish-owned MNCs placing increasing pressures on their traditionally lean management structures. The approaches adopted by Irish-owned MNCs to the management of managers reflect these particular concerns. Given the smallness of these Groups and their lean management structures, issues such as management development, retention, succession, mobility and opportunities for repatriation have increasingly become key concerns, as they have expanded beyond national boundaries.

In response to these developments, both the Greencore and CRH Groups have established head office designated HR functions. For the Clondalkin, CRH and Greencore Groups, the perceived inability to meet increasing future managerial demands has resulted in the retention of managers becoming a vital element of their growth strategies. Even for the AIB Group, whose HR function is well established, the recent consolidation and integration of HRM roles and responsibilities signals a reorientation of the function on the provision of future needs. This emphasis on management retention is being combined in Irish-owned MNCs with an increased emphasis on management development programmes in an attempt to broaden the skill base of existing managers. A focus on the training and development of managers has arisen due to a number of factors, namely the need to staff 'strategic' overseas positions and the need to disseminate head office approaches without imposing on local autonomy. Given the rapid international expansion of Irish-owned

MNCs, management development has come to the fore of HR agendas at head office level. In addition, initiatives such as managerial networking and management conferences have enabled Irish-owned MNCs to reinforce an environment of accountability, while at the same time shaping local agendas.

Irish-owned MNCs adopt an active role in managing the performance and remuneration of senior management. Local autonomy and devolved decision-making is managed through the linkage of local performance levels with senior managerial pay. In each of the cases examined, the use of performance-related pay (PRP) at senior local levels is evident, albeit for varying reasons. For Clondalkin and CRH, the introduction of PRP was a means of reinforcing the decentralisation of financial responsibility and a results-driven focus for management. In contrast, for AIB and Greencore PRP was explicitly employed as a mechanism to change 'the old ethos' that was perceived to prevail among local management. More particularly, in AIB the introduction of PRP to managerial grades represented a deliberate attempt to change their approach to the management of managers. Its introduction provided head office with the means with which to secure management consent and in effect 'buy' management out from the IBOA and historical collective bargaining practices. Similarly, for the Greencore Group the move to privatisation and devolved financial responsibility was accompanied with the introduction of PRP, in an attempt to change the ethos and culture of management from 'civil servant' to that of 'commercial manager'. Across all the cases examined, PRP was largely confined to managerial levels.

Despite the variations, the introduction of PRP at managerial levels is an attempt by Irish-owned MNCs to fortify an environment of accountability. One of the main implications for local management is that autonomy is dependent on the ability of

individual sites to not only generate quantifiable bottom-line contributions, but also to continually improve on those contributions. With the exception of the AIB Group, where branches are treated as cost centres, this environment of 'transparency' implies that sites and managerial staff alike are managed not by the tasks they perform but by the tangible financial results they produce. By defining in financial terms the expected returns from sites, the contribution of each site and their managerial staff are expressed in terms of the financial 'value' they 'add' to the Group. Greater autonomy has, in effect, led to greater accountability. This 'management by performance' approach, rather than by task, is reinforced by the active role that head office adopt in managing the performance and remuneration of senior management.

10.4.2 The Management of IR

In general, Irish-owned MNCs pursue a highly decentralised approach to the management of IR. For the Clondalkin and CRH Groups, the management of IR is treated as an operational issue and decentralised to local line management. The case of the Greencore Group differs slightly in that their current approach represents a juncture between a traditional centralised approach characterised by collective bargaining agreements and a more recent decentralised approach to bargaining. In contrast, AIB adopts a highly centralised approach to collective bargaining, with head office involvement evident both domestically and within extended domestic markets. Furthermore, AIB's recent entry into dialogue with the IBOA signals the pursuit of more partnership-like approaches, given that traditional adversarial approaches to IR or whole-scale de-unionisation are no longer viable options. Furthermore, it is evident that for some of the cases strong financial controls play a key role in shaping not just the management of local autonomy, but also their approach to the management of IR. This is exemplified by Clondalkin's approach to

collective bargaining, which is subjected to the achievement of financial returns. As one Clondalkin manager remarked the guide is: 'if we have to pay more, we must get more out of it'.

The highly decentralised approaches adopted by the Clondalkin, CRH and, more recently, the Greencore Groups have been fortified through a number of structural arrangements. First, resisting the tendency to impose a generic Group identity, these companies have retained the local identity of newly acquired companies. As a result these Groups have been able to maintain a low-key role in local IR issues, promote local employee loyalty and localise industrial conflict. Secondly, these MNCs operate a definite policy of actively avoiding collective agreements and centralised discussions with trade unions at a head office level. This is most apparent in the recent strike action within the Greencore case. Governed by traditional collective bargaining arrangements under the privatisation agreement, the Greencore Group has made concerted efforts to move towards the decentralisation of collective bargaining. Finally, the unions believe that reinforcing the decentralisation of collective bargaining is the extensive usage of subcontracting and the dis-aggregation of businesses into separate businesses. This has resulted in a decline in trade union levels. The maintenance of local identities, coupled with head office policy of refusal to negotiate directly with trade unions have, thus far, reduced the likelihood of inter-company trade union linkages.

Substantiating the results of the survey, it was found that despite average national trade union membership levels of approximately 41% (DUES, 1996), the level of trade union membership is high within the domestic operations of Irish-owned MNCs. In contrast, the level of trade union membership in overseas operations was reported to be significantly lower, despite the sites concerned often operating within

highly unionised sectors. This begs the question as to whether Irish-owned MNCs are deliberately seeking low or non-union environments. While this is difficult to clarify without cross-company longitudinal trade union density data, when estimates of overseas levels are combined with the role of IR dimensions in acquisitional processes an implicit strategy of trade union avoidance or weak trade unionism could be conjectured. The attitudes of these companies to EWC influences may be seen to corroborate such a conclusion. Another key pattern of behaviour to emerge from the case analysis was the strong opposition by Irish-owned MNCs to the introduction of EWCs which are regarded as potential 'threats' to their highly localised approaches to the management of operations. Some of the case companies were found to strongly oppose the introduction of EWCs by actively maintaining low employment levels in overseas sites.

At first sight, it would appear that the fragmentation or duality of approach lies on the basis of employee categories. However, as a closer examination highlights, these dichotomous lines are becoming somewhat blurred with respect to their stance on the introduction of European employment legislation. To illustrate, the CRH Group recently adopted a strong interventionist role in relation to the introduction of the European Works Directive. Seen to threaten existing decentralised approaches and largely 'inappropriate' given their organisational structure, the HR function at head office played a highly active role in shaping the introduction of an EWC pre-emptive procedure. Other case companies note head office intervention in the event of threatened industrial strike action. While it appears that negotiations remain the remit of local management, head offices play a key role in the background, coaching local management through negotiations. In short, there are definite limits to the widely reported decentralised approaches to the management of IR.

10.5 Conclusion: Toward a 'Model' of Irish-owned MNC Behaviour

This chapter set out to highlight patterns of behaviour common to Irish-owned MNC, particularly with regard to their management of IR and the management of managers. While the analysis has identified a number of key points of variation between the case study companies, it has indicated that these may be explained by particular differences with respect to sectoral characteristics, the recency of evolution, size or company history. While these differences have been acknowledged, a number of commonalties shared by Irish-owned MNCs have been drawn.

In line with Roche's (1998) logic with regard to the nature of theory development outlined in chapter four, the ensuing attributes that make up the 'framework' presented here should be regarded more as 'loosely related propositions' toward a greater level of understanding about the Irish-owned MNCs, rather than a deductive model or 'formal explanatory theory'. In keeping with the line of argument presented here, and building upon the 'key features of Irish-owned MNCs as indicated by the survey findings' (cf. table 5.18), these commonalties have been arranged according to three levels of analysis. It is argued that in order to understand the approaches adopted by Irish-owned MNCs to the management of IR and the management of managers, the context within which this takes place (i.e., these MNCs approaches to internationalisation and strategy, structure and control), must first be understood. Hence, the findings of this chapter are presented within three sections in table 10.1.

TABLE 10.1 KEY ATTRIBUTES OF IRISH –OWNED MNCS

PATTERNS OF INTERNATIONALISATION

Irish-owned MNCs tend to:

- have internationalised relatively recently;
- have been led to internationalise as a response to factors including the saturation of domestic markets and other 'crippling' local dependencies;
- internationalise organically through acquisitions;
- have a preference for acquiring in areas that demonstrate cultural and business-type familiarity;
- have a 'localised' approach to corporate development which includes the informal benchmarking with other Irish international companies;
- maximise their non-impositional and/or non-divesting national Irish identity/management style as a means of giving them a competitive advantage when seeking to acquire;
- employ acquisitional criteria that pay attention to IR dimensions impacting upon potential sites;
- adopt a post-acquisition control model.

CORPORATE STRATEGY, STRUCTURE AND CONTROL

Irish-owned MNCs tend to:

- have small head offices with lean management structures;
- have been led to increase the role and importance of head office as they internationalise;
- have established of a number of head office designated functions, including HR as they have internationalised;
- find themselves under increasing pressure to pursue combined centralised and decentralised approaches;
- be divisionalised along national or regional as opposed to global lines – however, this does not necessarily result in the decentralisation of decision-making;
- manage autonomy through tight financial controls, the tightest of which was found to be capital expenditure;
- regularly collect performance indicators for use in resource allocation decisions;
- supplement financial controls with a number of informal personal and social co-ordination mechanisms which include the networking of management, the identification and dissemination of 'best practices' and internal

benchmarking;

- use the 'strategic placement' of key home country managers into host country operations as a means of quietly spreading corporate ethos rather than imposing group-wide policies from the 'top-down'.

THE MANAGEMENT OF MANAGERS

Irish-owned MNCs tend to:

- exhibit an increase in the role and importance of HRM following internationalisation;
- recognise the development of managers as key to their ability to continue to internationalise;
- place greater emphasis on the management of managers and the creation of head office designated HR functions to meet those needs;
- subsequently adopt centralised approaches to the management of managers;
- manage local autonomy through the linkage of local performance levels with managerial pay, thus seeing local managers as key to maintain control without this control being seen to be imposed from the top-down.

THE MANAGEMENT OF IR

Irish-owned MNCs tend to:

- adopt a highly decentralised approach to the management of IR (however, their decentralised approaches are becoming increasingly 'blurred' with the threat of the introduction of European legislation seeing head-office becoming more involved in 'managing' IR issues on a group-wide basis),
- structurally reinforce decentralised approaches through refusal of head office to engage in trade union discussion, the maintenance of local company identities and the movement toward the subcontracting of workers;
- have high levels of trade union density domestically but lower levels of unionisation overseas, which, combined with the acquisitional criteria listed above, might suggest an implicit strategy of internationalising to reduce local dependencies and to appreciate the benefits of lower unionisation overseas;
- strongly oppose to the introduction of EWCs which are seen to threaten existing localised and decentralised approaches.
- However, factors such as changes in the nature of competition and products/services may lead Irish-owned MNC's (e.g. AIB) toward adopting the 'ideology' of partnership-like approach to the management of IR to ensure the provision of greater service quality.

Building on these findings, chapter eleven analyses these attributes of Irish MNC behaviour against the literatures reviewed in chapter two. This will enable us to determine the extent to which the behaviour of Irish-owned MNCs conform to the expectations suggested by the globalisation literature, or the extent to which our understanding of them might be better informed by the NBS or small countries literature. Finally, those attributes that seem particular to the Irish case are related to the Irish context outlined in chapter three to see if the variation can be related to national defining characteristics.

CHAPTER 11

IRISH-OWNED MNCS: THE CASE FOR PARTICULARITY

At the outset of this research two questions were posed: firstly, what approaches do Irish-owned MNCs adopt to the management of IR and HR?, and secondly, how distinctive or particular to the Irish case are these approaches? Chapter ten provided propositions with regard to the first question. While it is well established that MNCs vary, this chapter, building from the findings of chapter ten, extends the analysis toward establishing the extent to which Irish-owned MNCs vary from other MNCs. It does so by employing two comparators: the expectations of the globalisation literature and the expectations that may be derived from the Swedish case, as representative of the small countries literature. Having isolated the attributes that appear particular to Irish-owned MNCs through this process, the chapter concludes by investigating whether these particularities can be related to Irish-owned MNCs country or company contexts.

11.1 INTRODUCTION

This second analysis chapter examines the distinctiveness or particularity of Irish-owned MNC behaviour. Chapters two and three highlighted a number of reasons that would lend us to believe that small to medium-sized, late-internationalising MNCs from a small late industrialised country such as Ireland, would exhibit distinctive patterns of behaviour. The survey results reported in chapter five, and the subsequent analysis of the case companies summarised in chapter ten, proposed a number of attributes characteristic of Irish-owned MNCs. Taking that framework, this chapter extends the analysis toward an understanding of the extent and degree to which these practices are distinctive or particular to the 'case' of Irish-owned MNCs by comparing it with the expectations outlined in the literature review chapters.

The globalisation literature posited that the movement toward internationally integrated organisational and managerial structures and the subsequent shedding of national particularity broadly informs MNC behaviour. In contrast, the small countries literature (in keeping with the NBS perspective) suggested that MNCs are mostly influenced by the size of their domestic economy and that national origin therefore still shapes MNC behaviour. Chapter three examined the impact of patterns

of industrialisation on the development of Irish industry and identified certain contextual factors, such as the late industrialisation and 'clustering' of indigenous industry, as potentially shaping Irish-owned MNC behaviour. This chapter examines the extent and degree to which Irish-owned MNCs are being informed by these different expectations. Are Irish-owned MNCs adopting the key attributes of 'global' forms?; or has the small size of the Irish economy shaped their behaviour?; or is their behaviour *particular* to indigenous companies that have developed within the Irish context of late industrialisation and internationalisation?

Toward this aim the chapter is structured into three sections. It begins by examining the attributes of Irish-owned MNCs proposed in light of the expectations set out in the globalisation literature. Section two, drawing on the account of Swedish MNCs contained in chapter two, investigates the degree to which Irish-owned MNCs approximate to key components of the small countries literature. Finally, section three delineates the case for distinctiveness or 'particularity' and examines the extent to which this particularity can be attributed to the Irish 'country' or 'company' contexts.

11.2 Irish-owned MNCs as Global Forms?

As chapter two outlined, notions of organisational restructuring along a global basis inform the behaviour of MNCs. The spread of large, multi-divisional, internationally-integrated organisations and its impact on the conduct of IR and HR are important facets of the research literature. However, the extent and degree to which Irish companies have been influenced by this debate has largely gone unquestioned. In particular, little to date has shown the manner in which Irish-owned MNCs 'mediate' such globalising pressures. In light of this, chapter eleven begins by identifying points of similarity and variation between key expectations of the globalisation debate and the main attributes proposed as characteristic of Irish-

owned MNCs. Particular attention is paid to the adoption of integrated organisational forms, the routes to globalism (economies of scale or synergies?), co-ordination and control mechanisms, changes in the nature and form of the 'centres' of MNCs and the movement to a borderless state where national identity becomes irrelevant. Beyond this, subsequent IR and HR factors will be examined.

11.2.1 Internationalisation, Strategy, Structure and Control

A pervasive theme within the globalisation literature is the notion that MNCs are key participants in a general trend of corporate restructuring. In response to the integration of economic markets, it is suggested that MNCs are increasingly moving from polycentric or multi-domestic organisational forms towards internationally integrated horizontal structures (Ferner and Edwards, 1995). Moreover, in the search for economies of scale, MNCs are reported be integrating their production systems along international lines. As the findings of the previous chapters illustrate, while Irish-owned MNCs are party of this broad trend of corporate restructuring, there has been little uptake of global forms. The recent restructuring of Irish-owned MNCs and the adoption of divisionalised structures has been along national or regional lines, as opposed to along international or global lines. There is little evidence to suggest that Irish-owned MNCs are moving toward the adopting of internationally integrated organisational structures or the emergent network-like structures as purported in the globalisation literature.

Also purported in the globalisation literature is the notion that MNCs are restructuring in an attempt to secure some form of economies of scale. However, this research shows Irish-owned MNCs to be pursuing financial economies but also synergestic benefits through internationalisation. This finding supports the more subtle analysis of the likes of Marginson *et al.*, (1995) who have demonstrated that

there are in fact two routes to globalism taken by MNCs – financial and synergistic; and Edwards *et al.,* (1996) who suggest that these two routes co-exist rather than oppose one another. This is particularly borne out, as chapter ten has highlighted, in Irish-owned MNCs seeking to concurrently adopt a combination of centralised and decentralised structures. In keeping, while most of the case companies were found to adopt a hard centralised and financial-driven approach, this is now supplemented with less coercive and seemingly decentralised co-ordination and control mechanisms that do not directly impinge upon achieving synergies.

In terms of co-ordination and control in the light of this, the literature suggests that the restructuring of organisations encompasses a shift away from traditional bureaucratic administrative controls toward more implicit of less-obvious modes of internal 'co-ordination'. Through the use of benchmarking, league tables, the collection and utilisation of information MNCs have been found to engage in coercive comparisons that exert indirect control over managerial behaviour (Coller, 1996). Similar to Edwards *et al.* (1996), traditional bureaucratic controls (as evidenced in the extensive financial controls adopted by the case companies) were found to co-exist alongside the recent introduction of personal and social implicit control mechanisms within Irish-owned MNCs. As chapter ten outlines these include managerial networking, the identification and dissemination of best practices and internal benchmarking.

A further contention of the globalisation thesis is that the movement toward internationally integrated organisational forms involves the replacement of hierarchy structures with flatter, more flexible and horizontally integrated heterarchy structures (Hedlund, 1986; 1994). The globalisation literature posits that such a movement results in the dispersion of power, co-ordination and decision-making across

geographically disperse sites. In the case of Irish-owned MNCs there is evidence to suggest that the decentralisation of corporate functions such as business development has occurred in an attempt to increase local responsiveness (and advance the synergistic sharing of 'best practice'). However, a point of departure from the literature's expectations occurs in relation to the actual decentralisation of power and decision-making. The Irish case companies examined indicate that the decentralisation of financial responsibility and decision-making does not necessarily led to a dispersion of power or co-ordination. Moreover, the Irish cases clearly underline the limits to local autonomy. In brief, Irish-owned MNCs are lean and flat, but there are still clear lines of hierarchical structures as evidenced through the reporting lines. The cases also clearly indicate that it is the head offices not the divisions of Irish-owned MNCs that drive international policies.

The globalisation literature proposes that an MNC's route to globalism involves a decomposition of the head office into a 'constellation' of geographically-spread centres. Under the 'new global order', it is posited that the head office of MNCs will shrink and that there will be a shift in the role and responsibilities from co-ordination and control to knowledge creation and dispersion. While this research has shown that Irish-owned MNCs do operate overseas regional offices, there is little to suggest that their head offices are being disaggregated into geographically dispersed 'centres'. Moreover, in stark relief to the notion that head offices will shrink in size and responsibilities, Irish-owned MNCs were found to be increasing and growing their centres, particularly through the creation of head office designated HR functions. Furthermore, there is little to suggest that a change in the role and responsibilities of head offices has taken place. In contrast, the case studies demonstrate that the head offices of Irish-owned MNCs remain the centre of decision-making, particularly with respect to resource allocation.

Relatedly, the central axis of the 'globalisation thesis' rests on the assumption that increasingly MNCs are 'shedding their national identity' as they operate under a 'new global logic' (Ohmae, 1990; Reich, 1991). Questioning this notion, Irish-owned MNCs were found to be maximising their national identity as they 'globalised'. The case companies clearly highlight the crucial role that their 'Irish' identity renders in their continued growth. Critical to their ability to attract and secure the acquisition of small family-run businesses (CRH) or large national maltsers (Greencore) is their 'national' image of being open, friendly, 'non-conquering' and non-impositional in their approach. Furthermore, the case studies demonstrate that Irish-owned MNCs see the constant supply of highly qualified, internationally mobile and culturally socialised professional Irish managers as key to their future international development. Thus, crucial to the continued growth of these companies and their future managerial resources is their national position and identity. This is clearly seen in the case of the CRH Group who regard their national identity and position within Ireland as the main factor in attracting high-quality Irish managers. Similarly, for the AIB Group their 'Irishness' is seen as critical to staffing overseas sites and in servicing extended domestic markets. Attributes such as the 'non-conquering' approach of Irish managers were cited as attributing to their success in overseas markets. Indeed in each of the cases examined their 'Irishness' is in some way linked to either their sourcing of employees or raw materials. In short, there are no indications to suggest that Irish-owned MNCs are shedding, or will in the future, shed their 'national shackles'. In stark contrast to the central axis of the globalisation debate, Irish-owned MNCs were found to be maximising their national identity. Questioning the globalisation thesis, this research suggests that MNCs may remain closely affiliated with their national identity and dependent upon their domestic bases.

11.2.2 The Management of IR and HR

In examining the impact of global forms and practices on HRM a number of expectations were highlighted from the globalisation literature. Firstly, a key contention is that the movement toward integrated organisational forms is accompanied by an adoption of a centrally managed homogenous HRM approach. It is posited that MNCs mediate the interplay of global and local forces through the creation of standardised international policies and guidelines that are administered by head office. In keeping with to the globalisation literature, this research shows Irish-owned MNCs to be mediating global and local forces through their management of IR and HR. However, the response of Irish-owned MNCs to the forces of globalisation is not one of homogenisation but rather one of fragmentation. Adding weight to the contentions of Roche (1998a), the findings of this study clearly show that Irish-owned MNCs are pursuing a dual or fragmented approach. The case studies particularly demonstrated how Irish-owned MNCs have recently 'layered' a more centralised approach to the management of managers onto a highly decentralised approach to the management of IR.

For highly decentralised (or decentralising) Irish-owned MNCs, the adoption of homogenous or common approaches to HRM is seen as an anathema to their corporate approach of 'devolved responsibility'. These organisations subsequently regard the collective management of non-managerial employees as a local line management responsibility. Local managers are free to make their own decisions in this respect, so long as they do not negatively effect their company's ability to achieve the Group's financial targets. Irish-owned MNCs have put in place a number of structural arrangements to reinforce their highly decentralised approach to the management of IR.

Furthermore, in contrast to the literature there is little to suggest that Irish-owned MNCs are homogenising their HR practices through the introduction of head office defined HR guidelines on an international basis. Where HR guidelines do exist, as in the case of Greencore Group, they are confined to domestic operations and apply only to the allocation and distribution of financial and other tangible resources, rather than a common set of business values or generic culture. Moreover, the introduction of international guidelines is regarded as a threat to the growth strategy of these companies. In keeping with their strategy of maximising their positive non-impositional 'national identity', Irish-owned MNCs regard their ability to acquire companies as inter-related with their decision not to impose generic forms of management practice. In short, given their growth strategies and hard financial driven approach to the management of subsidiaries, Irish-owned MNCs both seek to and can actively avoid the introduction of homogenous or common approaches to HRM. However, this is not to suggest that some degree consistency or standardisation is not sought by Irish-owned MNCs though other HR means. As the following paragraphs will highlight Irish-owned MNCs management of managers does influence local agendas.

There is general belief within the globalisation literature that the management of managers is a critical component in the co-ordination or 'corporate glue' of MNCs. The findings outlined in this study suggest that Irish-owned MNCs are placing a greater emphasis on the management of managers in response to the impact of rapid internationalisation on their managerial resources. For a number of Irish-owned MNCs this is manifest in the creation of a HR function at head office level, or in the case of AIB in the further consolidation of the HR function. A further contention in the literature in this respect is that MNCs are increasingly managing dispersed

operations through the development of a cadre of international managers. What the Irish case studies suggest is that unlike the global model MNC, where the focus of management development programmes are of an international nature, Irish-owned MNCs are focused more on the development of management within national borders and appear less interested in trying to develop strong cadres of managers from many different nations. Given the leanness of management structures, Irish-owned MNCs were found to manage this situation through the acquisitional pre-requisite of management retention, and then 'supplement' host country through the development and deployment of Irish managers into key positions as a means of 'spreading an ethos' without imposing a homogeneous approach or culture. Other means through which Irish-owned MNCs influence local agendas through HR initiatives include the networking of HR managers and the identification and sharing of 'best practices', and in the case of CRH Group, the internationalisation of corporate values via the assignment and participation of newly recruited professionals to the business development role.

To summarise, in contrast to expectations of the movement toward homogenisation, Irish-owned MNCs have adopted a more fragmented approach to HRM. On the whole, Irish-owned MNCs have *centralised* the management of managers through the recent location of HR functions at head office levels. At the same time, they have structurally reinforced a *decentralised* approach to the management of IR through measures such as locating fully-resourced HR units at local levels. This dual or fragmented approach is in keeping with the broader centralised-decentralised strategies and structures adopted by these MNCs as a whole. In addition, as with their broader corporate strategies, Irish-owned MNCs manage the HR and IR autonomy granted by greater levels of decentralisation through impose tight financial targets upon local subsidiary managers and through more subtle means of 'co-

ordination'. Maintaining this fragmented approach to IR and HR is seen by Irish-owned MNCs as crucial to their international growth strategies, as evidenced in the interventionist role that many are beginning to play in opposing the introduction of the EWC policies and directives.

11.2.3 Summary

In conclusion, it can be seen that Irish-owned MNCs are evolving in line with the expectations expressed in the globalisation literature in a number of respects. These include: the movement toward product divisionalisation; the pursuit of financial and synergistic routes to globalism; the linkage of performance levels to remuneration levels; the supplementation of traditional controls with informal personal and social controls; and an increased emphasis being placed on central HR issues with the establishment of HR functions at a strategic head office level to oversee the management of managers. However, a significant number of the attributes of Irish-owned MNCs cannot be accounted for by the globalisation thesis. These include their: being organised along national or regional lines with little integration of production systems; expanding head offices, maximising their national identity as an implicit part of their internationalisation strategies; not developing an international cadre of mobile senior managers but preferring instead to retaining management in new acquisitions and make strategic assignments to new acquisitions; and, a fragmented approach to the management of IR and the management of HR. In light of this, the following section examines the extent to which these particularities are informed by the fact that Irish-owned MNCs have emerged from within a small economy.

11.3 Irish-owned MNCs as a Case of Small Country Effects?

Research has shown that MNCs from small countries have internationalised at an earlier stage, and to a greater extent, than MNCs from larger countries (Andersson *et al.*, 1996), and that the most highly international companies subsequently emanate from small industrial bases (Ruigrok and Van Tulder, 1995). This early internationalisation and degree of internationalisation is attributed to the size of the domestic market from which these MNCs emanate. There is, therefore, a general consensus in this literature that the impetus to internationalisation of MNCs from small countries is the small size and the increasing saturation of their domestic market (Andersson *et al*, 1996; Olsson, 1993).

In keeping with the main axis of the small countries thesis, the case studies demonstrate the role of small and increasingly saturated domestic markets in shaping the decision of Irish-owned MNCs to internationalise. Due to the smallness of domestic markets, many Irish companies embarked down an international route, driven out of a sense of corporate survival in a globalising marketplace. However, while the small countries literature places a strong emphasis on the role of small domestic markets, the cases presented here clearly identify a number of other factors embedded within their historical and economic contexts that shaped Irish-owned MNCs internationalisation. Factors such as protracted industrial action resulting in the intervention of the Church and State, rising dependencies on single products and single currencies during the 1970s, high transportation and logistical costs and, more recently, the relocation of major customers to new markets. Moreover, while the small countries literature suggests that MNCs from small economies are earlier to internationalise, the case of Irish-owned MNCs stands in contrast. What this research has confirmed is that Irish-owned MNCs have only very recently entered international markets with the earliest wave of internationalisation found to occur in

the 1970s.

It is further suggested by small countries theorists that a set of factors (including the small size of domestic markets, narrow supply bases, proximity to main actors, linkages between firms, the involvement of financial institutions and the State, and their tendencies to pursue vertical integration strategies or advanced forms of international division of labour) have led to an industrial relations environment characterised by a 'bargaining dynamic'. The suggestion is that within small industrial bases the concentration of power lies in a small number of MNCs which creates the environment for centralised bargaining.

As a result, MNCs from small economies are thought to develop corporatist political arrangements domestically. Parallels can be drawn between the broad contention of corporatist arrangements and 'a IR bargaining dynamic' in the literature and the case of Ireland. However what is inconclusive from the data contained here is whether there is a direct causal link between the two. This would be worthy of a separate piece of research in itself.

In comparing the experiences of Irish-owned MNCs against those of the Swedish case a number of important points of variation are also apparent. While a review of the Swedish case in chapter two showed the Swedish economy to be characterised a small number of large and highly internationalised indigenous MNC, a review of the Irish context in chapter three highlighted that the Irish economy is dominated by large overseas MNCs. The Irish-owned MNCs is a recently emerging form within the landscape of Irish industry. Furthermore, while the origins of Swedish MNCs can be traced back as far as the 1870s when Swedish industrialisation began (Lundstrom, 1986), Irish industry only embarked on a global route in recent decades. Relatedly,

and in contrast to the Swedish case, Irish-owned MNCs are still both small in numbers and in size.

In tracing the evolution and development of Swedish MNCs a number of shaping factors were highlighted in the literature. These include the active involvement and investment of financial institutions, particularly the role of leading indigenous banks in driving the internationalisation of Swedish industry in the 1870s. While not disproving the possibility of its application to the Irish case, such a connection is not evident from either the cases or the survey presented here. What comes more to light in the Irish case is the active intervention of the State, under the leadership of Lemass, in the early foundation of a number of these companies as the vehicles of the early industrialisation of the Irish economy.

Furthermore, much has been written of the form of internationalisation among Swedish MNCs and their ability to initially operate as exporters. As late-comers to international markets, Irish-owned MNCs, with their preference to expand either through acquisitions or by developing minority stakes, stand in contrast. Further characteristic of Swedish MNCs is their movement from 'mother-daughter' structures towards the emergence of overseas centres. Through what is termed 'internationalisation of the second degree', Swedish MNCs have dispersed power and the responsibility of key functions to overseas centres. As an earlier paragraphs in this chapter have highlighted, there is little to suggest a similar development within Irish-owned MNCs. Generally structured around traditional divisional structures, Irish-owned MNCs display little evidence of the dispersed responsibility and power.

Finally, a key finding of the Swedish IR literature is the widely reported drive by

large Swedish MNCs to dismantle centralised wage agreements and decentralise collective bargaining to local levels. Occupying a large power base in national terms and through the 'vehicle' of the main employers association, Swedish MNCs have attempted to diverge from wage agreements and increase pay levels. In an attempt to introduce flexibility and counter difficulties with the recruitment and retention of skilled employees, Swedish MNCs have led a campaign for the decentralisation of collective bargaining in recent times. There is little to suggest that Irish-owned MNCs, smaller in size and in number than their Swedish counterparts, are or would drive a similar campaign to dismantle existing tripartite arrangements. Regarded by the trade union officials interviewed as operating with relatively low wage structures, Irish-owned MNCs would not seem to be actively seeking an arrangement to pay higher than existing national wage increases. According to trade union officials, financial flexibility for the Irish-owned MNCs is secured through overtime arrangements instead.

As with the globalisation thesis a number of the expectations of the small countries literature are borne out in the Irish case. However, the above paragraphs show that there are still many attributes of Irish-owned MNC behaviour that cannot be accounted for by the small size of the domestic market from which they emerged. Working from the framework of Irish-owned MNC behaviour in chapter ten, this chapter has demonstrated Irish-owned MNCs to be distinctive from a number of the underlying assumptions of the literature. This chapter now reviews the degree to which Irish-owned MNCs are particular or distinctive and examines the extent to which this particularity can be related to Irish and company contextual factors.

11.4 Irish-owned MNCs as Particular to Country and Company Contexts?

What is apparent from this chapter and earlier findings is that Irish-owned MNCs are *partially* adopting some of the more salient practices of global organisational forms and practices. This partial uptake of global structures and practices suggests that Irish MNCs are in part responding to the forces of globalisation. However, as the cases highlight Irish-owned MNCs while pursuing global route are not evolving toward a predetermined end state. At the same time, the analysis has also shown Irish-owned MNCs to adopt structures and employ practices that are equally distinct. In short, this research questions the key assumptions that underpin the globalisation thesis, without disputing that the routes to globalism. While the globalisation literature outlines part of the picture, it does not come close to explaining all of the attributes of Irish-owned MNCs.

Moreover, while sharing some common attributes with MNCs from other small countries, significant points of variation remain. While the small countries literature identifies characteristics such as the smallness of domestic markets as the impetus to internationalisation it also only *partially* informs the case of Irish-owned MNC behaviour. While there is evidence of a 'small country effect' on Irish-owned MNCs there are also a number of points of variation to suggest the interplay of factors explicable outside of the small countries thesis. It is to those factors that this analysis now turns. In short, this research suggests that while responding to globalising pressures, Irish-owned MNCs are also pursuing an approach that reflects the particular trajectory of their indigenous development and traditions. The next section examines the factors to which this particularity can be attributed.

Having taken a number of key expectations of the globalisation thesis, tenets of the

small countries literature and the case of Swedish MNCs and compared them with the results of this research with regard to Irish-owned MNCs, a number of points of distinction or variation were identified. A review of the Irish context and the development of Irish industry contained in chapter three and the individual Group histories outlined at the start of the case study chapters identifies a number of factors shaping the distinct trajectory of Irish-owned MNCs and their practices. These include: the influence of country and company history; the impact of the small size or Irish-owned MNCs; sectoral effects; recency effects; and, cultural characteristics or what may, for want of a more academic word, be termed 'Irishness'. The following paragraphs review these factors individually.

Variations in the structures and practices of Irish-owned MNCs from global and other small-country forms can, in part, be attributed to the historical development of these companies within a wider industrialisation process. At a company level, their historical evolution has also shaped their approach to the management of IR. As the case studies clearly delineate key IR events, such as industrial action has shaped the direction of these companies. Their decentralised approach to the management of IR is a case in point. In tracing the evolution of each of these case companies, it was found that each was subject to major protracted industrial action involving the Church and/or the State. Moreover, it was found that the resolution of these strikes coincided either deliberately or by default with their diversification overseas (Clondalkin Group even acknowledge that internationalisation represented an attempt to reduce dependencies on highly unionised sectors).

Furthermore, the partial uptake of global structures and practices by Irish-owned MNCs can also be viewed in terms of the size of these companies in combination with the smallness of the Irish economy as a whole. The previous section outlined

how Ireland's small size drove many Irish companies to internationalise. In addition, the case studies suggest that the small size of these groups in international terms has been a defining role in the *form* of internationalisation adopted. More particularly, the smallness of their head offices and leanness of management structures have clearly influenced the growth strategies and their approach to the management of managers of Irish-owned MNCs. Due to a scarcity of managerial resources, a lack of international market knowledge and pressures for quick returns on investment, Irish-owned MNCs predominately pursue acquisitional growth strategies. Small head offices and a lack of repatriation opportunities at the centre have shaped a number of their acquisitional criteria, more notably local management retention. Moreover, the small size of Irish companies, combined with the rate and pace of internationalisation, has also shaped the recent adoption of a centralised approach to the management of managers. For the CRH Group, for example, their traditionally lean management structures and rapid internationalisation has led to a crisis of succession issues as original 'management retained' reach maturity and the staffing of overseas sites became a real problem. In response the Group moved to establish a head office designated HR function to focus on developing managers from within.

Related to issues of size and history is the role of sectoral locations that Irish-owned MNCs occupy in explaining the particularity of Irish-owned MNCs. As chapter three indicated and as the result of the survey presented in chapter five confirmed Irish industrialisation patterns have shaped the concentration of Irish industry and Irish-owned MNCs into a number of particular industrial sectors. Adding weight to the results of O'Malley (1985) this research suggests that the lateness with which Ireland industrialised resulted in a concentration of Irish industry into 'naturally sheltered' or 'non-traded' traditional sectors. Subsequently, it has been argued that this pattern of industrialisation has led to a predominance of certain structural forms at different

stages of Ireland's industrialisation (Leavy 1993), and in tracing the historical evolution of a number of Irish-owned MNCs it was found that the structural forms that they currently adopt can be traced back to different phases of industrialisation. The predominance of Irish-owned MNCs in mature product lines or the processing of raw materials rather than high-tech sectors, and their having evolved out of co-operatives and SOE's, may explain why they have not adopted the sorts of organisational forms advocated in the globalisation literature. In short, the particular sectoral location of Irish-owned MNCs was found to be shaped both by their strength within a sheltered domestic market and also by the 'niche' markets they tend to occupy overseas.

It can also be inferred from the results of this research that variations in approaches to the management of IR and HR reflect sectoral differences. As Roche (1998) posits the maintenance of traditional adversarial approaches in combination with the layering of more global HR approaches, can in part be explained by the historically shelteredness of these companies from the 'full force' of competition, particularly domestically. This research adds to weight to this hypothesis, in finding the AIB case to be the only case where changes in the nature of competition have led to the movement toward a more partnership-like approach to the management of IR. In all other cases traditional adversarialism was still found to prevail. AIB was the only case company operating within what might be seen as a high-tech service sector (indicative of the small proportion of Irish-owned MNCs not in traditional primary produce based sectors).

Another cogent factor that is highlighted in a review of the Irish context is the 'recency' with which Irish industry as a whole, and Irish-owned MNCs in particular, have internationalised. Characterising all of the cases examined was a lateness or

recency to international markets. As chapter three outlines the first wave of internationalisation by indigenous industry occurred in the 1970s as a number of Irish-owned MNCs pioneered a route into UK and US markets. A second wave was noted in the late-1980s and early-1990s as Irish-owned MNCs began to expand into mainland Europe and beyond. Moreover, the recent wave of internationalisation is characterised by an increase in the pace and size of acquisitions now being made by Irish-owned MNCs. What this suggests, and what the findings of this research confirm, is that Irish-owned MNCs have adopted a number of practices to overcome this lateness to internationalisation. In particular, Irish-owned MNCs have opted to acquire overseas concerns than to grow through the establishment of greenfield sites. Pressures for rapid returns on investment and a leanness of managerial resources have further shaped these growth strategies. The retention of existing management teams with strong local product knowledge could also be viewed as an attempt to overcome local obstacles or barriers to competitiveness.

Furthermore, the recency with which Irish-owned MNCs have internationalised can also in part explain the fragmented approach adopted by Irish-owned MNCs to HRM. Adopting a highly decentralised approach to the management of IR there have been a movement by three of the case companies to layer on top a centralised approach to the management of managers. Unable, as latecomers, to develop a large cadre of international managers to match their internationalisation, Irish-owned MNCs have opted to manage their overseas sites through the assignment of key managers. Management retention has thus become a crucial part of acquisition strategies, and local host country managers are only supplemented with key international Irish assignments. In short, the lateness with which Irish-owned MNCs have entered international arenas has meant that they are unable to mimic practices of the 'giants' or 'long established' MNCs – they have had to develop alternative

strategies.

Irish-owned MNCs appear to be fortunate in this respect in that they are able to draw from and accentuate a national identity that is highly regarded internationally in their developing of alternative approaches. The cases highlighted the way in which Irish-owned MNCs see their 'Irishness' – which is generally related to a more laid back and 'likeable', less impositional or directive style of management – as a key component in their acquistional growth strategies. This, combined with complementary 'softer' forms of co-ordination and control, has meant that Irish-owned MNCs have been able to succesfully acquire good companies (often in competition with MNCs from larger countries like the US or UK) and then appreciate the economies and synergies that result from having overseas companies within the group, without being compelled to impose a head-office mind-set or minimum standards that might stifle such gains. This was seen to filter through to a desire for Irish-owned MNCs to not want to be seen to be imposing collective or group-wide IR arrangements. Rather than shedding their national identity, Irish-owned MNCs seem to be doing very well by maximising it.

11.5 Conclusion

By comparing the proposed attributes of Irish-owned MNCs developed from the findings presented in chapters five through nine, and summarised in chapter ten, against the expectations from the literature reviewed in chapter two, this chapter has shown Irish-owned MNCs to be a particular case. Moreover, the particularity of these attributes has been related to the country and company contextual factors pieced together in chapter three and at the beginning of the case chapters. While these findings subsequently disprove the globalisation thesis with regard to the development of Irish-owned MNCs and the management of HR and IR, they also

indicate that Irish-owned MNCs are responding to the forces of globalisation and partially adopting certain aspects outlined in the globalisation literature. Similarly, while this study has shown that the behaviour of Irish-owned MNCs cannot simply be explained by the small size of the Irish economy, many of the expectations outlined in the small countries literature can be seen to account for certain attributes of this behaviour.

Subsequently, in the light of these findings, this research would argue that the best means of understanding Irish-owned MNCs behaviour is through an eclectic appreciation of all the literatures reviewed in this work. Indeed, it may have only been through the combination of the insights from the different literatures that many of the findings of this research surfaced. For example, to see the way in which managers of Irish-owned MNCs are distinctive in their self-reflexive maximisation of national identity, may not have been fully understood without an understanding of all the literatures drawn upon in this thesis. Thus, while this thesis would advocate down-playing the influence of globalisation on MNCs from countries such as Ireland, it would caution against disregarding the expectations that underpin it – these may be shaping MNC practices even if these are nationally distinctive. The following concluding chapter will now turn to an examination of the implications of these findings.

CHAPTER 12

CONCLUSIONS

This final chapter summarises the main findings and contributions of this research. These are, firstly, that Irish-owned MNCs are characterised by a 'fragmented' approach to the management of IR and HR – namely, a highly decentralised approach to the management of IR and a recent layering on of a highly centralised approach to the management of managers. Secondly, that Irish MNC behaviour is distinctive from the expectations of the globalisation and small countries literatures. Their particularity can be linked to their recent internationalisation, their smallness, their individual company histories, their maximisation of national identity and Ireland's pattern of late industrialisation. Understanding this particularity is best achieved by appreciating that the globalisation, small countries and Irish industrial history literatures all provide insights into the way that Irish-owned MNCs have developed. Chapter twelve describes these conclusions in more detail, assesses their significance, examines the implications for theory and practice and, subsequently, outlines areas for future research that may build upon the contributions of this research.

12.1 INTRODUCTION

The aims of this exploratory research were to investigate the approaches adopted by Irish-owned MNCs to the management of IR and HR and to assess the distinctiveness of Irish-owned MNC behaviour. Adopting a head office-centred approach, this thesis examined the broad demography of Irish-owned MNCs and the factors shaping patterns of behaviour within them, with regard to the management of IR and HR. To this end, a questionnaire-based survey and case-based analysis of four representative companies were employed. In this final chapter, the main findings and contributions of this research are summarised, the implications of these findings are identified and areas of future research outlined.

12.2 SUMMARY OF THE RESEARCH FINDINGS AND THEIR SIGNIFICANCE

In contrast to the expectation of homogenisation outlined in the globalisation literature, this thesis has found that Irish-owned MNCs adopt a fragmented or dual approach to the management of IR and HR. In relation to the collective management of non-managerial employees, Irish-owned MNCs were found to adopt, or be moving towards, a highly decentralised approach. This approach is structurally

reinforced through the maintenance of local company identities, a refusal to enter direct discussions with trade unions at a head office level and by the movement toward the use of subcontracting. In examining approaches to the management of HR it was found that Irish-owned MNCs are concerned with the co-ordination and development of managerial resources from a head office perspective and have recently 'layered' highly centralised approaches to HR on to decentralised approaches to the management of IR. While the AIB case may be an 'outlier' in its combining of a partnership approach to the management of non-managerial staff with a more centralised approach to the management of managers, this behaviour can be linked to specific sector within which they operate.

In short, this thesis suggests that in an attempt to mediate globalisation (and maintain highly decentralised financially-driven approaches to the management of sites), Irish-owned MNCs have 'fragmented' their approach to HRM. Rather than supercede their traditional highly decentralised approach to the management of IR, a more strategic and centralised approach to the management of mangers has been added to it. Moreover, this thesis found that this dual approach becomes 'blurred' when the decentralised approach to IR is threatened. For example, in relation to the introduction of European-wide employment legislation such as the EWC, it was found that the head offices of Irish-owned MNCs are adopting a highly interventionist role in the preventing or 'managing' of its introduction. In effect, the movement to a more homogenous approach to HRM for Irish-owned MNCs is seen to constitute a threat to their internationalisation strategies by impinging upon the cost and synergistic benefits provided by encouraging 'diversity' across Groups.

The second main finding of this research is that the behaviour of Irish-owned MNCs is distinctive from the expectations of the globalisation and the small countries

literatures reviewed in chapter two. The particular attributes of Irish-owned MNCs can be linked to *country* factors, highlighted in chapter three, and *company* factors delineated in the case studies. To summarise, the globalisation literature highlighted a number of expectations or contentions that were not borne out in Irish-owned MNCs. While Irish-owned MNCs were found to be engaging in the widely purported global trend of organisational restructuring, there was little to suggest their movement toward global forms or along global lines. Reflective of their histories, Irish-owned MNCs are structured along multi-domestic or regional lines. The globalisation thesis also contends that MNCs pursue synergistic routes to globalism. However, confirming more recent research by Edwards *et al.* (1996), Irish-owned MNCs were found to be concurrently pursuing both financial and synergistic 'routes' to globalism. Also, in stark contrast to claims made in the globalisation literature, Irish-owned MNCs are increasing and growing their 'centres', particularly through the recent establishment of head office HR functions. Finally, this research questions the contention that MNCs 'shed' their national identity as they internationalise. This thesis clearly demonstrates that Irish-owned MNCs are, on the contrary, *maximising* their national identity. Indeed, this was identified by many managers as key to their growth strategies and may subsequently be seen reflected in Irish-owned MNCs' centralised-decentralised structures, their control mechanisms and their approach to local IR autonomy.

This thesis also found the behaviour of Irish-owned MNCs to be significantly different from the expectations outlined in the small countries literature and, in particular, the case of Swedish MNCs. In contrast to a broad premise of this literature, Irish-owned MNCs were found to be late to enter international markets. While Sweden is characterised by a small number of large long established MNCs, Irish MNCs are small in number and size and moreover, did not internationalise until

the 1960s at the earliest. Furthermore, while it was found that the smallness of Ireland's domestic market was an impetus to the internationalisation of many Irish companies, tracing the development of these case companies highlighted other factors, such as the rising negative local economic dependencies and IR problems in the 1970s, as shaping the development of Irish-owned MNCs. A review of the current Swedish IR system highlighted the drive by Swedish MNCs to decentralise bargaining to local enterprise levels. Leveraging off their strong 'power' base within SAF, Swedish MNCs have actively campaigned for the decentralisation of collective bargaining. In contrast, Irish-owned MNCs were found to largely comply with the norms established within centralised agreements. In short, in contrast to the Swedish case there was little to suggest that Irish-owned MNCs are attempting to break through current wage constraints.

In accounting for these distinctive attributes, the particularity of Irish-owned MNC behaviour was found to be linked to the influence of a number of *country* factors reviewed in chapter three and *company* factors described in the case study backgrounds presented in chapters six through nine. At the *company* level, it was found that particular historical developments, especially key IR events, have shaped HRM within Irish-owned MNCs; that the small size of these companies is a defining factor in shaping the form of internationalisation pursued, their acquisitional criteria and their adoption of a centralised approach to the management of managers. Moreover, it was found that the recency with which Irish-owned MNC have internationalised influences, in particular, the pre-requisite of management retention in newly acquired companies and the assignment of key managers to 'strategic' functions overseas, as Irish-owned MNCs attempt to overcome barriers to late internationalisation. In addition, a key theme to emerge in this research was the manner in which an 'Irish' management style and national 'image' has influenced

the development of Irish-owned MNCs to the point where this style is now either implicitly or explicitly influencing their internationalisation strategies, their structures, their control mechanisms and their approach to IR and HR. In addition, two *country* factors were found to be shaping the behaviour of Irish MNCs. The research findings suggest that patterns of late industrialisation have given rise to the particular sectoral clusterings and organisational forms of Irish-owned MNCs. Subsequently, the key attributes emanating from the concentration of Irish-owned MNCs within traditional or resource-based sectors has shaped the form of their late internationalisation and the degree of their IR fragmentation. Hence, in support of Roche's (1998b) thesis, this research suggests that it is the degree to which these traditionally sheltered sectors have opened up to forces of competitiveness that has shaped the fragmented approaches of Irish-owned MNCs. This is particularly evident with the AIB case, where the recent deregulation of the industry has, at least in ideological terms, resulted in the movement toward a partnership-like approach. In short, it was found that a combination of late industrialisation, 'recency' to internationalisation, smallness of company size, sectoral location, historical legacies and national identity account for the particularity of the Irish case.

What seems certain from this research is that Irish-owned MNCs are both global and local (cf. Hyman, 1999). While acknowledging the forces of globalisation, the results of this research question the 'globalisation thesis' and the notion of a 'global model' towards which all MNCs are evolving. Moreover, as with the globalisation literature, while the small countries literature in part explains the case of Irish-owned MNCs, it fails to account for many of Irish-owned MNCs' specific attributes. This research subsequently argues that an understanding of the manner of the interplay of global and local forces in MNCs can best be achieved through an examination of the specific impact of company history, country and company size, sector, recency to

internationalise and industrialisation. It concludes that an understanding of national and company contextual features must compliment an understanding of existing global and/or small country generalisations if one is to fully appreciate the complex forces impacting on MNC behaviour. Hence, this thesis argues for an eclectic approach where the benefits of drawing from many different literatures are appreciated.

The research contributions of this thesis may consequently be summarised as follows. Firstly, this work marks out a territory hitherto unexplored, namely the nature and behaviour of Irish-owned MNCs and demonstrates that their approach to the management of IR and HR is distinct from foreign-owned MNCs which have thus far been the focus of attention. It proposes a tentative framework of the behaviour of Irish-owned MNCs and their approach to the management of IR and HR, a framework that can be built upon and developed in future research.

Secondly, it adds weight to a literature that questions applicability of the 'globalisation thesis' to the approaches adopted by MNCs to the management of their employment relationships, particularly those originating from small countries. Much of the literature on HRM within MNCs focuses on the experiences of large, long established MNCs from large advanced economies. In contrast, this research highlights the importance of investigating small to medium-sized and recently internationalised MNCs from small, late industrialised economies, such as Ireland, as a means of providing new insights. For example, this research has shown that Irish-owned MNCs promote their national identity as a means of achieving the corporate benefits of globalisation without meeting with the sort of resistance associated with MNC from larger countries with more 'abrasive' management styles.

Finally, this thesis further adds to the literature by highlighting the importance of historical factors, in particular significant IR turning points, in shaping an understanding of approaches to the management of IR and HR. Thus, it indicates that current models of global forms of MNCs are simplistic in their failure to capture the complexity of particular histories in shaping the organisational forms adopted by MNCs. At best, these typologies serve to suggest the motivations driving routes to globalism. However, this research questions notions of the inevitable evolution of MNCs toward a homogeneous 'end state' where national particularities become irrelevant, as suggested within the globalisation literature. The Irish case shows MNCs to pursue different paths to globalism – paths that may involve the maximisation of national identity.

12.3 Implications for Theory and Practice

As the paragraphs above have already indicated the findings outlined here have a broad range of implications. These are summarised in this section in relation to academic debates concerning globalisation and HRM, research on HRM in Ireland, implications for Irish policy makers (and potentially policy makers from other small countries), and managers and employee representatives involved in Irish industry.

In terms of the broader debates, this research, while acknowledging the impact of forces of globalisation and the motivations driving or underlying the management of MNCs, questions the main contentions of the globalisation thesis by outlining the differing paths taken by Irish-owned MNCs to globalism. Irish MNC behaviour suggests the co-existence of traditional forms of control with globalising motivations. Hence, it supports the view that theorists need to get beyond a number of debates that have focussed on polarisations that seem no longer appropriate. The findings of this research suggest that this would not only include 'global *versus*

local' arguments, but also debates that see the achievement of cost and synergestic benefits as *contradictory*, centralisation as *distinct* from decentralisation, and HRM practices as homogenising *or* remaining nationalistic.

In relation to current HRM debates within Ireland, this research, in keeping with the above, appears to confirm current notions of fragmentation (Roche, 1998a). This would imply a need for current debates with regard to Irish IR and HR practices to move beyond notions of convergence versus divergence and towards an examination of the manner in which Irish companies 'manage the tension' between forces of globalisation and local pressures.

The findings presented here also have implications for Irish policy makers, implications that could also be utilised in other small countries. This research has confirmed that the policies 'toward equilibrium' (cf. chapter three), implemented over the past decade, have been well founded and are beginning to bear fruit. Irish-owned MNCs have quickly grown in size, stature and in terms of their contributions to Irish economic development. Also, it confirms that Irish-owned companies are a particular case and have different strengths from other MNCs.

The main implication for Irish-owned MNCs and their management is the importance of not disregarding either the global model or Irish traditions but rather to explore individual approaches for mediating the tension between global ambitions and local concerns and necessities within their given contexts. For Irish managers this research suggests developing an appreciation of their 'distinctiveness' as a means of competing in international markets. Hence, for Irish MNCs who view the globalisation 'recipe' as the panacea to low growth rates, these results serve caution against the wholesale adoption and acceptance of models or 'best practices' which

have little in common with local attributes. However, in light of their 'recency', Irish-owned MNCs are in a position to utilise and adapt (without mimicking) the 'best practices' of larger, longer established MNCs – they are in a position to learn and capitalise from the mistakes of the 'giants'. These findings would also argue against Irish MNCs 'shedding' their nationality – it appears that keeping a strong head office and operational presence within Ireland is key for Irish-owned MNCs in maintaining their competitive advantage. Through the identification and further exploration of the 'particularity' of the Irish case, key attributes of Irish models (such as the post-acquisitional control model described in chapter ten), can be highlighted and leveraged off.

For employee representatives and trade unions the challenge is one of maintaining local and national influence on the agendas of not just these MNCs but also on industrial policy as MNCs come to be regarded as increasingly important to national development. With regard to changes in IR approaches, this research demonstrates the ability of Irish MNCs to secure low levels of unionisation overseas as part of their drive to become more 'globally competitive'. While this research is not conclusive on whether this is an explicit policy of 'regime shopping' in the light of high unionisation and past industrial tensions in Ireland, or a form of international division of labour in light of a lack of production integration, employee representatives need to remain abreast of these developments and lobby government and public bodies accordingly. They may, for example, benefit from promoting awareness about the importance of Irish-owned MNCs maintaining a strong local presence and identity. However, this research also highlights the impact of changing competitive forces in forcing or facilitating a movement toward more partnership-based approaches in particular cases (cf. chapter nine). Employee representatives may be able to use this development to their advantage as examples of 'best

employment relations practices'.

12.4 Areas for Future Research

In conclusion, the findings of this research constitute a firm basis for recommending a number of future research trajectories. Given that this research is exploratory in nature, there is scope for further studies to test out and confirm the propositions made in chapter ten and eleven here on a broader rather of in-depth cases. In light of the sectoral differences highlighted in this work further studies of this nature might look in more detail at sectoral effects, perhaps toward developing variant models within the broad attributes of Irish-owned MNCs. A great deal more study could also be done into one of this work's key findings – that particular company and country contextual factors influence the management of IR and HR. Along these lines, and in the light of the difficulty encountered in constructing a picture of Irish industrial development in relation to organisational and IR and HR development in chapter three, there is a need for a more comprehensive history of Irish IR to be written with regard to the impact of this history upon the shaping of Irish companies and an Irish style of management.

This thesis has indicated that while the effects of globalisation are manifest in MNC development, the actual picture, within Ireland in any case, is a far more complex mix of global and local forces than is often reported in the globalisation literature. More research into how MNCs from different national origins reconcile these tensions would further add to an interesting stream of research. Furthermore, while the small countries literature has been shown to provide a number of useful insights, the Irish case reported here would encourage more studies into different small countries so as to mediate the biases that may occur in extrapolating from a largely Scandinavian based set of generalisations.

Finally, this study would encourage picking up on one particularly interesting dimension in data presented here. This is the manner in which an intangible 'factor endowment' (to borrow from Dicken, 1998) such as a 'sense of Irish-ness' may be 'used' as a competitive advantage that enables companies to grow internationally. This would suggest two new avenues for research that could be carried out either in Ireland or in other small countries or indeed in a general sense. These would be, firstly, to investigate how a sense of nationality can be capitalised in order to achieve globalising outcomes, particularly for those MNCs from small countries. Secondly, a critical perspective could be taken to examine how a small, 'open and friendly' country like Ireland may find its culture being appropriated by managers in order to facilitate the achievement of global ambitions. Developing an awareness of how this may be happening would provide interesting substance for trade unions concerned with the increasing persuasiveness of globalisation rhetoric and the subsequent marginalisation of local interests.

REFERENCES

Aggarwal, R. and Ghauri, P. (1991). 'The Evolution of Multinationals from a Small Economy: A Study of Swedish Firms in Asia', in P. Buckley and J. Clegg *Multinational Enterprises in Less Developed Countries*. London: Macmillan.

Andersson, T., Fredriksson, T. and Svensson, R. (1996). *Multinational Restructuring, Internationalization and Small Economies: The Swedish Case*. London and New York: Routledge.

Armstrong, P., Marginson, P., Edwards, P.K. and Purcell, J. (1998). 'Divisionalization in the UK: Diversity, Size and the Devolution of Barginning', *Organization Studies,* 19(1): 1-13.

Baliga, B.R. and A.M. Jaeger (1984). 'Multinationals Corporations: Control Systems and Delegation Issues', *Journal of International Business Studies*, 15: 25-40.

Bartlett, C. and Ghoshal, S. (1989). *Managing Across Borders*. London: Hutchinson Business Books.

Bartlett, C. and Ghoshal, S. (1993). 'Beyond the M-Form: Toward a Managerial Theory of the Firm', *Strategic Management Journal*, 14: 23-46.

Berger, S. and Dore, R. (1996). *National Diversity and Global Capitalism*. New York: Cornell University Press.

Berggren, C. (1996). 'Building a Truly Global Organisation? ABB and the Problems of Integrating a Multi-domestic Enterprise', *Scandinavian Journal of Management*, 12(2): 123-37.

Bolger, P. (1977). *The Irish Co-operative Movement: Its History and Development.* Dublin: Institute of Public Administration.

Bourke, P. and Kinsella, R.P. (1988). *The Financial Services Revolution: An Irish Perspective*. Dublin: Gill and Macmillian.

Brady, P (1973). *Cement Industry: A Study of the United Kingdom,* Unpublished MBA Thesis. University College Dublin.

Brannick, T (1998). 'An Overview of the Research Process', in Brannick, T. and Roche, W.K. (eds.), *Business Research Methods: Strategies, Techniques and Sources*. Dublin: Oak Tree Press, (pp. 1-31).

Brannick, T. and Roche, W.K. (1998). *Business Research Methods: Strategies, Techniques and Sources*. Dublin: Oak Tree Press.

Bromley, S. (1996). 'Commentary: Globalization?', *Radical Philosophy, 80,* Nov/Dec.

Buchanan, R. and Sands, R. (1995). 'The Transformation of the International Economy - Managing the Global Economy From the Centre', in S. Crainer (ed.) *The Financial Times Handbook of Management*. London: Pitman.

Business and Finance (1994): *Top 1000 Companies*, Dublin: Belenos Publications Ltd.

Business and Finance (1996): *Top 1,500 Companies*, Dublin: Belenos Publications Ltd.

Business and Finance (1998): *Top 1,500 Companies*, Dublin: Belenos Publications Ltd.

Caligiuri, P.M. and Stroh, L. (1995). Multinational Corporations Management Strategies and International Human Resources Practices: Bringing IHRM to the Bottom-line, *International Journal of Human Resource Management,* Sept: 495-540.

Campbell, D. (1993). 'The Globalising Firm and Labour Institutions', in Bailey, P., Parisotto, A. and Renshaw, G. *Multinationals and Employment - The Global Economy of the 1990s*. International Labour Office: Geneva.

Chandler, A.D. (1962). *Strategy and Structure: Chapters in the History of Industrial Enterprise*. Cambridge. MA: MIT Press.

Chang, E. and Taylor, M.S. (1999). 'Control in Multinational Corporations (MNCs): The Case of Korrean Manufacturing Systems', *Journal of Management*, 25(4): 541-564.

Channon, D.F. (1973). *The Strategy and Structure of British Enterprise*. London: Macmillan.

Chapman Flood (1996). *Acquisition Surveys 1993-96*, Dublin: Chapman Flood Corporate Finance in association with M&A International Limited (Ireland).

Chaykowski, R. and Giles, A. (1998). 'Globalization, Work and Industrial Relations', *Relations Industrielles*, 53(1).

Clancy, P., O'Malley, E., O'Connell, L. and van Egeraat, C. (1997). 'Culliton's Clusters: Still the Way to go?', *NESC Conference Proceedings*, Dublin, 27th November.

Coller, X and Marginson, P. (1998). 'Transnational Management Influence Over Changing Employment Practice: A Case from the Food Industry', *Industrial Relations Journal*, 29(1): 4-17.

Coller, X. (1996). 'Managing Flexibility in the Food Industry: A Cross-national Comparative Case Study in European Multinational Companies', *European Journal of Industrial Relations*, 2(2): 153-72.

Dicken, P. (1998). *'Global Shift: The Internationalization of Economic Activity'*, London: Paul Chapman.

DiMaggio, P.J. and Powell, W.W. (1983). 'The Iron Cage Revisited', *American Sociological Review*, 48(1): 147-60.

Dineen, D. and Garavan, T. (1994). 'Ireland: The Emerald Isle - Management Research in a Changing European Context', *International Studies of Management and Organisation*, 24(1-2): 137-64.

Donnelly, N. (1993). 'The Effects of Technological and Structural Changes on Employment in Major Irish Banks', *Sectoral Activities Programme Working Papers*. Geneva: ILO.

Donnelly, N. (1996). 'The Management of Human Resources and Industrial Relations in Irish-owned Multinationals', *Management Research in Ireland Conference*, University College Cork, 9th-10th September, 1996.

Dore, R. (1967). *Aspects of Social Change in Modern Japan.* Princeton, NJ: Princeton University Press.

Doremus, P., Keller, W.W, Pauly, L.W. and Reich, S. (1998). *The Myth of the Global Corporation*. Princeton, NJ: Princeton University Press.

Doz, Y. and Prahalad, K. (1991). 'Managing DMNCs: "A Search for a New Paradigm"', *Strategic Management Journal,* 12: 145-64.

Dunning, J. (1991). *Multinational Enterprises and the Global Economy.* Wokingham, Addison-Wesley.

Dunning, J. (1993). *The Globalization of Business: The Challenge of the 1990s.* London: Routledge.

Edstrom, A. and Galbraith, J. (1977). 'Transfer of Managers as a Co-ordination and Control Strategy in Multinational Organizations', *Administrative Science Quarterly*, 22(6): 248-63.

Edwards, P., Ferner, A. and Sisson, K. (1996). 'The Conditions for International Human Resource Management: Two Case Studies', *The International Journal of Human Resource Management*, 7(1): 20-40.

Edwards, P.K., Amstrong, P, Marginson, P. and Purcell, J. (1996). 'Towards the Transnational Company? The global structure and organisation of multinational firms' in R. Crompton, D. Gallie and K. Purcell (eds), *Changing Forms of Employment.* London: Routledge.

Edwards, P.K., Ferner, A, and Sisson, K., (1993). 'People and the Process of Management in the Multinational Company: A Review and Some Illustrations', *Warwick Papers in Industrial Relations*, 43, Coventry: University of Warwick.

EIRR (1996) 'Big Two banks introduce flexible working models', August, 217:8-9.

Eisenhardt, K. (1989). 'Building Theories from Case Study Research', *Academy of Management Review*, 14 (4): 532-50.

Enderwick, P. (1986). 'Multinationals and Labour Relations: The Case of Ireland', *Journal of Irish Business and Administrative Research*, 8: 1-11.

Euroconstruct (1999) The European Construction Industry 1999/2000, Paper presented at the 47th Euroconstruct Conference in Prague, June 10-12.

European Industrial Relations Review (EIRR) (1996). 'Ireland: Unions attack new EWC at CRH', 272 (7).

European Works Council Bulletin (EWCB) (1996). 'CRH's minimalist response', 5, September/ October: 16-7.

Ferner, A and Quintanilla, J. (1998). 'Multinationals, National Business Systems and HRM: The Enduring Influence of National Identity or a Process of "Anglo-Saxonization"?', *International of Human Resource Management,* 9(4): 710-31.

Ferner, A. (1994). 'Multinational Companies and Human Resource Management: An Overview of Research Issues', *Human Resource Management Journal*, 4(3): 79-102.

Ferner, A. (1997). 'Country of Origin Effects and HRM in Multinational Companies', *Human Resource Management Journal,* 7(1): 19-37.

Ferner, A. and Edwards, P.K. (1995). 'Power and the Diffusion of Organisational Change within Multinational Enterprises'. *The British Journal of Industrial Relations,* 37(1): 229-57.

Ferner, A. and Hyman, R. (1998). *Changing Industrial Relations in Europe*, (2nd ed.). Oxford: Blackwell.

Foras Aiseanna Saothair (FAS) (1994). *Print and Paper Industry: Sectoral Study Report*, Colin McIver Associates: Dublin.

Forfas (1996). *Shaping our Future: A Strategy for Enterprise in Ireland in the 21st. Century*. Dublin: Forfas Publications.

Forfas (forthcoming) *Enterprise 2010*, Dublin: Forfas Publications.

Forsgren, M. (1990). 'Managing the International Multi-Centre Firm', *European Management Journal*, 8(2): 261-7.

Forsgren, M. and Johanson, J. (1989). *Managing Networks in International Business*. Reading: Gordon and Breach.

Forsgren, M., Holm, U. and Johanson, J. (1992). 'Internationalisation of the Second Degree: The Emergence of European-Based Centres in Swedish Firms', in S. Young and J. Hamill *Europe and the Multinationals: Issues and Responses for the 1990s*. London: Edward Elgar.

Forsgren, M., Holm, U. and Johanson, J. (1995). 'Division Headquarters Go Abroad - A Step in the Internationalization of the Multinational Corporation', Journal of Management Studies, 32 (4): 475-91.

Forster, N. and Johnsen, M. (1996). 'Expatriate Management Policies in UK Companies New to the International Scene', *The International Journal of Human Resource Management*, 7(1): 179-205.

Franko, L. (1976). *The European Multinationals: A Renewed Challenge to American and British Big Business*. London: Harper Row.

Frenkel, S.J. (1994). *Patterns of Workplace Relations in the Global Corporation: Toward Convergence*. London: Allen & Unwin.

Frenkel, S.J. and Peetz, P. (1998). 'Globalization and Industrial Relations in East Asia: A Three Country Comparison'. *Industrial Relations,* 37(3): 305-10.

Geary, J.F and Roche, W.K. (1999). 'Multinationals and Human Resource Practices in Ireland: A Rejection of the "New Conformance Thesis"', *Centre for Employment Relations and Organisational Performance Working Paper*. Dublin: University College Dublin.

Ghauri, P. (1990). 'Emergence of New Structures in Swedish Multinationals', in S.B. Prasad (ed.). *Advances in International Comparative Management*. Greenwich, Conn.: JAI Press.

Giles, A. (1996). 'Globalisation and Industrial Relations' in *The Globalisation of the Economy and the Worker: Selected Papers from the XXXIInd Annual CIRA Conference*, Canadian Industrial Relations Association.

Glaser, B. and Strauss, A. (1967). *The Discovery of Grounded Theory: Strategies of Qualitative Research*. London: Wiedenfeld and Nicholson.

Goldthorpe, J.H. and Whelan, C. T. (1992). *The Development of Industrial Society in Ireland*, The British Academy, Oxford: Oxford University Press.

Government of Ireland (1989) *European: 1992 and the Construction Sector - A Report for the European Bureau*, Department of the Taoiseach', The Stationery Office: Dublin

Government of Ireland (1989). *European: 1992 and the Food and Drink Industry - A Report for the European Bureau*, Department of the Taoiseach, Dublin: The Stationery Office.

Government of Ireland (1990) *European: 1992 and the Financial Services Sector*, The Stationery Office: Dublin.

Government of Ireland (1990). *European: 1992 and the Financial Services Sector - A Report for the European Bureau*, Department of the Taoiseach, Dublin: The Stationery Office.

Government Publications (1994): *National Development Plan 1994-1999*, Dublin: The Stationery Office.

Gunnigle, P. (1992). 'Management Approaches to Employment Relations in Greenfield Sites', *Journal of Irish Business and Administrative Research,* 13: 20-36.

Gunnigle, P. (1997). 'Industrial Relations and Human Resource Management in Ireland: Current Trends and A Perspective on the Future', paper presented at the *Irish Management Institute/Department of Enterprise, Trade and Employment Conference*, Galway, 7th November.

Gunnigle, P., Flood, P., Morley, M., and Turner, T. (1994) *Continuity and Change in Irish Employee Relations*. Dublin: Oak Tree Press.

Gunnigle, P., McMahon, G. and Fitzgerald, G. (1999). *Industrial Relations in Ireland: Theory and Practice* (2nd Edition). Dublin: Gill and Macmillan.

Gunnigle, P., Morley, M., Clifford, N., Turner, T., Heraty, N. and Crowley, M. (1997). *Human Resource Management in Irish Organisations: Practice in Perspective.* Dublin: Oak Tree Press.

Harvey, D. (1990). *The Condition of Postmodernity.* London: Blackwell.

Hastings, T. (1994). *Semi-States in Crisis: The Challenge for Industrial Relations in the ESB and Other Major Semi-State Companies.* Dublin: Oak Tree Press.

Hedlund, G and Rolander, D. (1990). 'Action in Heterarchies - New Approaches to Managing the MNC', in Bartlett, C., Y. Doz and G. Hedlund (eds.) *Managing the Global Firm.* London: Routledge.

Hedlund, G. (1986). 'The Hypermodern MNC', *Human Resources Managem*ent, 25: 9-36.

Hedlund, G. (1994). 'Organizing in-between. The Evolution of the Mother-Daughter Structure of Managing Foreign Subsidiaries in Swedish MNEs', *Journal of International Business Studies*, Autumn: 54-75.

Heenan, D.A. and Perlmutter, H.V. (1979). *Multi-national Organization Development: A Social Architecture Development.* Reading, MA: Addison-Wesley.

Hendry, C. (1994). *Human Resource Strategies for International Growth.* London: Routledge.

Hirst, P. and Thompson, G. (1996). *Globalization in Question: The International Economy and the Possibilities of Governance,* Cambridge: Polity Press.

Hofstede, G. (1980). *Culture's Consequences.* London: Sage.

Hogan, J. (1997). *Sean Lemass: The Enigmatic Patriot.* Dublin: Gill and Macmillian.

Hu, Y. (1992). 'Global or Stateless Corporations are National Firms with International Operations', *California Management Review,* 34: 107-26.

Hyman, R. (1999). 'National Industrial Relations Systems and Transnational Challenges: An Essay in Review', *European Journal of Industrial Relations,* 5(1): 89-110.

Industrial Policy Review Group (1992) *A Time for Change: Industrial Policy for the 1990s*, Dublin: Stationery Office.

Katzenstein, P. (1985). *Small States in World Markets: Industrial Policy in Europe.* London: Cornell University Press.

Kelly, A. and Brannick, T. (1985). 'Industrial Relations Practices in Multinational Companies in Ireland', *Journal of Irish Business and Administrative Research,* 7: 98-111.

Kennedy, K.A. (1992). 'The Context of Economic Development', in Goldthorpe, J.H. and Whelan, C.T. (eds.), *The Development of Industrial Society in Ireland,* Oxford: Oxford University Press.

Kennedy, K.A., Giblin, T. and Mc Hugh, D. (1988). *The Economic Developement of Ireland in the Twentieth Century.* London: Routledge.

Kjellberg, A. (1998). 'Sweden: Restoring the model', in Ferner, A. and Hyman, R., *Changing Industrial Relations in Europe* (2nd Edition). Oxford: Blackwell (pp.74-117).

Kristensen (1996). 'On the Constitution of Economic Actors in Denmark: Interacting Skill Containers and Project Coordinators', in Whitley, R. and Kristensen, P.H. (eds.) *The Changing European Firm.* London: Routledge (pp. 118-57).

Kristensen, P.H., Lilja, K. and Tainio, R. (1996). 'Comparing typical firms in Denmark and Finland: The basis of the Danish and Finnish case-studies', in Whitley, R. and Kristensen, P.H. (eds.) *The Changing European Firm.* London: Routledge.

Kumar, N. (1997). 'Multinational Corporations', in N. Nicholson (ed) *The Blackwell Encyclopedic Dictionary of Organizational Behavior.* London: Blackwell (pp. 3560-5).

Lane, C. (1995). *Industry and Society in Europe: Stability and Change in Britain, Germany and France.* Aldershot, UK: Edward Elgar.

Leavy, B (1995). 'Strategy Vision and Inspirational Leadership' in B. Leavy and J. Walsh (eds) *Strategy and General Management: An Irish Reader,* Oak Tree Press: Dublin.

Leavy, B and Wilson, D. (1994). 'A State-Owned enterprise - Comhlucht Siuicre Eireann Teoranta', in *Strategy and Leadership*. London: Routledge.

Leavy, B. (1988) 'Strategy Formation in Irish Complex Organisations', *Unpublished PhD dissertation*, Warwick Business School, Coventry, UK.

Leavy, B. (1993). 'Ireland: Managing the Economy of a Newly Independent State', in Hickson, D (ed), *Management in Western Europe: Society, Culture and Organisation in Twelve Nations*. New York: Walter de Guyter.

Levitt, T. (1983). 'The Globalization of Markets', *Harvard Business Review*, May/June.

Lilja, I.L. and Taino, R. (1996). 'The Nature of the Typical Finish Firm', in Whitley, R. and Kristensen, P.H. (eds.) *The Changing European Firm*. London: Routledge (pp. 158-75).

Loveridge, R. (1997). 'Review of "Richard Whitley and Peer Hull Kristensen (eds.): The Changing Euopean Firm - Limits to Covergence"', *Organization Studies*, 18: 1049-53.

Lundstrom, R. (1986). 'Banks and early Swedish multinationals' in Teichova, A. Levy-Leboyer, M. and Nussbaum, H. (eds.) *Multinational Enterprise in Historical Perspective*. Cambridge: Cambridge University Press.

Lynch, J. and Roche, F. (1996). *Business Management in Ireland: Competitive Strategies for the 21st. Century*, Dublin: Oak Tree Press.

Mabon, H. (1996). 'Human Resource Management in Sweden', *Employee Relations*, 17(7): 57-82.

Marceau, J. (1992). 'Small Country Business Systems: Australia, Denmark and Finland Compared', in R. Whitley (ed.) *European Business Systems Firms and Markets in their National Contexts*. London: Sage.

Marginson, P. (1985). 'The Multidivisional Firm and Control Over the Work Process', *International Journal of Industrial Organization*, 3: 37-56.

Marginson, P. (1994). 'Multinational Britain: Employment and Work in an Internationalised Economy', *Human Resource Management Journal*, 4 (4): 63-80.

Marginson, P. and Sisson, K. (1994). 'The Structure of Transnational Capital in Europe: The Emerging Euro-Company and its Implications for Industrial Relations', in R. Hyman and A. Ferner (eds.), *New Frontiers in European Industrial Relations*, Oxford: Blackwell.

Marginson, P. *et al.*, (1993). 'The Control of Industrial Relations in Large Companies: An Initial Analysis of the Second Company Level Industrial Relations Survey', *Warwick Papers in Industrial Relations*, 45, University of Warwick: Coventry.

Marginson, P., Armstrong, P., Edwards, P.K. and Purcell, J. (1995). 'Extending Beyond Borders: Multinational Companies and the International Management of Labour', *The International Journal of Human Resource Management*, 6(3): 702-19.

Marginson, P., Edwards, P.K., Purcell, J. and Sisson, K. (1988). *Beyond the Workplace.* Oxford: Blackwell.

Maurice, M. and Sellier, F. (1979). 'A Societal Analysis of Industrial Relations', *British Journal of Industrial Relations,* 17(3): 322-36.

Maurice, M., Sellier, F. and Silverstre, J-J. (1986). *The Social Foundations of Industrial Power.* Cambridge, MA: MIT Press.

May, T. (1997). *Social Research - Issues, Methods and Process.* Buckingham, UK: Open University Press.

McCarthy, C. (1973). *The Decade of Upheaval: Irish Trade Unions in the Nineteen Sixties.* Institute of Public Administration: Dublin.

McGovern, P. G. (1989). 'Union Recognition and Union Avoidance in the 1980s', in *Industrial Relations in Ireland.* Dublin: University College Press (pp. 61-72).

McKern, B. (1995). 'The Transformation of the International Economy - Overview' in S. Crainer (ed.), *The Financial Times Handbook of Management.* London: Pitman.

McLuhan, M. (1962). *The Gutenberg Galaxy: The Making of Typographic Man.* London: Routledge.

McMullan, G. (1979) 'The Irish Bank Strike, 1919', *Saothar*, 5, 39-49.

Monks, K. (1996). 'Global or Local? HRM in the Multinational Company: the Irish Experience'. *The International Journal of Human Resource Management*, 7(3): 721-35.

Moore, K. and Lewis, D. (1996). 'The First MNEs: Assyria Circa 2000 BC', *Management Research Papers* No. 3, Templeton College, Oxford.

Mtar, M. and Quintanilla, J. (1997) Country of Origin Effect on Multinationals HRM: The Case of French Multinationals in Britain and Spain', paper presented at the *Second European Academics of Management Conference* (IFSAM), Brussels, 28th-30th August.

Mueller, F. (1994). 'Societal Effect, Organizational Effect and Globalization', *Organization Studies*, 15(3): 407-28.

Mueller, F. and Purcell, J. (1992). 'The Europeanization of Manufacturing and the Decentralization of Bargaining - Multinational Management Strategies in the European Automobile Industry', *International Journal of Human Resource Management*, 3(1): 15-34.

Murphy, M. (1998). 'Conducting Survey Research: A Practical Guide', in Brannick, T. and Roche, W.K. (eds.), *Business Research Methods: Strategies, Techniques and Sources*. Dublin: Oak Tree Press. (pp. 31-61).

Murphy, P. (1989). 'Gloves off and Out Fighting', *Banker*, 139.

Murphy, T.V. and Roche, W.K. (1997). *Irish Industrial Relations in Practice*. Dublin: Oak Tree Press.

National Development Plan (1994). Government Publications: Dublin.

Nevin, D. (1995). *Trade Union Century*. Mercier Press: Dublin.

Nissan, D. (1995). 'Management: A Regional Slice of the Global Pie', *The Financial Times*, August 14.

O'Connell, J. (1997). 'International Management - Volume VII', in C. Cooper and C. Argyris (eds.) *The Blackwell Encyclopedia of Management*. Oxford: Blackwell.

O'Doherty, D. (1993). 'Globalisation and performance of small firms within the smaller European economies', in M. Humbert (ed.) *The Impact of Globalisation on Europe's Firms and Industries*. London and New York: Pinter Publishers.

O'Dowd, J. and Hastings, T. (1998). in Roche, W.K., Monks, K. and Walshe, J. (eds). *Human Resource Strategies: Policy and Practice in Ireland*. Dublin: Oak Tree Press.

O'Grady, J. (1992). 'The Internationalisation Process in the Banking Industry: A Case Study of AIB and Bank of Ireland', *unpublished masters dissertation*, University College Dublin.

O'Malley, E. (1985). 'The Performance of Irish Indigenous Industry: Some Lessons for the 1980s', in J. Fitzpatrick and J. Kelly (eds.), *Perspectives on Irish Industry*, Dublin: Irish Management Institute.

O'Malley, E. (1992). 'Problems of Industrialisation in Ireland', in J. Goldthorpe and C. Whelan (eds.) *The Development of Industrial Society in Ireland*. Oxford: Oxford University Press.

O'Malley, E. (1998). 'The Revival of Irish Industry', *Quarterly Economic Commentary*. Dublin: ESRI.

O'Reilly, J. (1996). 'Theoretical Considerations in Cross-National Employment Research'. *Sociological Research Online,* 1(1).

OECD (1994). *Reviews of Foreign Direct Investment: Ireland*. OECD: Paris.

Ohmae, K. (1990). *The Borderless World: Power and Strategy in the Interlinked Economy*. New York: Harper.

Olsson, U. (1993). 'Securing the markets. Swedish Multinationals in a historical perspective', in Jones, G. and Schroder, H. (eds.), *The Rise of Multinationals in Continental Europe*. London: Edward Elgar.

Peat, Marwick, Mitchell and Co. (1982). *Banking in the Republic of Ireland*. Dublin: Peat et al Associates.

Perlmutter, H. (1969). 'The Tortuous Evolution of the Multinational Corporation', *Columbia Journal of World Business*, January-February: 9-18.

Phelps Brown, E.H. (1986). *The Origins of Trade Union Power*. Oxford: Oxford University Press.

Porter, M.E. (1986). *Competition in Global Industries*. Boston, Mass.: Harvard University Press.

Porter, M.E. (1990). *The Competitive Advantage of Nations*. New York: Free Press.

Prahalad, C. and Doz, Y. (1987). *The Multinational Mission: Balancing Local Demands and Global Vision*. London: Collier Macmillian.

Purcell, J. and Ahlstrand, B. (1989). 'Corporate Strategy and the Management of Employment Relations in the Multidivisional Company', *British Journal of Industrial Relations*, 27(3): 397-417.

Purcell, J. and Ahlstrand, B. (1994). *Human Resource Management in the Multi-Divisional Company*. Oxford: Oxford University Press.

Reich, R. (1991). 'Who is Them?' *Harvard Businss Review*, Mar/Apr: 77-88.

Roche, W.K, Monks, K. and Walshe, J. (eds). (1998). *Human Resource Strategies: Policy and Practice in Ireland*. Dublin: Oak Tree Press.

Roche, W.K. (1995). 'Industrial Relations', in Nevin, D. (ed) *Trade Union Century*. Dublin: Mercier Press.

Roche, W.K. (1998a). 'Between regime fragmentation and realignment: Irish industrial relations in the 1990s', *Industrial Relations Journal*, 29(2): 112-25.

Roche, W.K. (1998b). 'Documentary and Statistical Data Sources for Research in Industrial Relations and Human Resource Management', in Brannick, T. and Roche, W.K. (eds.), *Business Research Methods: Strategies, Techniques and Sources*. Dublin: Oak Tree Press. (pp. 263-80).

Roche, W.K. and Geary, J.F. (1994). 'The Attenuation of Host-Country Effects? Multinationals, Industrial Relations and Collective Bargaining in Ireland'. *Centre for Employment Relations and Organisational Performance Working Papers*, University College Dublin, No. 94-5.

Roche, W.K. and J.F. Geary (1997). 'Multinationals and Industrial Relations Practices', in T.V. Murphy and W.K. Roche (eds.) *Irish Industrial Relations in Practice*, Dublin: Oak Tree Press.

Roche, W.K. and Murphy, T. (1992). 'Bank of Ireland: Introduction of a new bank assistant grade under a plan to improve competitiveness' in S. Vickerstaff (ed.) *Human Resource Mangement in Europe*, London: Chapman and Hall.

Roche, W.K. and Turner, T. (1994). 'Testing Alternative Models of Human Resource Policy Effects on Trade Union Recognition in the Republic of Ireland, *International Journal of Human Resource Management*, 5(3): 721-53.

Ruigrok, W. and Van Tulder, R. (1995). *The Logic of International Restructuring*. London and New York: Routledge.

Sisson, K. (ed) (1989). *Personnel Management in Britain*. Oxford: Blackwell.

Stopford, J.M. and Wells, L.T. (1972). *Strategy and Structure of the Multinational Enterprise*. New York: Basic Books.

Swedenborg, B. (1979). *The Multinational Operations of Swedish Firms: An Analysis of Determinants and Effects*. Stockholm: The Industrial Institute for Economic and Social Research: Almqvist and Wiksell International.

Sweeney, P. (1991). 'The Employment Effects of the Commericalisation of Irish Public Enterprise', *Labour Market Review*, 2: 17-25.

The Labour Court (1970), Annual Report, Dublin.

Tsoukas, H. (1994). 'Refining Common Sense: Types of Knowledge in Management Studies'. *Journal of Management Studies*, 31: 761-80.

Tugendhat, C. (1971). *The Multinationals*. London: Eyre and Spottiswoode.

Turner, T., D'Art, D. and Gunnigle, P. (1997). 'US Multinationals: changing the framework of Irish industrial relations?'. *Industrial Relations Journal*, 28 (2): 92-102.

Vernon, R. (1971). *The Manager in the International Economy*. New York: Prentice Hall.

Visser, J. (1996). 'Corporatism Beyond Repair? Industrial Relations in Sweden', in Van Ruysseveldt, J. and Visser, J. (eds), *Industrial Relations in Europe*. London: Sage.

Waters, M. (1995). *Globalization*. Routledge: London.

White, R.E. and Poynter, T.A. (1989). 'Achieving World-wide Advantage with the Horizontal Organization', *Business Quarterly*, 54(2): 55-61.

Whitley, R. (1994). 'The Internationalization of Firms and Markets: Its Significance and Institutional Structure'. *Organization*, 1(1): 101-24.

Whitley, R. (ed.) (1992). *European Business Systems: Firms and Markets in their National Context*. London: Sage.

Wilkins, M. (1970). *The Emergence of Mulitnational Enterprises*. Cambridge, MA: Harvard University Press.

Williamson, O.E. (1975). *Markets and Hierarchy: Analysis and Anti-trust Implications*. New York: Free Press.

Woolridge, A. (1995). 'Survey of Multinationals (1)', *The Economist*, Vol 335: June 24, London.

Yin, R.K. (1994). *Case Study Research: Design and Methods*. Beverly Hills, CA: Sage.

NEWSPAPER ARTICLES

Business Plus, Stockwatch: Clondalkin Group, p.68 March 1998

The Economist (1995). 'Survey of Multinationals', 24 June.

The Financial Times.....

....., 'Irish food groups' growing appetite', March 13, 1998.

....., 'The Banker Top 1000 World Banks', July. (1998)

Industrial Relations News (IRN).....

.....(1994) 'Performance Appraisal: Matching Organisational and Individual Needs', 26 (7/7).

.....(1992) ' The Banks Strike: Major implications for the future of Industrial Relations in the Big Four', 15, April 9.

.....(1992) 'End of Strike heralds new era in Bank-Staff relations', 17, April 30.

.....(1995) 'AIB - 700 Bank Officials may pursue withheld pay', 45, November 30.

.....(1996) 'Bank, Employee Relations may be set to enter new era', 7, February 15.

The Irish Times.....

....., 'Greencore, IFA at odds over growers' demands', February 28, 1996.

....., 'CRH, Quinn group found to be operating price fixing', March 26, 1996.

....., 'Interview: Henry Lund, Deputy Chairman of the Clondalkin Group' June 7, 1996.

....., 'CRH will use 'opt-out' deal to prevent UK ballots', July 30, 1996.

....., 'ICTU steps up campaign against CRH works council, August 5, 1996.

....., 'Building boom to continue with annual growth of 12%', December 4, 1996.

....., 'Rapid growth of Irish food processing may slow down', December 11, 1996.

....., 'AIB pays record £840m for US bank', January 22, 1997.

....., 'Surprise at new cement plant plan', February 14, 1997.

.....,'Organic growth, acquisitions lift CRH profit 20.5% to £193.4m', March 5, 1997.

....., 'For Greencore, 1998 should be sweeter', December 5, 1997.

....., 'Interview - The Director's Chair: Kevin Kelly, Managing Director of AIB Bank, January 16, 1998.

....., 'Clondalkin records high rise in profits', Feb 18, 1998

....., 'Investment by company should ensure growth' Feb 18, 1998.

....., 'Clondalkin pays £58m for Netherlands firm', June 1, 1996.

The Sunday Times.....

....., 'Ireland's cement king Roche dies', July 11, 1999.

PUBLIC ADDRESSES AND COMPANY DOCUMENTATION

Address by AD Barry, 'Mergers, Acquisitions and Alliances: An Aid to Corporate Performance', IMI Conference, April 26, 1991.

Address by C. Hilliard, Human Resource Director, 1st May 'CRH - The International Building Materials Group', Graduate School of Business, University College Dublin.

Address by D. Dilger, 'Breaking into Foreign Markets', to The National Small Business Development Conference, 14th November, 1995.

Address by G. Murphy, 'Building Scale to Compete', to Foresight Business Studies Group, 3rd. March, 1993.

Address by G. Murphy, 'Meeting the Challenge of Becoming Competitive International Food Company', to the Agricultural Science Association Conference, 18th September, 1992.

AIB Group Publications (1996) 'The AIB Group'.

AIB Group, Annual Reports, *various years*, (1990-98).

The Cavendish Press, 'Cavendish News', *various years*.

Clondalkin Group Annual Reports, *various years,* (1991 – 98)

CRH Group Annual Reports, *various* years, (1990 – 98).

CRH Contact (1996), 'CRH plc Group Newsletter', No. 5.

Greencore Group, Annual Reports, *various years*, (1990-98).

Irish Bank Official's Association, Annual Reports, *various* years, (1991-98).

Irish Bank Officials Association (1988) '70 years a-growing 1918-1988', Dublin: IBOA.

Riada Ireland (1998). 'AIB Group- Company Report', The Investext Group.

WEBSITES

http://www.artlitho.com/

http://www.bbfprinting.com/

http://www.cavendishpress.com/

http://www.clondalkin-group.com/

http://www.crh.ie/

http://www.ditone.co.uk/

http://www.homepages.newnet.co.uk/ritchieuk/

APPENDIX 1

Public Relations Officer,
Company X,
23 Upper O'Connell Street,
Dublin 1.

3rd. Feb. 1994.

Dear Sir/Madam,

I am an Irish student from the Warwick Business School undertaking doctoral studies into the industrial relations and human resource practices of Irish-owned Multinationals operating in Europe.

At present I am attempting to identify organisations that meet those requirements and wonder would it be possible for you to send me an annual company report or any related publications from which I could extract this information. I would really appreciate your assistance in this matter as access to this type of information in Warwick is extremely limited.

I will, of course, be more than willing to meet any expenses that you might incur in the process.

Many Thanks in Advance,

Noelle Donnelly
Doctoral Researcher.

Mr. R. O'Brien,
Deputy Chairman,
Irish Printing Group,
Caseway Road,
Stillorgan,
Dublin 2.

11th. August 1994

Dear Ronan,

I wish to seek your support and co-operation regarding research activities at the Graduate School of Business, University College Dublin.

Ms Noelle Donnelly is currently undertaking a doctorate at the University of Warwick, with the support of the Michael Smurfit Graduate School of Business, into the human resource and industrial relations policies of Irish-owned multinational companies. Your organisation has been identified as one which meets her research criteria.

This research addresses a need to understand the competitive position of Irish-owned multinational companies at a European or World-wide level and I feel that your support would make a valuable contribution. Ms Donnelly will be contacting you over the coming week and would welcome the opportunity of discussing this further with you. She would also be delighted to furnish you with a summary report of her findings when completed.

Thanking you in advance for your time and support.

_____

Laurence Crowley

Monday 3rd. October.

Dear Mr. O'Brien,

I am writing to you in connection with some research activities I am currently undertaking. Laurence Crowley had suggested I contact you in order to seek your assistance in relation to this matter (please see attached).

The research I am conducting seeks to examine the human resource and industrial relations policies of Irish-owned multinationals and would involve a brief interview covering three main areas :

- Organisational Structure and Business Activities,
- Employment Structure,
- Human Resource and Industrial Relations Policies

This interview would take, at most, one hour to complete. Having processed this data, I would be delighted to furnish you with a summary report of the findings. I would like to assure you that full confidentiality will be preserved. As such, this study is interested in patterns of policy-making rather than individual company policies and therefore no individual company would be readily identifiable from the findings.

I enclose some background information which explains in more detail what this research is about and would welcome the opportunity to discuss this further with you. At this stage I would like to take the opportunity to thank you for your co-operation and appreciate the time and effort that you have given.

Yours sincerely,

Noelle Donnelly.

Sample of questions requiring more detailed information

The following is a sample of questions, extracted from the main questionnaire, which require information of a more detailed nature. I would be most grateful if you would complete these questions and return them, with your comments, to me at the following address:

Noelle Donnelly,
Business Research Programme,
Graduate School of Business,
Blackrock,
Co. Dublin.

If you have any queries I can be reached at Tel: 01 - 706 8992.
Fax 01 - 706 8007.

Once again I would like thank you for your co-operation and support in this matter.

Organisational Structure & Business Activities

7. Does your company have subsidiaries/sites **elsewhere in Europe**, as well as in Ireland ?

- ❑ Yes
- ❑ No

8. If Yes, how many ?

.....

9. If Yes, in which of these **European** countries?
(please tick as many as apply)

	Y/N		Y/N
Belgium		Austria	
Denmark		Iceland	
France		Norway	
Germany		Sweden	
Greece		Switzerland	
Italy		Finland	
Luxembourg			
Netherlands		Eastern Europe	
Portugal			
Spain			
Britain			

Employment

1. Approximately how many employees does the enterprise employ **world-wide**?

Number .....

2. Approximately what number (%) of the total are **within Ireland**?

Number (or %) .....

3a. Approximately what number (%) of the total are based **elsewhere in Europe**?

Number (or %) .....

3b. What percentage of the European figure is based in the **UK**?

Number (or %) .....

Industrial Relations/Human Resource Policies & Practices

14. Taking the **Irish operations** are **all**, **most**, **some** or **none** of the sites unionised?

- ❑ All
- ❑ Most
- ❑ Some
- ❑ None

15. If unionised, what proportion of the total Irish workforce are unionisation?

.....

16. If unionised, what are the three largest unions representing employees in the Irish operations :

1._____
2._____
3._____

26. For which of the following issues is information collected by the parent head office on a regular basis from operating sites **in Ireland** ?

Movements in rates of Pay	
Overall Labour Costs	
Strikes & forms of industrial action	
Overtime Working	
Numbers Employed	
No. of Resignations and nos. recruited	
Absenteeism	
Dismissal & Disciplinary cases	
Labour productivity	
Accidents & injuries	
Occupation Health	
Training received	
Gender composition of workforce	
Age composition of workforce	
Other (please specify)	

11. For which of the following issues is information collected by the parent head office on a regular basis from operating sites **in Europe** ?

Movements in rates of Pay	
Overall Labour Costs	
Strikes & forms of industrial action	
Overtime Working	
Numbers Employed	
No. of Resignations and nos. recruited	
Absenteeism	
Dismissal & Disciplinary cases	
Labour productivity	
Accidents & injuries	
Occupation Health	
Training received	
Gender composition of workforce	
Age composition of workforce	
Other	

Background Information

This research is part of a doctorate being undertaken at the University of Warwick in the UK and with the support of the Business Research Programme, Graduate School of Business, University College Dublin. The main aim of the research is to examine the human resource and industrial relations policies and practices of Irish-owned multinational companies, from which it is hoped insights can be made into their competitive position within the European market.

The motivation for this study is twofold: firstly, the majority of research on multinational companies has been driven by associated policy issues such as industrial policy or job creation while little attention has been given to examining management processes or practices. Secondly, within Ireland much of the focus has been on overseas multinational companies operating within the country while there is a dearth of empirical work into the operations of Irish-owned multinational companies, collectively. Therefore, this research is exploratory in its attempt to address this imbalance.

It is envisaged that, at most, this questionnaire would take about 40 minutes to administer and that, at the end of the process, a two-page summary report of the findings be made available. All information will be treated with the strictest of confidence. As such, this research is interested in patterns of policy-making rather than individual company policies and therefore no individual company will be readily identifiable from the findings.

I would like to thank you for your co-operation and appreciate the effort that you have given.

An Exploratory Study into the Human Resource & Industrial Relations (HR/IR) Policies of Irish-Owned Multinationals

This study is an exploratory analysis into the IR/HR practices of Irish-owned Multinationals (MNCs). This questionnaire is divided up into three sections: Organisational Structure & Business Activities which attempts to look at the overall business structure and activities of the company; Employment which attempts to examine the employment structure of the company and finally the IR/HR Policies & Practices which sets out to assess the formation and implementation of IR/HR policies in Ireland and elsewhere in Europe.

Organisational Structure & Business Activities

This section covers issues regarding the organisational structure, ownership and activities of the company in Ireland and elsewhere in Europe.

1. Would you describe your company as:

- ❑ Wholly or majority Irish owned
- ❑ Irish and overseas owned (50:50)
- ❑ Wholly or majority overseas owned
- ❑ Other (please expand).....
  .....

2. Where is the parent head office based?

.....

3. If Irish-Owned does your company have subsidiaries/sites in Ireland?

- ❑ Yes
- ❑ No

4. If Yes, how many ?

.....

5. Taking the structure of the **Irish operations**, would you say that the organisation is:

- ❑ divided into separate business units
- ❑ divided on the basis of products / services
- ❑ divided on the basis of functional structures
- ❑ divided on the basis of region
- ❑ a mixture of the above
- ❑ other (please specify) .....
  .....

6. What is the nature of the relationship between different sites located **within Ireland**:

- ❑ Service provision to product market is networked across different sites
- ❑ Production is integrated across sites
- ❑ Sites supply each other at internally-administered prices across sites
- ❑ Sites supply each other in competition with external suppliers
- ❑ No trading relationship between different parts of the Irish enterprise

7. Does your company have subsidiaries/sites **elsewhere in Europe**, as well as in Ireland ?

- ❑ Yes
- ❑ No

8. If Yes, how many ?

.....

9. If Yes, in which of these **European** countries?
(please tick as many as apply)

	Y/N		Y/N
Belgium		Austria	
Denmark		Iceland	
France		Norway	
Germany		Sweden	
Greece		Switzerland	
Italy		Finland	
Luxembourg			
Netherlands		Eastern Europe	
Portugal			
Spain			
Britain			

10. Were the **European** subsidiaries established through :

(Please tick as appropriate)

(apply)	(most prevalent)	
❑	❑	the acquisition of local companies
❑	❑	a merger / joint venture with an other company
❑	❑	an investment in new or greenfield sites
❑	❑	a mixture (please specify).....
		.....

11. Taking the structure of the **Overseas operations**, would you say that the organisations is:

- ❑ divided into separate foreign subsidiaries
- ❑ divided into international product divisions
- ❑ divided on the basis of functional structures (eg marketing/production)
- ❑ divided on the basis of territory (eg home & overseas operations)
- ❑ a mixture of the above
- ❑ other (please specify) .....

12. Taking the enterprise **World-wide**, would you describe it as a :

❑	single business	(90% of sales from one business)
❑	dominant business	(70% of sales from one business)
❑	related business	(no business contributes 70% or more to sales)
❑	conglomerate	(many related businesses)

13. Do different sites make/produce :

- ❑ the same product/service
- ❑ different products/services
- ❑ some, but not all sites make the same product/service

14. Which of the following best describes the nature of the relationship between the parts of your enterprise **in Ireland** and **elsewhere in the world**?

- ❑ Provision of service to product markets is networked across locations
- ❑ Production is integrated across different locations
- ❑ Locations supply each other at internally-administered prices
- ❑ Locations supply each other in competition with external suppliers
- ❑ No trading relations between different parts of the enterprise

Employment

This section attempts to examine the employment practices and policies of the company both in Ireland and elsewhere in Europe.

1. Approximately how many employees does the enterprise employ **World-wide**?

Number .....

2. Approximately what number (%) of the total are **within Ireland**?

Number (or %) .....

3a. Approximately what number (%) of the total are based **elsewhere in Europe**?

Number (or %) .....

3b. What percentage of the European figure is based in the **UK**?

Number (or %) .....

	(%) or No.
Ireland	
Europe	
UK	
Outside	
Total	**100%**

4. How many employees currently work at the parent head office ?

.....

5. Taking the other member states of the **EU**, excluding the UK, do any of these wholly owned national operations employ 100 or more people ?

- ❑ Yes
- ❑ No

6. If Yes, in which of the following **EU** countries?

	Y/N
Belgium	
Denmark	
France	
Germany	
Greece	
Italy	
Luxembourg	
Netherlands	
Portugal	
Spain	

7. Taking the **UK** alone , do any operations employ 100 or more people ?

- ❑ Yes
- ❑ No

Industrial Relations/Human Resource Policies & Practices

This section attempts to examine the human resource and industrial relations policies of the company firstly within Ireland (its home operations) and elsewhere in Europe (its overseas operations).

Taking first the Irish Operations

1. Is there an executive responsible for IR/HR issues on the main board of the company?

- ❑ Yes
- ❑ No

2a. Is there a specialist personnel or industrial relations function at the parent head office ?

- ❑ Yes
- ❑ No

2b. If Yes, how many people are employed in this function ? ....

3. If No, do any management staff spend a significant proportion of their time on personnel or industrial relations matters?

- ❑ Yes
  If yes, how many people.....
- ❑ No

4. How would you describe the role of the parent head office in connection with the IR/HR function :

(please tick as many as apply)

- ❑ To offer internal consultancy,
- ❑ To develop and promote broad policy initiatives,
- ❑ To issue guidelines on key personnel and industrial relations matters,
- ❑ To review and approve local proposals,
- ❑ To collect and monitor data on industrial relations indicators,
- ❑ Other (please specify).....
  .....

5. Taking relations between the parent head office and other Irish operations, in connection with each of the following issues does the head office:

Instruct establishments as to what to do
Advise establishments as to what to do
Give the establishments **broad guidelines** as to what to do
Give establishments **total autonomy**

	Instruct	**Advise**	**Guidelines**	**Autonomy**	**Other**
Membership of employer association					
Union recognition					
Design of payment systems					
Numbers employed					
Structures for consulting and involvement					
Negotiation of annual pay settlement					
Terms of redundancy					
Length of working week					

6. Does the company have meetings between personnel responsible for IR/HR at head office and personnel responsible for IR/HR at other sites **within Ireland ?**

❑ Yes
❑ No

7. If Yes, how frequent are these meetings ?

.....

8. Would you say the purpose of these meetings is to :

❑ define policy on issues covered with negotiations with management
❑ define some issues but primarily an exchange of views
❑ exist only to share information
❑ Other.....

9. Do meetings of a consultative nature take place between management and employee representatives across the company **within Ireland**?

- ❑ Yes
- ❑ No

10. Are these employee representatives:

- ❑ Unionised
- ❑ Non-unionised
- ❑ Other (please specify).....

11. If Yes, how frequent are these meetings ?

.....

12. Would you say the purpose of the meetings is to :

- ❑ define policy on issues covered with negotiations with management
- ❑ define some issues but primarily an exchange of views
- ❑ exist only to share information
- ❑ Other.....

13. If you were to broadly **divide the workforce** within the Irish operations, would you say the main groupings are:

- ❑ Manual
- ❑ Non-Manual
- ❑ Managerial
- ❑ Other (please specify).....

14. Taking the **Irish operations** are **all**, **most**, **some** or **none** of the sites unionised?

- ❑ All
- ❑ Most
- ❑ Some
- ❑ None

15. If unionised, what proportion of the total Irish workforce are unionisation?

.....

16. If unionised, what are the three largest unions representing employees in the Irish operations :

1._____
2._____
3._____

17. Are Trade Unions recognised for the purpose of the collective negotiation of pay and working conditions ?

- ❑ Yes
- ❑ No

18. In the last 5 years has the policy on trade union recognition changed ?

- ❑ Yes
- ❑ If yes, has it been partially/wholly withdrawn
- ❑ If yes, has it been extended to new sites/ groups of workers
- ❑ No

19. If Yes, for what reason(s)?

_____
_____
_____
_____

20. Does the company belong to an employers' association within Ireland?

- ❑ Yes
- ❑ No

21. If No, for what reason(s) did the company decide **not** to affiliate?

_____
_____
_____

22a. If Yes, what role does the employer's association play?

_____
_____

22b. Does this role include the negotiation of pay and working conditions ?

- ❑ Yes
- ❑ No

23. In the last 5 years has this policy on employer association membership changed ?

- ❑ Yes
- ❑ No

24. If Yes, for what reason(s)?

_____

_____

_____

25. Does the enterprise have a network for handling data communications **within the Irish subsidiary companies** ?

- ❑ Yes
- ❑ No

26. For which of the following issues is information collected by the parent head office on a regular basis from operating sites **in Ireland** ?

Movements in rates of Pay	
Overall Labour Costs	
Strikes & forms of industrial action	
Overtime Working	
Numbers Employed	
No. of Resignations and nos. recruited	
Absenteeism	
Dismissal & Disciplinary cases	
Labour productivity	
Accidents & injuries	
Occupation Health	
Training received	
Gender composition of workforce	
Age composition of workforce	
Other (please specify)	

27. For what purpose is the information used ?

- ❑ As input into decisions on allocation of investment funds
- ❑ As input into decisions on divestment
- ❑ As input into the evaluation of the performance of site managers
- ❑ As input into the evaluation of the performance of the IR/HR function
- ❑ To provide information to the IR/HR function
- ❑ To make comparisons between operating sites
- ❑ Other (please specify).....

Taking the European Operations

1. Does the enterprise have a general approach to employer association membership within their European operations?

   ❑ Yes
   ❑ No

2. If Yes, is the policy of the company towards employer association membership elsewhere in Europe for the purpose of multi-employer bargaining ?

   ❑ Yes
   ❑ No
   ❑ Other (please specify).....

3. Taking relations between the parent head office and the European operations, in connection with each of the following issues does the head office:

   Instruct establishments as to what to do
   Advise establishments as to what to do
   Give the establishments **broad guidelines** as to what to do
   Give establishments **total autonomy**

	Instruct	**Advise**	**Guidelines**	**Autonomy**	**Other**
Membership of employer association					
Union recognition					
Design of payment systems					
Numbers employed					
Structures for consulting and involvement					
Negotiation of annual pay settlement					
Terms of redundancy					
Length of working week					

4. Are there meetings between personnel managers drawn from overseas European subsidiaries?

- ❑ Yes
- ❑ No

5. If Yes, how frequent are these meetings ?

.....

6. What is the purpose of these meetings ?

_____
_____
_____

7. Do you know if there are meetings of employee representatives across European subsidiaries ?

- ❑ Yes
- ❑ No

8. If Yes, how frequent are these meetings ?

.....

9. Does the head office communicate with overseas operating sites via links from a mainframe or PCs at head office ?

- ❑ Yes
- ❑ No

10. If No, how does the head office communicate with its overseas operating sites?

_____
_____
_____

11. For which of the following issues is information collected by the parent head office on a regular basis from operating sites **in Europe** ?

Movements in rates of Pay	
Overall Labour Costs	
Strikes & forms of industrial action	
Overtime Working	
Numbers Employed	
No. of Resignations and nos. recruited	
Absenteeism	
Dismissal & Disciplinary cases	
Labour productivity	
Accidents & injuries	
Occupation Health	
Training received	
Gender composition of workforce	
Age composition of workforce	
Other	

12. For what purpose is the information used ?

- ❑ As input into decisions on allocation of investment funds
- ❑ As input into decisions on divestment
- ❑ As input into the evaluation of the performance of site managers
- ❑ As input into the evaluation of the performance of the IR/HR function
- ❑ To provide information to the IR/HR function
- ❑ To make comparisons between operating sites
- ❑ Other (please specify).....