

A Thesis Submitted for the Degree of PhD at the University of Warwick

Permanent WRAP URL:

<http://wrap.warwick.ac.uk/106727>

Copyright and reuse:

This thesis is made available online and is protected by original copyright.

Please scroll down to view the document itself.

Please refer to the repository record for this item for information to help you to cite it.

Our policy information is available from the repository home page.

For more information, please contact the WRAP Team at: wrap@warwick.ac.uk

Manageability of workplace pensions: Swedish multinationals in Mexico

Dorothee C. Gnaedinger

A thesis submitted for the degree of Doctor of Philosophy

University of Warwick, Warwick Institute for Employment Research

January 2018

Table of Contents

List of Tables	6
List of Figures	8
Acknowledgement	10
Declaration	11
Abstract	12
Abbreviations	13
1 Introduction	15
1.1 Introducing the research problematic	16
1.2 Aim and scope of this thesis	19
1.2.1 Research perspective and research questions	19
1.2.2 Importance of the research	22
1.3 Structure and content of this thesis	24
1.3.1 Developing the research framework	25
1.3.2 Introducing the chapters	27
1.4 Introducing the researcher	29
1.5 Conclusion	30
2 Setting the pensions context	32
2.1 Global change of pension systems	34

2.1.1	Pension systems shifting to privatisation	34
2.1.2	State foundations and influences leading to pension privatisation	39
2.2	Introducing workplace pensions	42
2.2.1	Employer's perspective on workplace pensions	43
2.2.2	DB, DC and hybrid schemes	45
2.2.3	The GFC and workplace pensions	49
2.2.3.1	Introducing the GFC	49
2.2.3.2	Workplace pension literature before and after the GFC	50
2.3	Pension systems in Sweden and Mexico	56
2.3.1	Home country: Swedish pension system	57
2.3.2	Host country: Mexican pension system	59
2.3.2.1	Non-contributory pension system (pillar 0)	60
2.3.2.2	Contributory pension system (pillar 1)	61
2.3.2.3	Voluntary pension system (pillar 2)	68
2.3.2.4	Occupational pension plans (pillar 3)	69
2.4	Summary and conclusion	73
3	Defining the research framework from HR literature	76
3.1	Introducing the notion and development of HRM	77
3.2	Defining MNCs	78
3.3	Generating a theoretical HRM foundation	82
3.3.1	Hard and Soft HRM	83
3.3.2	Best fit and best practice HRM	84
3.4	Defining the factors influencing transfer	87
3.4.1	Convergence vs divergence	87
3.4.2	Cultural impact	91
3.4.3	Institutional factors outlined	94
3.5	Identifying the gap	99
3.6	Theoretical framework	101

3.6.1	Relevant literature for the two level analysis	102
3.6.2	Defining the research framework	104
3.7	Summary and conclusion	108
4	Research design and methodology	110
4.1	Research theory-building	110
4.2	Research methodology	113
4.2.1	Qualitative and quantitative research methods	113
4.2.2	Chosen research method	116
4.3	Data collection methods	117
4.3.1	Case studies	118
4.3.1.1	Introducing case study research	118
4.3.1.2	Choice of countries	119
4.3.1.3	Choice of sectors and case studies	124
4.3.2	Research fieldwork	127
4.3.3	Strategies for data collection: interviews	129
4.3.3.1	Interview type	129
4.3.3.2	Interview process	131
4.3.3.3	Researcher's role	138
4.3.4	Documentary analysis	140
4.4	Data analysis	142
4.5	Conclusion	144
5	Case studies' HRM	145
5.1	Participating companies	147
5.1.1	Case study 1: Alfa Laval	147
5.1.1.1	Business profile	147
5.1.1.2	GFC impact on the business	149
5.1.1.3	Centralising policies	150
5.1.1.4	Global pension policies	156

5.1.1.5	Local benefit practice in Mexico	161
5.1.1.6	Adapted research framework for Alfa Laval	165
5.1.2	Case study 2: Ericsson	168
5.1.2.1	Business profile	168
5.1.2.2	GFC impact on the business	170
5.1.2.3	Centralising policies	171
5.1.2.4	Global pension policies	179
5.1.2.5	Local benefit practice in Mexico	183
5.1.2.6	Adapted research framework for Ericsson	185
5.1.3	Case study 3: AB Volvo	188
5.1.3.1	Business profile	188
5.1.3.2	GFC impact on the business	190
5.1.3.3	Centralising policies	192
5.1.3.4	Global pension policies	198
5.1.3.5	Local benefit practice in Mexico	201
5.1.3.6	Adapted research framework for AB Volvo	205
5.2	Summary and conclusion	207
6	Local pension decision-making within the context of the GFC	210
6.1	GFC impact on Mexican pensions	212
6.1.1	Overview of developments and changes since 2008	212
6.1.2	Changing pensions environment due to GFC	215
6.1.3	Impact of the GFC on workplace pensions	220
6.1.4	Summary	229
6.2	GFC impact on company case studies' Mexican pension provision	229
6.2.1	Impact of the GFC on Alfa Laval's pension provision	230
6.2.2	Impact of the GFC on Ericsson's pension provision	233
6.2.3	Impact of the GFC on AB Volvo's pension provision	237
6.2.4	Summary	240
6.3	Conclusion	243

7 Conclusion and recommendations	246
7.1 Summary	248
7.1.1 Objective for having undertaken the thesis, aim and scope . .	248
7.1.2 Key findings relevant to the research questions and hypotheses	251
7.1.2.1 Research question and hypothesis one	251
7.1.2.2 Research question and hypothesis two	254
7.1.3 Adequacy of research questions to address research problematic	261
7.2 Contributions	263
7.2.1 Empirical contribution	263
7.2.1.1 Empirical contribution to HRM/IHRM literature . .	263
7.2.1.2 Empirical contribution to pension literature	266
7.2.2 Theoretical and conceptual contribution	268
7.2.2.1 Interdisciplinary research	268
7.2.2.2 New theoretical framework	269
7.3 Limitations of study	272
7.4 Recommended future research	275
7.5 Conclusion	279
Bibliography	281
Appendix	308

List of Tables

2.1	Adoption of the multi-pillar approach	36
2.2	Five-pillar model	37
2.3	DB and DC schemes compared	48
2.4	Three forces shaping individual savings decisions	53
2.5	Breakdown of social security contributions in per cent	62
2.6	Investment instruments of Mexican pension funds	64
2.7	Overview of Siefores	65
2.8	Overview of AFOREs' investment performances from 2007 to 2009 .	66
2.9	Workplace pension arrangements in Mexico	71
2.10	Mexican entities implementing pension plans due to corporate pressure	72
3.1	Categorisation of international corporations based on Bartlett and Ghoshal	79
3.2	Different interactions between headquarter and subsidiaries	81
3.3	Contingencies influencing HR	86
3.4	Review of HR literature and relevance for this thesis	105
4.1	Quantitative and qualitative research methods compared	114
4.2	Overview of case study criteria applied	125
4.3	Introduction to case studies	126
4.4	Interview framework for MNCs	131
4.5	Overview of interviewees	133
5.1	Global benefit governance structure Alfa Laval	152

5.2	Alfa Laval's pension policy	158
5.3	Global benefit governance structure Ericsson	173
5.4	Global pension guidelines Ericsson	180
5.5	Global pension guidelines AB Volvo	198
5.6	Influences on case studies' pension policies transfer	208
6.1	Mexican pension changes since 2008	212
6.2	Market development of workplace pension plans and GFC influence .	228
6.3	Global workplace pension trends caused by the GFC at Alfa Laval . .	230
6.4	Review of Alfa Laval's business activities in Latin America since the GFC	232
6.5	Global workplace pension trends caused by the GFC at Ericsson . . .	234
6.6	Review of Ericsson's business activities in Latin America since the GFC	235
6.7	Global workplace pension trends caused by the GFC at AB Volvo . .	237
6.8	Review of AB Volvo's business activities in Mexico and North America since the GFC	239
6.9	Case studies' pension developments vs market practice	241
6.10	Components of hypothesis versus study findings	244
7.1	Five-level analysis on the GFC's impact on workplace pensions . . .	256
7.2	related to workplace pensions made due to the GFC	257

List of Figures

1.1	Applying the employer perspective to research	20
1.2	Three-level analytical model to analyse decision-making process . . .	21
1.3	Components of a theory as per Bacharach	25
1.4	Building of research framework	26
2.1	Pension context of research framework	33
2.2	Stimuli for pension privatisation	39
2.3	Challenges providing sustainable and reliable private pensions	52
2.4	Workplace private pension plans per year offered by companies in Mexico	70
2.5	Thesis contributing to new knowledge	75
3.1	Research framework to be defined in Chapter three	77
3.2	Harvard Analytical Framework for HRM	85
3.3	The research framework	107
4.1	The Nordic model	120
4.2	Hourly wages Mexico versus China since 2003	123
4.3	Data coding process applied	143
5.1	Level three in research framework to be analysed in Chapter five . . .	146
5.2	Headcount split by region Alfa Laval	148
5.3	Adapted research framework for Alfa Laval	166
5.4	Headcount split by region Ericsson	170
5.5	Adapted research framework for Ericsson	186

5.6	Headcount split by region AB Volvo	190
5.7	Adapted research framework to AB Volvo	205
6.1	Level four in research framework to be analysed in Chapter six	211
7.1	Research framework to be delivered in Chapter seven	247
7.2	Key market trends caused by the GFC in Mexico	259
7.3	Identified transfer method for global pension policies and practices . .	264
7.4	Empirical contribution to HRM/IHRM and pensions	269

Acknowledgement

I wish to acknowledge and thank my supervisors Professor Chris Warhurst from the Warwick Institute for Employment Research and Professor Eskil Wadensjö from the Swedish Institute for Social Research at the Stockholm University, for their continuous support, guidance and constant motivation. I feel privileged for having been able to work with and learn from both of them.

I would also like to thank Professor Robert Lindley and Dr Bernard Casey who were my supervisors until their retirement, and Dr Erez Yerushalmi and Professor Noel Whiteside for comments on the earlier version of this thesis.

A special acknowledgment also goes to all the interviewees, the participating companies and their employees (from Alfa Laval, Ericsson and AB Volvo), and my colleagues at Mercer who have kindly agreed to participate in and support this research. This thesis would have not been possible without their support!

I would like to express special gratitude and thanks to my family (my parents, sister and brother) – and especially to my aunt Prof. Dr. Eveline Häusler for all her support, motivation, inspiration and feedback.

Finally, I would like to extend special thanks to Marc Sommer for his endless emotional support and encouragement during my doctoral study and beyond.

Declaration

This thesis is a presentation of my original research work, and I am responsible for the content submitted in this thesis. Every effort was made to acknowledge contributions made by others, as well as to clearly indicate and reference to sources and existing literature.

This thesis and related findings have not been submitted for a degree at another university.

Abstract

A global shift of the responsibility for pension savings has taken place. Governments have largely transferred their responsibility to employers. Separately, multinational companies (MNCs) have implemented global pension policies and practices to reduce costs and risks, transferring the pension responsibility globally to employees. This thesis aims to understand the decision-making process of pension provision within multinational companies, in order to gain some understanding whether the global pension policies and practices impact local pension provision. It analyses how MNCs govern their pension policies and practices globally, transfer them to local entities, and how pensions are managed locally.

Pension literature has extensively looked at the development of pension provision. Much human resource management (HRM) and international human resource management (IHRM) research has been done on the transfer of HRM policies and practices. To address the research problematic, literatures need to be combined. This thesis is the first study that provides a holistic pension and human resource (HR) analysis on the transfer of pension policies and practices within the context of pension privatisation. Conceptual boundaries have been set to provide deeper findings: MNCs, emerging markets and the global financial crisis (GFC). Through the use of a case study analysis, based on interviews and documentary analysis, this thesis provides in-depth insights. It focuses on Swedish MNCs and their Mexican entities. A new theoretical research framework, based on the HR literature and set within the pension context, has been designed.

Two main arguments have been derived. Firstly, the transfer of workplace pension benefits to MNCs' host countries depends on the underlying HRM model and the forces of influence (i.e. organisational, stakeholder and local). Secondly, workplace pension decisions are mostly taken locally. Key influences include: local business needs, local pension knowledge, and strength of local advocates. These findings imply that MNCs' global pension policies and practices have some but limited influence on local pension decision-making.

Abbreviations

Abbreviation	Meaning
AFORE	Administradora de Fondos para el Retiro (Private retirement und administrator companies)
APEC	Asia-Pacific Economic Cooperation
BCG	Boston Consulting Group
CDC	Collective Defined Contribution (pension)
CEO	Chief Executive Officer
CME	Coordinated Market Economies
CONAC	Colegio Nacional de Actuarios - National Insitute for Actuaries
CONEVAL	Consejo Nacional de Evaluación de la Política de Desarrollo Socialm - National Council for the Evaluation of Social Development Policy
CONSAR	Comisión Nacional del Sistema de Ahorro para el Retiro - National Pension Institute
CVaR	Conditional Value at Risk
DB	Defined Benefit (pension)
DC	Defined Contribution (pension)
EU	European Union
GDP	Gross Domestic Product
GFC	Global Financial Crisis
HQ	Headquarter
HR	Human Resource
HRM	Human Resource Management
IHRM	International Human Resource Management
IMF	International Monetary Fund
IMSS	Instituto Mexicano del Seguro Social - Mexican Social Security System
INR	Índice de Rendimiento Neto - Net Return Indicator
ISSSTE	Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado - Social Security and Social Services Institute for state workers
ITP	Industrins och Handelns Tilläggspension - Pension for white-collar workers in the private sector in Sweden
KAP-KL/AKAP-KL	Swedish occupation pension arrangement for municipal employees

Abbreviation	Meaning
LEB	Long-Term Employee Benefits
LME	Liberal Market Economies
M&A	Mergers and Acquisitions
MD	Managing Director
MNC	Multinational Company
MWB	Salario Minimo - Minimum Wage Base
NAFTA	North American Free Trade Agreement
OECD	Organisation for Economic Co-operation and Development
PAYG	Pay-As-You-Go
PA03	Swedish occupation pension arrangement for state employees
PMG	Pensión Mínima Garantizada - Minimum Pension Guarantee
SAF-LO	Svenskt Näringsliv och Landsorganisationen - Pension for blue-collar workers in the private sector in Sweden
SEDESOL	Secretaría de Desarrollo Social - Ministry for Social Development
SIEFORE	Sociedades de Inversión Especializada en Fondos para el Retiro - Pension Funds
TR	Total Rewards
UN	United Nations
UNAM	Universidad Nacional Autónoma de México
VaR	Value At Risk
VoC	Varieties of Capitalism
VP	Vice President

Chapter 1

Introduction

This study analyses the decision-making process related to pension provision in MNCs. It reviews how MNCs govern their pension policies and practices globally, transfer them to local entities in emerging markets, and ultimately how local pension decisions are managed from a local organisational level. The aim is to understand the extent of influence global pension policies and practices have on local decision-making. The study adopts the case study analysis in order to provide in-depth insights into MNCs. This research topic is important to investigate, as it has become prominent that at the time of population ageing and market uncertainties – countries have been witnessing severe socio-economic changes due to pension privatisation, leaving behind a gap which policy makers typically expected employer-sponsored pensions and to an extent individual savings to fill. Simultaneously, MNCs have been undergoing global pension reviews aiming to mitigate costs and risks which have been contradictory to the underlying notion of pension privatisation. This study does not study whether the global pension pressure has been transferred to MNCs, nor does it evaluate the quality and the level of pension protection MNCs provide to their employees globally. Instead, it reviews the pension decision-making process within the organisational context of a multi-layered global operation, in order to gain some understanding whether MNCs' global risk and cost-mitigation efforts have any impact on local workplace pension provision. It therefore aims to understand whether there is a practical connection between global MNCs' pension policies and the underlying notion of pension privatisation.

Chapter one introduces the research and outlines the importance and purpose for

undertaking this study. It provides some introductory background information on the development of pension provision which is discussed in more detail in Chapter two. Following, it introduces the aim and scope of this thesis, as well as the structure and content that the reader can expect. A short introduction to the researcher is followed by a conclusion.

1.1 Introducing the research problematic

The provision of workplace pensions has increasingly become the centre of debate. The perception has been that workplace pensions should be acting as the bridge between decreasing government-funded pensions and an increasing need for old-age income (e.g. due to population ageing). Over the last three decades governments around the world have been privatising their pension systems, with the aim to reduce the risks around demographic transitions and increasing national debt levels. Publicly sponsored old-age income provision has been reduced and privately funded pension saving vehicles, most commonly structured around workplace pension arrangements, have been implemented and incentivised (Cerami, 2011; Müller, 2003; Orenstein, 2008).

Weaknesses stemming from the privatised pension model have been highlighted and discussed (among others see: Barr & Diamond, 2008; Burtless, 2004; Choi, Hastings, & Shrestha, 2012; Munnell, 2011). Very low replacement rates, inadequacy of private pension products and people's low level of engagement, willingness to save and overall lack of financial literacy have contributed to a gloomy perception of pension privatisation, and of the pension income that can be expected without supplementing pension savings (e.g. through workplace pensions). The country case studies (Sweden and Mexico which are further introduced in Chapter four) have experienced the same transition and have witnessed challenges since and due to the reform – yet to a different extent. Sweden has a relatively generous pension arrangement, whereby workplace pension provision play a crucial role as part of the system. Mexico, however, is facing several socio-economic challenges caused by the privatisation of pension, which are expected to become detrimental once workers who have only been contributing to the privatised pension system will be retiring. Replacement rates under the privatised

system are expected to equate to approximately 20 to 30 per cent, which is very low. As pension savings need to be built up over time, the low expected replacement rate has raised the urge to provide workplace pensions now in order to ensure that the pension income for individuals retiring under the reformed system rises.

Costs and risks related to workplace pension benefits, however, have impacted the willingness of employers to ensure adequate old-age income. Firms which operate across borders with international business strategies (here defined as MNCs and further discussed in Chapter three) have been changing the way they manage their pension provision in an effort to mitigate costs and risks. They have implemented global pension governance policies and practices to oversee local pension management. Especially since the global accounting rules to report any funding shortfall on the company balance sheet (IFRS) became effective in 2006, companies – and in particular MNCs – have paid close attention to their total and local pension liabilities, as volatile pension funds have a direct impact on the overall companies' profit and loss statements. As part of these cost and risk mitigation efforts, local entities have typically been required to transform their pension arrangements to less risky vehicles; therefore to switch pension arrangements from costly and high-risk defined benefit (DB) plans to easily manageable defined contribution (DC) plans. As a consequence employees have started to see their predictable pension income transform into a riskier and less transparent form of pension saving (further explained in Chapter two) (Coates, 2001; Roberts, 2004).

The global financial crisis (GFC) which started in 2007 has further spurred the need for global oversight and the move towards mitigating costs and risks¹. A subprime mortgage market, lack of regulation allowing high-risk lending, intransparency and high pricing/product complexity, were all factors that caused the crisis to unfold, impacting the investment portfolios – for example by pension funds and insurance companies, as well as the wider economy (Crotty, 2009; Stiglitz, 2010). MNCs witnessed soaring financial and overall business performance pressure, as well as dropping pension assets – straining companies' pension funding levels (Casey, 2012). Consequently, MNCs have started to review their general business strategy and manage more actively their cost, risk and competitiveness of their pension benefit programmes. The GFC has

¹The GFC is further addressed in Chapter two.

also left local entities in challenging situations, as the soaring business results were typically translated in new business targets that needed to be met by the local operations. As such, local management and HR departments have seen workplace pension provision as a vehicle to support the overall business targets. Workplace pensions have transformed into a tool to provide severance payment in case of redundancies, as well as a benefit for attracting and retaining valuable employees who are essential during a time of crisis². The GFC formed the intellectual trigger when starting to undertake the thesis. It was expected that the financial crisis has had a significant impact on the decision-making process of pension provision – especially from a risk/cost mitigating perspective. While its processes were already under way when conducting the research, it was expected that the initial socio-economic influences of the GFC on MNCs: such as plummeting pension fund assets, increased regulation, and the need for a more flexible workforce – contributed and formed the pension decision-making process within MNCs. As such, the GFC represents an important research component in this thesis.

The effective use of workplace pensions has been particularly essential in fast-growing and transitional markets, here referred to as emerging markets. Despite the global and local ambitions to reduce risks and costs related to workplace pension provision – local operations increasingly have seen local pressure in emerging markets to provide or enhance workplace pension benefits. The growing local pressure has gained impetus as there has been increasing awareness of the importance of workplace pensions due to pension privatisation, to ensure adequate old-age income (e.g. as is the case for the case study Mexico). Also, the fight for talent in emerging markets can be fierce and benefits are typically considered as an employment-attraction vehicle. In some instances, however, emerging markets function as low-labour cost operations for MNCs. Therefore, additional labour costs and risks related to sponsoring workplace pensions may not be supported by the organisation.

To sum up, governments around the world have been privatising their pension systems. As part of this development, workplace pension benefits have increased in importance to ensure adequate pension income at old-age. The need for supplementary pension provision in emerging markets has accelerated. While there has been an expectation

²More information is provided in Chapter five.

by governments that employers would step in, especially MNCs have implemented global risk and cost mitigating efforts related to pensions.

This thesis analyses the decision-making process of pension provision in MNCs, in order to gain some understanding whether MNCs' global risk and cost mitigating policies and practices instigated from HQ have impacted the pension decision-taking in local entities; especially during a time of crisis and in emerging markets where supplementary pensions are an essential component of old-age income.

1.2 Aim and scope of this thesis

1.2.1 Research perspective and research questions

MNCs aim to reduce costs/risks related to workplace pensions globally; yet are facing the increasing need and arguably pressure to supplement pension income that ensures adequate old-age income. In order to investigate this perceptible discrepancy, there are different ways in which the research aim could be pursued. The study could focus on the perspective of the pension systems and workplace pensions (including an evaluation of the pension scheme quality and the level of pension protection), or it could focus on the employer perspective and workplace pensions in terms of the decision-making process within MNCs.

The angle taken by this thesis focuses on the employer perspective. It aims to understand the decision-making process of pension and to gain some understanding whether global policies and practices have any impact on local decisions. There are three potential outcomes (as illustrated in Figure 1.1 below).

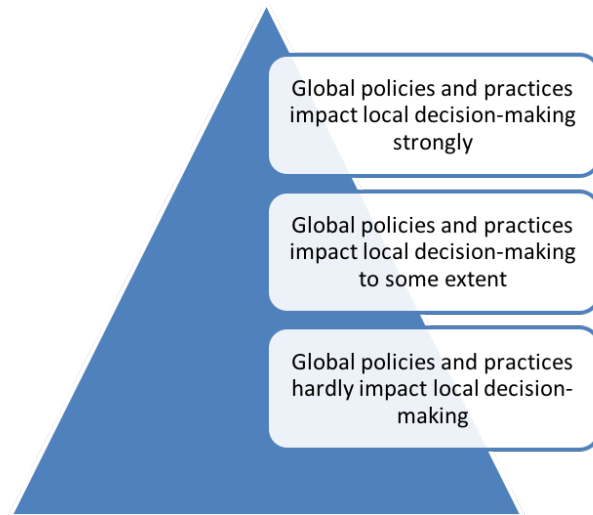


Figure 1.1: Applying the employer perspective to research

The role and importance of HQ increases towards the top of the pyramid, and pension management as well as decision-making is increasingly centralised. By applying the employer perspective to this research, the transfer of pension policies and practices from global to local can be analysed (which constitutes the basis for research question one, as outlined below). It also provides insights into MNCs as a variable for future research. MNC's HQs become increasingly important as a variable for related research the more influence they have on the transfer.

This thesis provides a case study analysis on the decision-making process of pension in MNCs, including the transfer of pension policies and practices from HQ to emerging markets, in the context of the GFC. To comprehend the extent of influence global pension policies and practices have on a local level, it is important to understand the internal decision-making process and therefore the transfer from global to local, as well as any influences on a local level that may impact the adoption of the global guidelines. This thesis is therefore structured in form of a three-level analytical model – as illustrated in Figure 1.2.

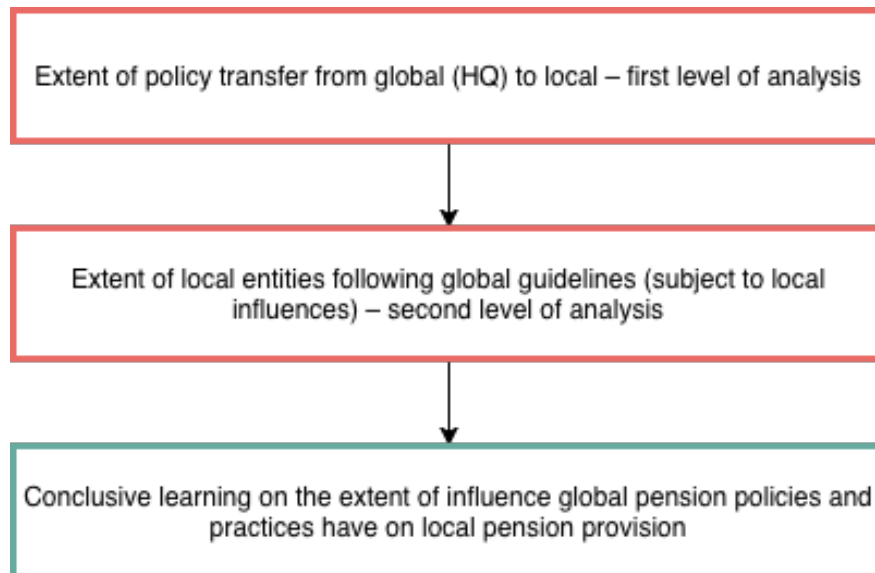


Figure 1.2: Three-level analytical model to analyse decision-making process

By applying this analytical model, the decision-making process of pension, including the extent of influence from local market trends and/or global policies and practices on local decision-making can be investigated.

The research questions applied for this thesis need to ensure that adequate findings are made in order to be able to analyse the overall decision-making process, and hence each level within the three-level analytical model. The research questions need to take the boundaries – MNCs, emerging markets and GFC (introduced in Chapter three) – into consideration. The research questions and their respective hypotheses have been formed within the context of the analytical model to be able to understand the holistic decision-making process.

1. How do MNCs' HQs from developed markets transfer their global pension policies to their host countries in emerging markets?
 - (a) What are the factors influencing this transfer?
 - (b) What influence, if any, has the GFC had on global pension policies transfer or otherwise from HQ?

Hypothesis: HQs influence workplace pension provision in the host country by transferring their global policies. The extent of HQs' influence depends on the HRM model and the forces affecting the pension policy and practices transfer (as outlined

in Chapter three). The GFC has had an influence when setting up the global pension policies and has increased the monitoring of its compliance from a HQ level.

2. To what extent have MNCs' local entities followed global guidelines when taking pension decisions; and how have local entities' pension plans developed?

(a) To what extent have global policies and practices been moderated by local changes and trends?

(b) What influence, if any, has the GFC had on workplace pension provision in the host country?

Hypothesis: Global guidelines are followed when undertaking substantial pension changes, such as when implementing a new pension plan or amending the pension design of existing arrangements. Yet, MNCs' local subsidiaries manage pension provision subject to local market trends. The GFC has influenced MNCs' local pension provision in two ways. Firstly, local entities considered and implemented cost/risk-mitigation pension vehicles (e.g. moving from DB to DC); and secondly local entities amended pension provision in line with new legislative changes which were passed due to the crisis (aiming to incentivise employers to provide/increase workplace pension provision).

The expectation therefore is that the process of decision-making on pensions in MNCs is guided mostly by local market trends and local business needs, and that global policies have impacted local decision-taking in case substantial pension plan changes needed to be implemented. A key factor in the decision-making process would also be expected to be the GFC, which would have incentivised MNCs to increasingly centralise pension decision-making and oversight, in order to reduce costs/risks, and to have increased the local need to take pension-related decisions in order to mitigate risks/costs and to align with new local legislative requirements.

1.2.2 Importance of the research

There are a number of reasons why this is an important area of research. Apart from its social responsible significance³, this research also contributes with new knowledge

³The adequacy of pension provision affects everybody and eliminating old-age poverty should be a shared responsibility among the global society including governments and companies.

and understanding to the existing pension and HR/IHRM literature. It is the first study that has been conducted combining the HR, IHRM and pensions disciplines.

Pension literature has extensively looked at the development of pension provision. It recognised that there has been a global change of pensions, whereby pension privatisation has been at the heart of this transition and workplace pensions has increased in importance (among others see: Brooks, 2005; G. L. Clark & Whiteside, 2003; Orenstein, 2005; Queisser & Vittas, 2000; Whiteside, 2006). More recent literature, has also focused on the inadequacy of this shift (among others see: Antolín, 2010; Antolín & Stewart, 2009; Casey, 2012; Coates, 2001). While considerable research can also be found on the changing role and design of workplace pensions, the geographical scope is represented with large limitations, particularly in terms of non-Eastern European emerging markets. Furthermore, only a few studies have focused so far on the impact of the GFC on workplace pensions within an institutional framework (Antolín, 2010; Casey, 2012; Pino & Yermo, 2010). Pension literature that focused on the employer perspective has largely centered around the pension benefits' ability to attract, retain as well as dismiss certain employees (G. L. Clark & Whiteside, 2003; Gordon, 1991; Mares, 2003; Swenson, 2002), employers' influence on social policy changes⁴ and the role of trade unions (Esping-Andersen, 1996; Sass, 1997; Swenson, 2002), as well as the use of tax advantages and other components incentivising or discouraging pension provision (Hannah, 1986; Mares, 2001; Sinfield, 2000). There seems to be an analytical gap among existing pension literature that focuses on the decision-making process of workplace pensions – especially within an international, multi-layered and complex organisational set-up.

From the perspective of HR/IHRM literature, much research has been done on the transfers of HRM policy and practices. While existing research provides a good research basis for this thesis, literature on policy transfer from a developed to an emerging market still requires further exploring. Kipping, Engwall, and Üsdiken (2008) compiled a series of papers on the transfer of management knowledge including some emerging markets – notably Turkey, India, and China. There are also a few studies from a European perspective (Meardi et al., 2009; Myloni, Harzing, & Mirza, 2007). Yet, there seems to be an analytical gap in literature on workplace pensions

⁴For example, employers influencing governments to provide publically financed pension provision – as explained in Chapter two.

as an HRM instrument and HRM policy, and the transfer from developed to emerging markets.

As such, this study provides an original contribution to the holistic understanding of pension provision, the decision-making process within organisations, and HR/pension policies and practices. As several case studies are reviewed for this study, some generalisation and broader findings to the wider pension and HRM/IHRM literature can be drawn.

Researching MNCs headquartered in Sweden and operating in an emerging market (here Mexico), extends the understanding of HR pension policies and practices transfer in relation to different societies and cultures, and more specifically from a developed European to an emerging market. By focusing on a specific timeframe, hence, since the GFC, the research sheds light on how workplace pension provision as an employee benefit has developed at a time of change, and therefore complements existing literature that has analysed wider pension system changes in relation to the GFC. The findings of this study are of practical value to the case studies participating in this research (Alfa Laval, Ericsson, and AB Volvo), as well as to other similar MNCs that intent to understand the mechanism of pension decision-making and therefore the transfer of pension policies and practices from global HQ to local entities, and how pension decision-making is being influenced by global policies and practices, as well as local factors.

1.3 Structure and content of this thesis

This section provides an introduction to the research approach and framework, and an overview of the thesis including a short synopsis of each Chapter. The thesis follows a conventional structure, by reviewing the literature before discussing the empirical study. At the end of this section, the research framework is introduced – guiding the reader through the thesis.

1.3.1 Developing the research framework

In order to be able to understand the decision-making process of pension provision within MNCs, and to be able to answer how, when and why global pension policies and practices impact local decision-making around pension provision, a theory was built based on Bacharach's definition on theory building as illustrated in Figure 1.3:

“A theory may be viewed as a system of constructs and variables in which the constructs are related to each other by propositions and the variables are related to each other by hypotheses.” (Bacharach, 1989, p. 498)

In addition to constructs and variables, the theory should be set within the notion of boundaries in order to set limitations (Dubin, 1969) and therefore provide deeper findings.

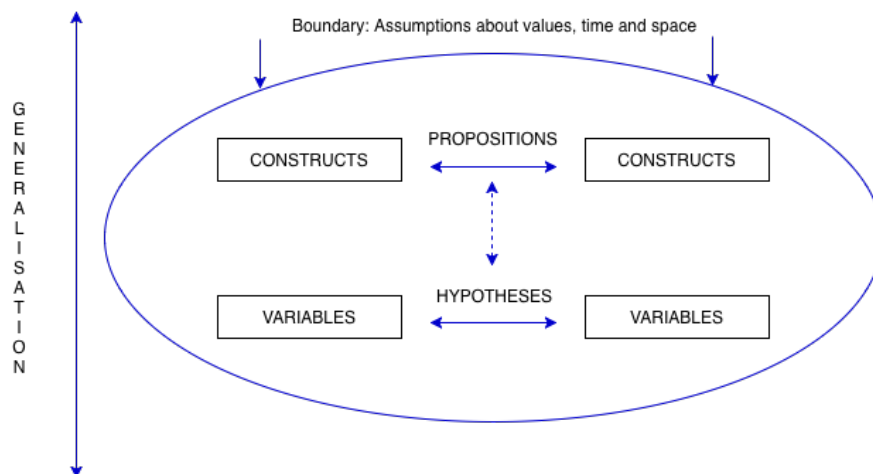


Figure 1.3: Components of a theory as per Bacharach

In the case of this thesis, the boundaries – defined from the pension literature review in Chapter two – are MNCs, emerging markets and the GFC. The Construct represents the aim of the understanding this research should disclose: here, the decision-making process and the extent of influence global pension policies and practices have on local decision-making. In order to be able to understand the Construct, Variables are formed to operationalise and measure the transfer of pension policies and practices; as far as it is possible within a qualitative research method applied (further information on the choice of research method can be found in Chapter four). Variables for the purpose of this thesis are referred to as “factors”, and represent the influences that

impact the transfer of global pension policies and practices (which will be further reviewed in Chapter three).

In order to operationalise and measure the transfer a research framework was created based on the factors and boundaries as outlined above. The research framework, developed for this thesis, is defined in more detail in Chapter three. Figure 1.4 below introduces the construct of the research framework in order to guide the reader through the thesis.

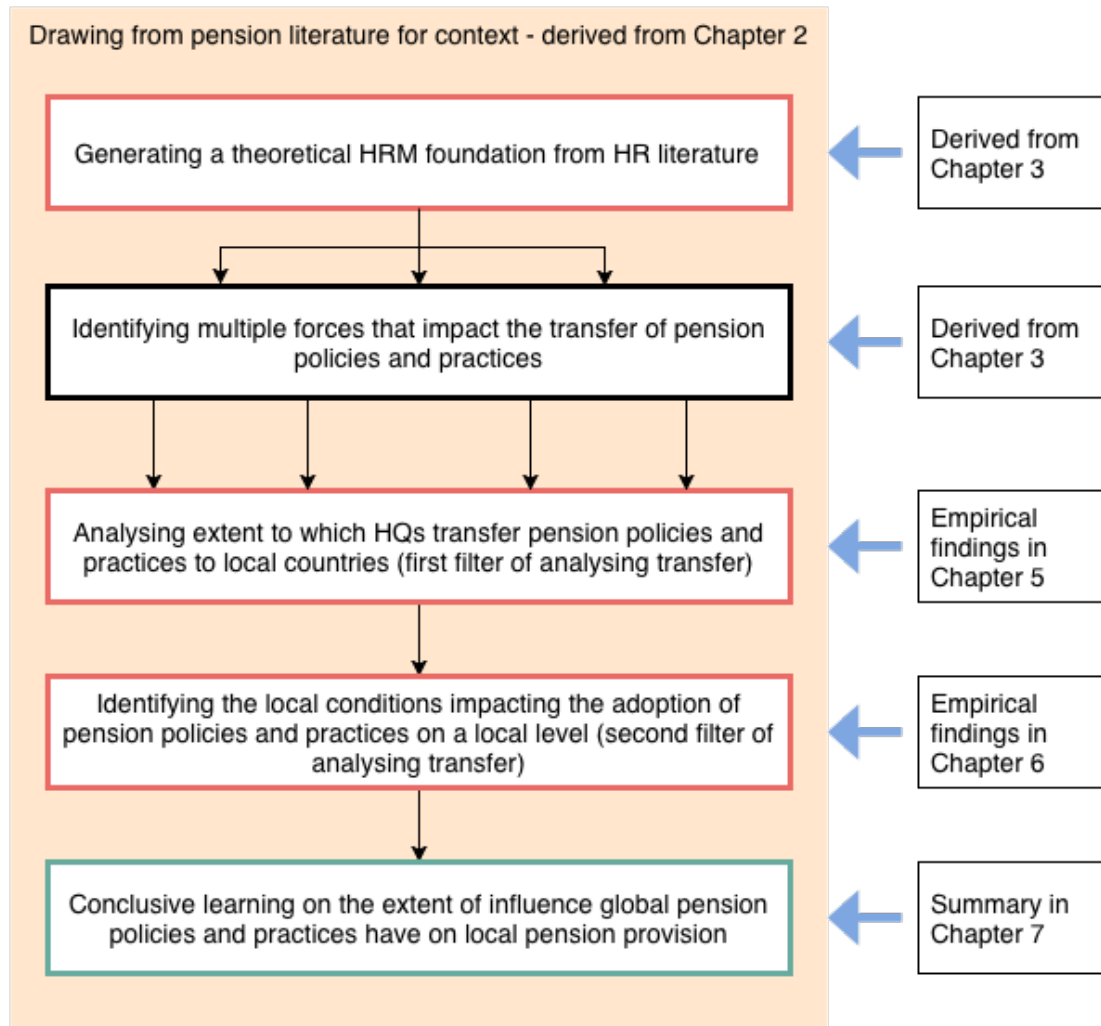


Figure 1.4: Building of research framework

The research framework follows the three-level analytical model outlined earlier in this Chapter. It represents the structure of analysis of this research and shapes the process of analysis to be able to answer the research questions.

1.3.2 Introducing the chapters

Chapter 1: Introduction

The first Chapter provided an introduction to the area of research. It outlined its aims, objectives and scope, as well as highlighted the reasons why the research is needed. This Chapter presented also the research issue and research questions, and introduction to the research framework, and provided the reader a short yet comprehensive summary of the key issues around the topic and emerging themes of this research.

Chapter 2: Setting the pensions context

Chapter two provides a contextual knowledge base of the relevant pension literature for this thesis. It discusses the literature around the global change of pension privatisation, provides a more narrow review of workplace pensions, and outlines the challenges related to workplace pensions before and since the GFC. In order to put the literature review of pension privatisation and the challenges around workplace pensions into context, Chapter two also introduces the pension systems of the two country case studies selected for this thesis and shows that both systems have undergone the same structural changes as the global trend. Information provided in Chapter two is contextual and sets the analytical research basis for addressing the research problematic and for empirically verifying the second hypothesis in Chapter six.

Chapter 3: Defining the research framework from HR literature

Chapter three discusses in detail the HRM and IHRM literature around MNCs' policy transfers and employee benefit practices. It complements the pension literature with the HR literature in order to be able to analyse the decision-making process of pension provision within MNCs. Chapter three completes the five-level research framework and defines in detail the first two levels of analysis, which constitutes the basis of studying the transfer of global pension policies and practices. The framework ensures that the researcher understands the multi-layered, multi-dimensional context of

policy/practices transfer in order to construct a comparable research concept that helps to conduct case study research.

Chapter 4: Research design and methodology

Chapter four explains the process of research design and justifies the methods employed in the study. It identifies the reasons for choosing a qualitative (over a quantitative) approach by reviewing its advantages and disadvantages for this study, and provides insights into why a case study research approach was adopted (including the choice of countries, sectors and actors). Additionally, reasons are provided for using various data collection methods (such as interviews and documentary analysis). Chapter four then outlines the different phases of research fieldwork, and discusses the data collection strategies applied, including the use of semi-structured interviews, documentary and secondary data analysis and how the data in this study has been analysed.

Chapter 5: Case studies' HRM

Chapter five analyses to what extent the case studies transfer their global pension policies and practices to their host countries, using empirical data. It identifies common actions that have been taken by all case studies in terms of their global pension and benefit management. Interestingly, the analysis in Chapter five reveals that the influence of HQ on workplace pensions is limited and instead the ultimate decision-making prevails locally. Also, while all companies have adopted the same HR transfer model (cross-vergence), there have been stark differences in terms of their convergence/divergence tendencies. Some correlation with literature from Chapter three was un-expectantly detected. The first hypothesis of this thesis is tested in Chapter five.

Chapter 6: Local pension decision-making within the context of the GFC

Chapter six investigates to what extent local entities have adopted global policies and practices. It firstly analyses how the GFC has impacted the management and provision of workplace pensions (in terms of legislative changes and market practice).

Secondly, it analyses whether the case studies have been developing their pension provisions the same way, and what the influential factors have been. Findings have been very surprising, as they reveal that no pension amendments have been carried out due to the crisis by any of the case studies. Chapter six identifies reasons for the lack of actions of the three case studies and identifies key influences for change related to local workplace pension decision-making. Hypothesis two is tested in Chapter six.

Chapter 7: Conclusion

Lastly, Chapter seven summarises the key findings of the research, relating these to the two hypotheses posed and validating the adequacy of the research questions for undertaking this research. It also highlights the contribution this thesis makes, including the introduction of a new research framework and model for analysing HR policy transfer, as well as enhancing knowledge/understanding of existing pension and HR literature. Chapter seven points to the limitations of this research and offers suggestions for further research.

1.4 Introducing the researcher

Researchers approach a study differently depending on their backgrounds and perspectives. This might lead to differences in interpretation, in the process when selecting a topic, in deciding which research design to apply and in how to present findings and results. Especially when adopting a qualitative research method, where the researcher becomes the so-called “human research instrument”, the background of a researcher represents a key component of the full understanding of the overall research. As such, interpretive research often begins and ends with some insights into the researcher’s position, perspective, beliefs and values (Denzin, 1989).

While (and before) undertaking this study, the researcher has been working in the pensions industry for almost ten years. During the last seven years the researcher has been working as an international benefit and HR strategy consultant for the global consulting firm Mercer. In this role, the researcher has been advising and supporting several large MNCs with their global pension and benefit structures and governance processes. As such, several conclusions and general descriptions on how the pension

and benefit landscape have developed over the years, have been drawn from the experience as a consultant.

The researcher spent most of her consulting time in Scandinavia, namely Sweden and Denmark. As such the researcher's insights into large multinationals (typically those with more than 20,000 employees) are focused on Nordic headquartered companies. There are differences in how global HR policies are adopted among different companies – largely depending on the location of HQs and hence applicable organisational cultures (further discussed in Chapter three). Advising Nordic multinationals, of which Swedish were the majority, developed an already half-formed interest as well as “industrial” understanding on trends and HR practices.

Several years ago, the researcher spent two years in Mexico, during which time she worked at “then” Daimler Chrysler (now just Chrysler) for almost one year. This was a very interesting experience. Due to the nature of the firm, the senior management team consisted mainly of Germans. The researcher could identify with their beliefs and work ethics very well, due to the common background. While she was there, the Boston Consulting Group (BCG) was consulting the organisation on leaner processes. BCG's consulting practices stemmed largely from an American perspective. In addition, the consulting project undertaken in Mexico was part of a larger globally managed agreement with HQ. The researcher experienced first-hand the interface of different working, national, and organisational cultures, as well as the challenges related to the transfer of global agreements (with HQ) to local entities.

This experience has formed the basis and interest to undertake this study. She chose the scope of pensions mainly due to two reasons: pensions play a crucial role in the overall benefit package within companies and are becoming an increasingly valued benefit; and the growing need for providing supplementary pension provision as part of the overall socio-economic development of countries.

1.5 Conclusion

The aim of this Chapter has been to introduce the research narrative and to outline the importance and purpose for undertaking this study. It has provided some introductory and contextual background on the development of pension provision. The need for

supplementary pension provision was highlighted, while recognising that MNCs have implemented global risk and cost mitigation policies and practices that do not address and support the need to ensure pension savings for employees. The influence of MNCs global policies and practices on the pension decision-making process, therefore, requires further investigation.

This Chapter has introduced the aim and scope of this thesis, including the broad research questions as well as hypotheses. A brief literature review indicates the need for conducting further research in this field, and illustrates that a new study would contribute to knowledge which would be of interest to both academia and business communities. Before concluding this Chapter, the structure and content of the thesis was outlined, the research framework introduced, and a brief introduction to the researcher's background was given.

Chapter 2

Setting the pensions context

This Chapter aims to provide a contextual knowledge base of the relevant pension literature for this thesis. Outlining the pension context in this Chapter enhances the understanding of the research problematic. It also forms the basis for analysis – especially for Chapter six, when pension changes in Mexico since the GFC and the process/influences of local decision-taking around workplace pension provision are investigated. The below Figure 2.1 illustrates visually the role of Chapter two within the context of the research framework of this thesis. Throughout this thesis, references to this Chapter are made.

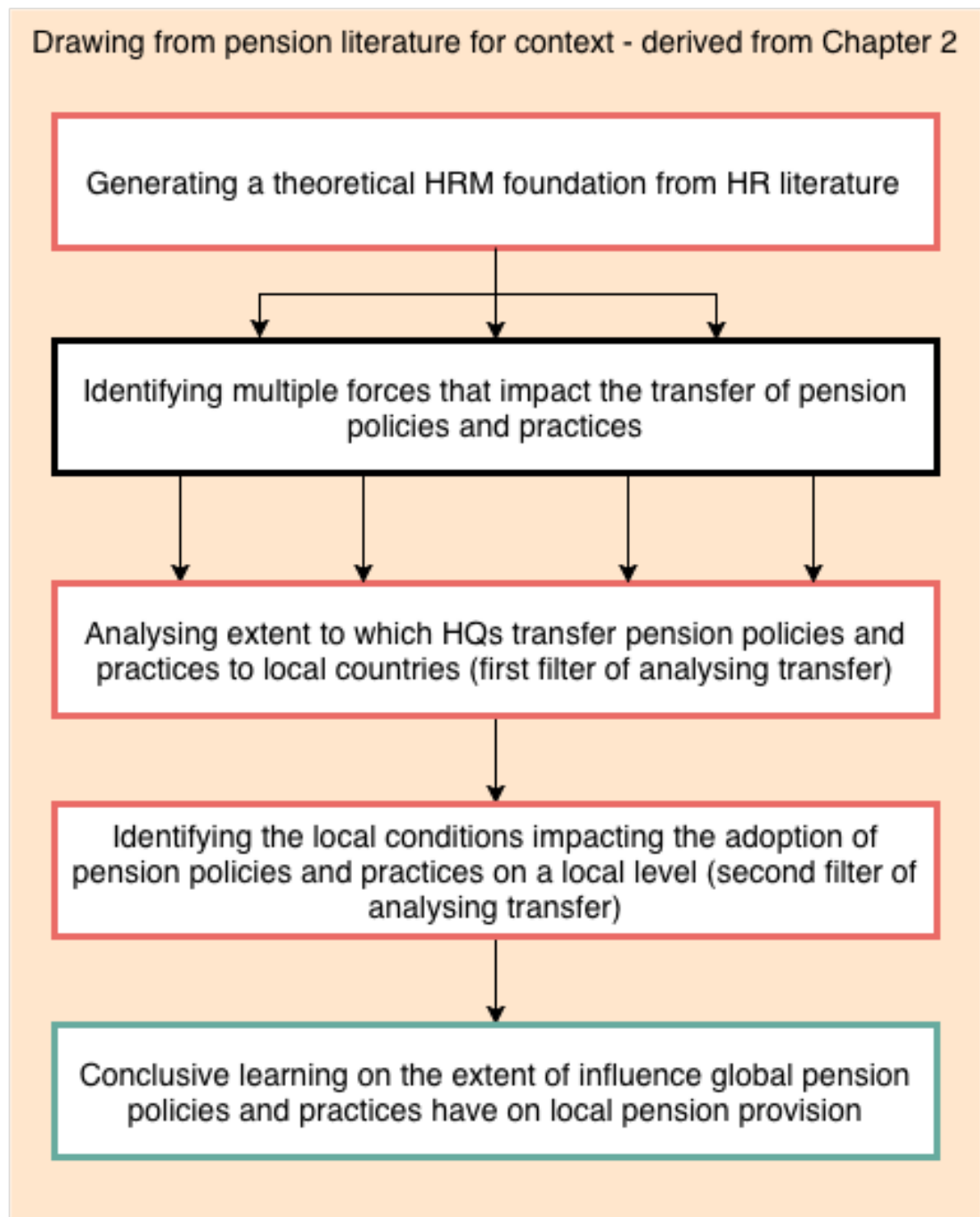


Figure 2.1: Pension context of research framework

Chapter two is divided into four main sections. Firstly, it discusses the literature around the global change of pension provision and privatisation to provide the reader an understanding of how the global responsibility of pension savings has shifted from governments to employers. Following, a more narrow review of workplace pensions is made, including an introduction on challenges before and since the GFC. It is important to understand the notion of workplace pensions (including respective structural

and wider HR challenges, as well as their development since the GFC) in order to be able to fully engage in the research problematic and the analysis of this thesis. Pension privatisation and the challenges around workplace pensions represent the analytical foundation for several findings throughout this thesis (especially in Chapter six). The third section introduces the pension systems of the two country case studies, in order to put the literature review of pension privatisation and the challenges around workplace pensions into context for this thesis. More detail is provided on the development and challenges of the Mexican pension system, as it sets the analytical stage for the empirical analysis and verification of the second hypothesis in Chapter six. This Chapter concludes by summarising the key learnings and linking these to the narrative of this thesis.

2.1 Global change of pension systems

This section reviews the literature around the development of pension systems from a structural perspective (pension privatisation and move to a multi-pillar set-up), as well as the reasons and embedded influential factors leading to this change. It sets the basis for the reader to understand the structural context of this thesis.

2.1.1 Pension systems shifting to privatisation

Over the last three decades, the reform of pension systems has become an important challenge for countries around the world. In the first to the second part of the twentieth century, pension systems typically consisted of two pillars: a publicly funded pillar financed through the pay-as-you-go (PAYG) principle in which current contributions of employees are used to pay current pensioners, and a voluntary private savings scheme managed by private funds administrators. Yet, increasing socio-economic pressure during the 1980s – including an impending demographic transition (due to longevity, ageing of the post-war baby boom generation and declining fertility rate), increasing national deficit levels and limited fiscal resources to fund PAYG systems (as a result of lagging economic growth and industrial restructuring), as well as low trust in the system due to some pension asset mismanagement – marked an era for change (among others: Brooks, 2005; G. L. Clark & Whiteside, 2003; OECD, 1994; Orenstein, 2005;

Queisser & Vittas, 2000; World Bank, 1994). Many governments were forced to review their pension systems and to implement measures to strengthen the public social security programmes. The most prominent measures included: transforming DB to DC pension rights, raising state retirement age and therefore extending active working age for individuals⁵, increasing pensions contributions or reducing benefit entitlements – and above all implementing and strengthening a multi-pillar set-up through auto-enrolment schemes (mandatory or with an opt-out option) as well as workplace and private pension products (in most cases offering related tax incentives) (OECD, 1994; Orenstein, 2003; Turner, 2007; World Bank, 1994).

While pension policies were widely discussed and modified towards privatisation in 1950s and 1960s in parts of the world (Whiteside, 2006), the global move towards pension privatisation marked the 1980s and 1990s (Brooks, 2005; G. L. Clark & Whiteside, 2003; Orenstein, 2005; Queisser & Vittas, 2000; Turner, 2007), which was supported by leading international organisations who have promoted and steered a multi-pillar approach to pension savings (OECD, 1988, 1994; World Bank, 1994).

Pension reform development and privatisation was marked by two conceptual frameworks: the World Bank's "three pillar model" in 1994; and its "five pillar model" in 2005. In 1994, the World Bank recommended countries to implement the three pillar model, consisting of:

1. a publicly managed system with mandatory participation,
2. a privately managed, mandatory savings system, and
3. voluntary savings.

The implementation timing and scope of the three pillar system varied among countries (Orenstein, 2003). For example, in Latin America, the majority of countries implemented a three pillar approach in the 1990s, following the earlier Chilean experience, adopting a very determined stance in privatising social security systems. Privatisation was then seen as the sole remedy to the possible collapse of highly underfunded and generous PAYG systems (World Bank, 1994), challenged and shaken by

⁵Further insightful reading on the trends of retirement age increases as part of social security arrangements can be obtained by reading Turner (2007) and Chomik and Whitehouse (2010).

the previous crises. Table 2.1 provides an overview of when some countries adopted a multi-pillar approach.

	Europe/Antipodes	US/Latin America	Africa/Middle East/Asia
1980s	Switzerland, UK, Netherlands	Chile	
1990s	Denmark, Australia, Hungary, Poland	Argentina, Colombia, Peru, Bolivia, Mexico	Kazakhstan
2000s	Bulgaria, Estonia, Croatia, Latvia	Costa Rica, Nicaragua	Hong Kong
Source: Orenstein (2003)			

Table 2.1: Adoption of the multi-pillar approach

While Orenstein did not include Sweden, for the purpose of this study and for comparative reasons in terms of Mexico, Sweden would be placed in the row representing the 1990s.

Towards the end of the 1990s, the World Bank model drew a lot of criticism, as the transition from PAYG to partially or fully funded schemes caused fiscal problems in several countries. It was argued that more importance should be given to the adequacy of benefit levels, the extension of coverage, and the role of good governance for a well-functioning pension system (Queisser & Vittas, 2000). A fourth pillar, which was proposed by the Geneva Association in 1987, was increasingly referred to in policy and academic debates. This pillar represented a complementary provision between social security and insurance during the extended work-life.

In 2005, the World Bank introduced an enhanced five-pillar approach by splitting the first and third pillars. The aim of the multi-pillar pension systems was to diversify retirement income sources and mechanisms of financing in order to tackle increasing fiscal challenges caused by several regional financial crises. The five-pillar model is outlined in Table 2.2 below.

Pillar 1	Pillar 2	Pillar 2	Pillar 4	Pillar 5
Earnings-related	Mandatory savings	Occupational plans	Personal, voluntary plans	Family plan
Plans tend to be DB, unfunded schemes, such as pay-as-you-go plans.	Plans are usually fully funded, DC plans.	Companies set up an employee saving plan, usually a funded DC scheme. In some cases Pillar three can represent a collective agreement between unions and employer associations (e.g. in Sweden).	Individuals set up a private savings account. There may be tax benefits associated with it.	A pension is paid to surviving non-working family members.

Table 2.2: Five-pillar model

While both models were launched to improve international pension provision; the three pillar pension model was primarily designed for poverty reduction. The five pillar model, however, took into consideration wider socio-economic factors. It is worth noting that criticism of the three pillar model and the enhancement into five pillars was during a time of transition. Towards the end of the 1990s international organisations started to focus on social, rather than economic development. Not only the World Bank, also the United Nations (UN) and the International Monetary Fund (IMF) set up new policy initiatives and organisational reforms enhancing their social agenda and focus on poverty reduction (Sen, 2001).

The introduction of multi-pillar models marked a momentous change in pension provision. Worldwide, governments either adopted fully these models or decided to reform some aspects of their public pension pillars. As described above, at the core of reform proposals had been the privatisation of pension provision, under which social insurance shifted to individual responsibility for saving – constituting a paradigm shift in social protection (Brooks, 2005). The main differences between the “old” social security systems and the “new” privatised models have been:

- Shifting responsibility from the state to the individual
- Diversifying financing method (privatised pension savings are not based solely on payroll tax)

- Privatising administration (third parties provide governance and administration support instead of a state agency under a social security pension)
- Individualising pension rights redistribution (individuals receive pensions linked to their savings and investment return, rather than inter-generational distribution or social status) (Orenstein, 2005).

In addition to the overarching financial aim to limit the government's responsibility to carry pension liabilities, pension privatisation has also been positioned to increase domestic savings, enhance national growth, and build domestic capital markets (Feldstein & Samwick, 1996; World Bank, 1994). To date, there has not been significant proof that these long-term aims have transpired (Brooks, 2005). It has increasingly been discussed why so many governments have been – and arguably are still – undertaking a transition to pension privatisation (despite the uncertainty around the future implications) and what has impacted the scope of the transition, as well as the individual pension adequacy and the role of employers under the new system (Barr, 2002; Brooks, 2005; Ebbinghaus & Whiteside, 2012; Orszag & Stiglitz, 1999). Chile for example⁶ – which has been the model and reference worldwide when adopting pension privatisation – has found after the privatisation of their pension system 35 years ago that payable pensions have ended up to be below the minimum wage salary and overall insufficient. Several protests had taken place in mid-2016 which prompted the government to review the pension system. In April 2017 a pension reform proposal to increase employees' pension contribution (payable by the employer) was announced by Chile's President Michelle Bachelete, but final reforms had not been confirmed by December when this thesis was finalised⁷ (Business News America, 2017a, 29 November 2017). The pension system has also taken a central role as part of the governmental elections in Chile whereby the candidates are calling for a change and reform (Business News America, 2017b, 1 December 2017). In the context of this research it is important to note that the pension income gap that the privatised pension system in Chile had left generated global public awareness and a lot of discussion around the adequacy of pension privatisation. Also, as previously highlighted in this

⁶Chile is referred to in this thesis as it is often used as an example case study for privatising pension systems. Other countries have also experienced social upheaval due to lacking retirement income – for example Poland. This topic cannot be further explored within the scope of this study.

⁷Chile's pension reform is beyond the scope of this thesis.

thesis – the proposed reforms, aiming to bridge the pensions gap, have indicated that the Chilean government has been aiming to transfer pension saving responsibility even further from the government to employers. While privatisation may have supported the economic situation of the country initially, it had not delivered on the overall promise to provide adequate pension savings to individuals.

The next section examines the reasons for governments opting for privatised social security systems and explains the different school of thoughts on the varying degrees of multi-pillar approaches. Section 2.2 discusses the literature on workplace and individual savings.

2.1.2 State foundations and influences leading to pension privatisation

Three forms of influences have been widely used to outline and explain the development of privatising pension provision, which are summarised in Figure 2.2 below.

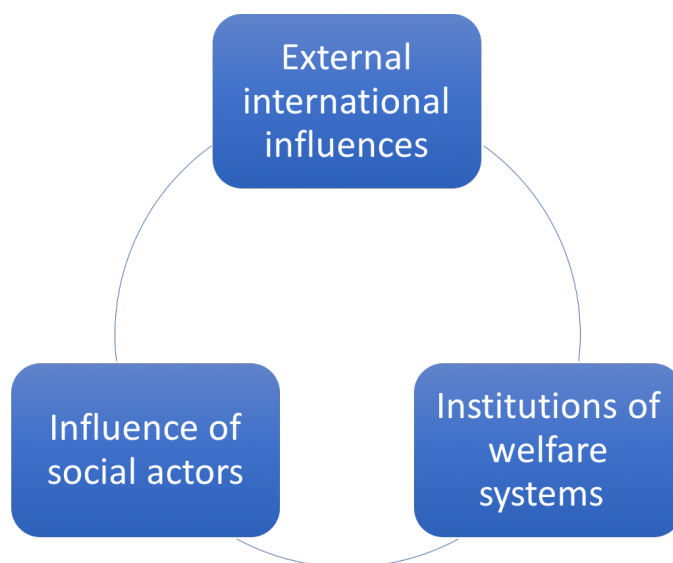


Figure 2.2: Stimuli for pension privatisation

External international influences

Literature that has looked at the influence of international factors on the privatisation of pension provision largely discussed the impact of other nations and international organisations over domestic policymaking. In regards to international organisations,

countries (in particular emerging markets) have found it hard not to comply with the institutions' demands, fearing that they may lose funding for non-compliance and adherence. Particularly after the debt crisis of the 1980s and more recently during and after the 2008 crisis, international organisations and economic treaties such as the European Union or NAFTA have tried to pressure countries to reform (and mainly to privatise) their social security systems by conditioning funding and/or membership (N. J. Adler, 1991; Casey, 2012; Stallings, 1992). In Europe, the EU Stability and Growth Pact provided governments, which needed to contain public budgets the opportunity to privatise, encouraged by the promising returns on global financial markets (G. L. Clark & Whiteside, 2003). Other external influences that have had significant impact on the privatisation of pension systems have been the "self-reinforcing processes"; hence the concept which is based on the notion: the more people adopt an innovative approach to reform the use of it will increase (Ebbinghaus, 2005). After analysing pension reforms in Latin America, Brooks (2005) found that the decision to adopt the three pillar model was largely influenced by the general trend of peer nations adopting corresponding measures. External influences and international pressure can explain why at a given moment in time policymakers worldwide seemed to encourage the reform of publicly funded PAYG systems into a multi-pillar setting and why nations were considering reform; yet it does not provide insights into the scope of reform undertaken. Literature that has centred around the institutional oppositions (Haggard, 1986) as well as local influences have largely focused on the welfare state institutions.

Welfare states

Literature on pension systems welfare states' analyses are based on institutional path dependency. It recognises that social policy is "locked in" a path of development, determined by early developments of state structures (Pierson, 1994; Skocpol, 1985). Literature drawing from the welfare states' analysis, does not question the privatisation of pension systems, but instead studies the extent to which pensions systems have been privatised and accentuates the different definitions of private pensions depending on the historical context of each country (Anderson & Meyer, 2003; Béland & Gran, 2008; Bonoli, 2000; Brooks, 2005; Esping-Andersen, 1990, 1999; Whiteside, 2006). It

tries to answer the question why certain nations have decided to keep state supported pensions as an important component of overall pension income (pillars one and two), whereas other countries implemented reforms with the aim to provide old-age income largely through private savings (pillars three and four). Welfare literature since the GFC has also analysed the impact the crisis has had on the pension systems and why institutions had not reversed from privatisation combating challenges related to the crisis (further information can be found in section 2.2.3). Instead privatisation has been continuing (Ebbinghaus & Whiteside, 2012).

Literature acknowledges the existence of two types of pension systems: the Bismarckian and Beveridgean model (Bonoli, 2000; Flora & Heidenheimer, 1982; Malloy, 1979; Meyer, 2013). Under the Bismarckian model, based on the old-age and disability programme by Germany's first chancellor Otto von Bismarck in the late 1889, pension provision is financed by employer and employee contributions, as well as state subsidies. Individuals reaching state retirement age, receive pension entitlement based on contribution paid. In 1942, William Beveridge proposed a system of "equal contributions for equal benefits" unrelated to a person's income, and opposed means-testing. His proposal generated a lot of public support, mainly due to the Second World War that saw a need for social change (Bonoli, 1997). While the original proposals were not fully implemented, the overriding Beveridgean model is financed via taxes and a flat-rate (or means-tested) state pension; usually topped up with an increasingly important workplace pension. The main differential factor between both models is that the Beveridgean model was designed to protect citizens from absolute poverty, whereas the Bismarckian model aims to keep retired citizens on a comparable income level to their active working life. Bismarckian-type countries have implemented reforms that encourage workplace and private pensions to supplement state pensions. Beveridgean-type countries where workplace pensions have been a fundamental component of pension provision and state pensions mainly serve as a mechanism to avoid poverty in retirement, have seen reforms advancing this divide. Bismarckian-type countries include most countries in continental Europe. Beveridgean-type countries include most countries in Latin American and Anglo-Saxon nations. It is, therefore, important to be aware of the underlying welfare state when analysing pension systems and pension reforms, and in particular private and workplace pensions – as it sets the

basis for the weighting of significance of the five pillars as described in section 2.1.1. Pension reform analysis solely explained with path-dependency, however, overstates institutional continuity and neglects the nuances of institutional and particularly the role of social actors impacting the extent of privatisation (Ebbinghaus, 2005; Myles & Pierson, 2001), which is further addressed below.

Social actors

Literature on pension reform development sets social actors into an institutional context, analysing their scope of influence. Within this setting, social actors formulate their goals, ideas, and desires independently from institutions, and institutions set the strategic context for actors by facilitating or hindering their preferred strategies. Tsebelis (2002) connects the principle of institutional analysis with the veto player theory. In his view, systems with a high degree fragmentation of power and hence a large number of veto players are less likely to have large reforms, whereas countries with a high degree of concentration of political power can implement more radical reforms. Some studies have provided empirical evidence for Tsebelis' theory (Anderson & Meyer, 2003; Bonoli, 2000; Huber & Stephens, 2001; Obinger, Leibfried, & Castles, 2005), including Orenstein (1999) who found in a comparative study of Eastern European pension reforms that countries allowing more institutional veto points to opponents reformed less radically than those with fewer veto points available. Beyond the veto player theory, some researchers have also focused on the evolving and changing roles of the social actors in light of pension privatisation. For example Lindley (2012) has questioned the shift and distribution of pension responsibility to the employers as well as the individual/family or the state, particularly in the context of extending working life.

2.2 Introducing workplace pensions

This section introduces and reviews the fundamentals of workplace pensions. It firstly provides an overview of the employer's perspective. It then introduces the three most common types of workplace pensions (DB, DC and hybrid), and lastly provides contextual information of the GFC and the crisis' impact on workplace pension schemes.

2.2.1 Employer's perspective on workplace pensions

Companies have historically been interested in the developments of the privatisation of pension provision (therefore, the retrenchment of the state provision) and the social policy expansion, as it provided them the opportunity to use the provision of workplace pensions as a competitive edge, that supports their public image and hence competitiveness as an employer of choice (Gordon, 1991; Mares, 2003; Swenson, 2002). In the US, for example, wage bargaining was left at the company level since the Wagner Act in 1935, which stimulated a split between low-skilled cost-focused operating firms that were unlikely to provide pension offerings, and high-skilled firms that used workplace pension to attract talent (Swenson, 2002). In other countries, such as Sweden, while employers were not opposed to the expansion of social policy, the associated cost burden of privatised old-age income, has led employers to push for a more social democratic initiative of publically financed pensions (Swenson, 2002). The employer involvement in providing old-age provision, has also enabled employers to ensure the loyalty of workers, reducing strikes and other labour activism – especially when unions were involved (Esping-Andersen, 1996; Sass, 1997); while at the same time providing them the flexibility to encourage wage moderation and to cut down on the pension offering (or combine it with other benefits or reward components) if needed (Mares, 2003; Mares & Carnes, 2009). Trade union influence and the relative importance/expansion of workplace pensions have varied among countries. In Britain, for example, there has been little evidence that unions played an important role, as they have traditionally been skeptical about occupational welfare (Bridgen & Meyer, 2005). Yet, there has been some evidence that trade union involvement has ensured the continuation of certain DB schemes – which has been a more costly and risky form of providing pension provision to employees, which employers have tried to minimise as further described below (Terry & White, 1995).

The conventional view of most pension professionals and scholars (especially from the discipline of accounting, finance and to some extent economics) is that workplace pension schemes are deferred pay, which typically enjoy government support in the form of tax breaks (Blacker, 1980; Tepper, 1981)⁸. Workplace pensions are especially

⁸One of the earlier critics of this perspective, however – Lazear (1983), has warned that pensions should not only be seen as tax-deferred savings account, as they also provide several human capital aspects which are further discussed in this section.

an important element in corporate financing and have been argued to be a device (particularly for senior management) for avoiding or deferring tax payments. From an employer perspective – the tax incentives stimulate employers' willingness to provide and finance pension arrangements (Hannah, 1986; Sinfield, 2000). Simultaneously, where tax incentives have either been reduced or government regulations have increased the costs for employers, the provision of workplace pensions has reduced. For example, augmented governmental policies in the 1980s impacted the reduction of pension offerings by companies in the US (Sass, 1997). Also, more recent tax reforms in Mexico, which reduced the tax breaks for employee benefits (including pensions) reduced the overall willingness by employers to provide workplace pensions – or stopped initiated processes to implement pension schemes⁹. More broadly, the requirement to disclose pension fund liabilities under the IFRS regulations, which were a consequence of the mis-selling scandals and the Maxwell case in the early 1990s – also incentivised companies to manage their global risks and costs related to pensions (as previously stated in this thesis) (Rogowski, Salais, & Whiteside, 2013). As part of these cost and risk mitigation efforts, companies around the world typically transformed their pension arrangements to less risky vehicles; therefore to switch pension arrangements from costly and high-risk DB plans to easily manageable DC arrangements – which is further discussed in the following section (Coates, 2001; Roberts, 2004). Literature that only refers to the tax incentives or financial measurements of pensions has overlooked, however, the labour-oriented components of pensions and deferred benefits. These benefits, for example, incentivise employees to work harder and also increase employees' willingness to remain in employment with the same company (Lazear, 1983). Workplace pensions are therefore also an important incentive device in labour relations, affecting employee turnover (Lazear & Moore, 1988; Wolf & Levy, 1984), work effort, and the timing of retirement (Lee, Hsu, & Lien, 2006; Lepak & Snell, 2002). Stock and Wise (1988), for example, have found that workplace pension provision have had a more significant impact on employee retirement decisions than the underlying social security system. The ability to manage human capital (for example by attracting and retaining employees and to be able to manage early retirement) has been seen as the key incentive for employers to offer and pay

⁹More information on the tax reform and its implications on employers' willingness to provide workplace pensions can be found in Section 2.3, and Chapter five.

for workplace pension arrangements (Mares, 2001; Rogowski, Salais, & Whiteside, 2013; Sass, 1997). Pension benefits have also enabled employers to dismiss older and less productive workers, being able to provide an incentive mechanism for employees to opt for early-retirement (Ebbinghaus, 2006; Lazear, 1983)¹⁰. More recent literature, however, has relativised the importance of pension provision in terms of human capital management. Employees – and especially those that are highly-skilled – are expecting more individualised benefits (G. L. Clark, 2003; Ross & Wills, 2002). Also, according to Sass (1997), companies focus less on employee retention as different skill-sets are needed and the labour market has become more fluid. Sass, however, focuses mostly on developed markets – and specifically the US – pension provision and the role in terms of human capital management in emerging markets has not been further discussed.

Some research – notably by Mares (2001), has found that the size of an organisation influences the likelihood that workplace pensions are offered. Particularly large organisations, with highly-skilled labour and the need for retention, are likely to offer pension schemes to their employees. Smaller organisations may be disincentivised to carry the cost and managerial/administrative burden when offering pension benefits. The next section introduces the three most common types of pension arrangements companies provide. It outlines each scheme's advantages and challenges for employers and employees respectively, and indicates some consequential trends.

2.2.2 DB, DC and hybrid schemes

The three most common types of workplace pension schemes are DB, DC and hybrid schemes, which are briefly described below.

DB schemes: Under a DB scheme, the employer promises a specified retirement payment to the employee, depending on a formula that is usually based on salary and pensionable service (an employees' final or average salary over the whole period of scheme membership). DB schemes are typically financed via a book reserve system, externally funded schemes, or a PAYG system (Social Protection Committee, 2008). Under a book reserve DB schemes are financed internally. Companies build up re-

¹⁰Chapter five provides further insights into how pensions have been used to manage human capital in Mexico – using the benefit in order to dismiss personnel.

serves to pay pension obligations, which they most often have to re-insure. Externally funded schemes (where the pension resources are kept separate from the company) are managed by an external provider (e.g. insurance companies, investment funds, or pension funds). A PAYG system, under which pensioners are paid out of current employees' contributions, is typically only used by government, local authorities and other public sector employers, as the general rationale is that the government cannot go bankrupt (Terry & White, 1995). Regardless of the funding system used, under a DB plan, an employer bears the risks of providing the promised pension value to an employee (Broadbent, Palumbo, & Woodman, 2006). Sometimes, employers re-insure the liabilities and therefore move some of the risks to an insurance company or an external protection fund. The main employer risk when providing DB schemes is the obligation to provide the defined benefit to employees, regardless of the performance of financial markets or the company. In return, employees hold the risk not to receive any or reduced pension benefits in case of insolvency of the company (or the external provider) (Besley & Prat, 2003; Broadbent, Palumbo, & Woodman, 2006). Additionally, DB plans are inflexible in transferring pension rights when changing employers, and are usually subject to "vesting rules", under which employees only receive pension rights after a defined period of time (ranging from one to up to ten years). These features limit labour market flexibility (G. L. Clark & Monk, 2006).

DC schemes: Typically, under a DC scheme, a fixed monthly contribution rate (of employees' earnings) to a scheme is made. The contribution is sometimes labelled as employee or as employer contribution. Pension benefits are made up of the contributions (which can vary depending on age, service, or target benefit) as well as any additional investment returns over the years. Only employer contributions are guaranteed under a DC scheme, not final benefits (Besley & Prat, 2003; Broadbent, Palumbo, & Woodman, 2006; Social Protection Committee, 2008). DC schemes are usually fully funded, and managed by third party providers such as insurance companies, mutual funds, or banks (Social Protection Committee, 2008). Overall, DC schemes are considered to be less risky for employers, as the employee bears most of the risk. In return, employees benefit from a scheme's portability, lack of vesting rules, and the opportunity to choose the best investment strategy for personal circumstances.

Hybrid plans: Collective plans which share the risks between employees and employers, hence include some DB as well as DC characteristics, are classified as hybrid plans (Broadbent, Palumbo, & Woodman, 2006; G. L. Clark & Monk, 2006). There are many different types of hybrid plans, each varying in the degree of DB and DC exposure. In more recent political debates one type of hybrid arrangement has attracted particular attention: Collective DC. Under this system, employer and employee contributions are fixed (like under a DC plan), yet the assets are collectively invested and risks are pooled, hence can provide some guarantee to the final pension payable (Boelaars, Cox, Lever, & Mehlkopf, 2014).

Pension arrangements are either provided on an individual basis or under a collective agreement. Under an individual arrangement, the employee enters into an agreement with the employer (under a DB scheme) or with a third party provider (for a DC scheme). Pension scheme adjustments are largely subject to the employers' decision taking, often steered by legislative requirements, risk levels and to some extent trade union involvement (where available). Under a collective agreement, the pension schemes' terms and conditions are negotiated between parties representing the employees' and employers' interests. In some countries, basic rules can be found in the respective labour laws.

As a summary, Table 2.3 below compares DB and DC schemes. Hybrid schemes have not been included in this comparison, as the underlying nature and plan set-up of hybrid arrangements are very variable.

	DB	DC
Pension payable	Employer promises specified retirement payment, depending on a formula based on salary and pensionable service	Pension benefits are made up of the employer/employee contributions and long-term investment returns over the years Only employer contributions are guaranteed, not final benefits
Financed	Via a book reserve system, externally funded schemes, or as a PAYG system	Fully funded, and managed by third parties providers (e.g. insurers, mutual funds, or banks)
Risks	Employer: providing the promised pension value (regardless of financial markets/company performance) Employee: not to receive any or reduced pension benefits in case of insolvency of the company (or the insurance if the plan was re-insured)	Employer: no direct risks (apart from compliance risks and employee workforce management risks - e.g. when employees cannot retire due to reasons described below) Employee: cannot retire if contributions and return of investment has not been enough
Challenges	Inflexible in transferring pension rights when changing employers can be subject to “vesting rules”	Market performance dependent and hence subject to fluctuations
Strengths	Knowledge and understanding of employee’s pension rights	Employees benefit from a scheme’s portability and/or lack of vesting rules. Opportunity to choose the best investment strategy for personal circumstances
Trends	Move to DC provision in last two decades, due to a more mobile labour market and regulatory accounting reforms	GFC has highlighted some weaknesses (further described in the next section). Governments/employers are considering alternatives/enhancements

Table 2.3: DB and DC schemes compared

DB pension provision (from an era of long-term job tenure and extensive financial reporting standards) has decreased in the last two decades and employers have increasingly tried to close the risky and costly pension arrangement (Coates, 2001; Roberts, 2004; Sass, 1997). Instead, DC plans, which are considered to be less risky for the employer and more appropriate for the modern mobile labour market, have dominated the workplace pension landscape (Bridgen & Meyer, 2009; Roberts, 2004). DB pensions have largely been transformed into a benefit that is available to the majority of public sector workers (often justified as a compensation mechanism for lower salaries); in some instances to industries/companies with very strong trade union in-

volvement (Terry & White, 1995); or an executive/senior management benefit in the private sector (Kelly & Gennard, 2007).

2.2.3 The GFC and workplace pensions

The following section provides a high-level introduction and overview of the GFC. An in-depth analysis on the different triggers causing the GFC and its wider implications, are out of scope for the purpose of this research. The aim of this section is to introduce the contextual influence the GFC is assumed to have had on workplace pension provision – and the decision-making process within MNCs. The GFC formed the intellectual trigger when starting to undertake the thesis, but its processes were already under way when conducting the research. After introducing the GFC, a literature review of pension research before and after the crisis is outlined and discussed.

2.2.3.1 Introducing the GFC

The GFC was a complex global event, which began mid 2007, when US investors started to lose confidence in the value of subprime mortgages (loans that were given to people with poor credit histories, who found themselves unable to repay their mortgages spurred by falling house-prices in some jurisdictions) (Casey, 2012; Crotty, 2009; Stiglitz, 2010)¹¹ Initially, the US government encouraged home ownership and interest rates were low. At the same time, products were created that securitised mortgages (including subprime mortgages) - selling on the credit risks and generating additional business opportunities. Rating agencies typically gave AAA ratings to these products, which offered higher yields than AAA rated bonds, and hence generated high purchasing interest among investors (Hull, 2009). It was argued that warning signs, such as the housing bubble and its potential impact on some of those products, were ignored by bank employees, as their compensation arrangements were linked to short-term profits (Hull, 2009). Yet, with rising house prices, confidence in these products increasingly declined (Crotty, 2009). Initially, the subsequent liquidity crisis was addressed by the US Federal Bank who injected capital into the financial market.

¹¹The GFC evolved to a global economic crisis in 2008. Some literature uses the terminology interchangeably. Also, “the great recession” is often used as a term to describe the economic events between 2007 and 2009 and their consequences.

Yet, by September 2008, the crisis had hit global stock markets which became volatile and crashed.

While it is commonly assumed that the US subprime mortgage market triggered the GFC, it was also highlighted that the crisis was caused by the lack of regulation which should have discouraged extremely high-risk lending and forced banks to hedge their risks related to the high-risk lending (Crotty, 2009). Banks kept risky products for several reasons: to convince potential investors that these securities were safe, to hold them off-balance-sheet with no capital reserve requirements, and because at times it was difficult to sell them on, as these products were illiquid (Crotty, 2009). Several financial institutions around the world became exposed to these highly fragile investments, which were built upon tranches or slices of risky subprime mortgages with different risk characteristics. Due to these varying risk characteristics, it became increasingly impossible to price or value the products (Roubini, 2008). As long as the demand was strong, the intransparency and complexity of pricing the products had not been an issue. Yet, once the housing boom ended, insecurity and increasing lack of trust in the value of the products caused prices to plummet (Crotty, 2009; Stiglitz, 2010). It is estimated that by February 2009, almost half of all the collateralised debt obligations¹² (CDOs) ever issued had defaulted (Financial Times, 2009). Overall, the IMF estimates that total losses during the GFC exceeded \$4,700 billion (Blanchard, 2009). The GFC has also had tremendous implication on pension funds - further outlined in the following sub-section.

2.2.3.2 Workplace pension literature before and after the GFC

Before the GFC, pension literature on workplace pensions mainly focused on the interaction of state and workplace pensions, the political interaction of different interest groups (such as the trade unions) influencing the plan set-ups, as well as the provision of stable pension income streams in retirement. Since the crisis, however, pension literature tended to focus on other angles, such as:

- the impact of wider socio-economic context on pensions (e.g. labour movement, unemployment caused by the crisis – in particular youth unemployment etc.)

¹²CDOs were one of the “exotic” products typically traded before and during the GFC which were based on subprime mortgages. Further discussions on CDOs and related products are out of scope for the purpose of this thesis.

and their respective impact on DB and DC pension savings (Anderson, 2015; Bridgen & Meyer, 2009; Casey, 2012; Denny & Churchill, 2016)

- the maturity of the provider market facilities and the impact the crisis has had on their institutional set-up, as well as liquidity (Barr & Diamond, 2008; G. L. Clark, 2008; Fabozzi, Focardi, & Jonas, 2010; Kay & Sinha, 2008; Orenstein, 2011; Stiglitz, 2010)
- pension equality (for example between public and private sector, different employee and individual saver groups etc.) (Chau, Foster, & Yu, 2016; Cutler & Waive, 2013; Ginn, 2013; Grady, 2015; Naczyk & Seeleib-Kaiser, 2015; Orenstein, 2011)

Workplace pension literature started raising questions on how to redesign DC pension provision, as related risks and shortcomings have become increasingly apparent since the GFC (Antolín & Stewart, 2009; Casey, 2012; Coates, 2001).

One of the key impacts the GFC has had on workplace pensions was the low return of investment from pension scheme investments. Global pension funds' assets declined by over 20 per cent - USD 5.4tn (Antolín, 2010), putting additional pressure on funding levels for DB schemes, and causing plummeting pension values under DC schemes. As a consequence, evidential research showed that employers started to renegotiate and change DB plan rules, including: raising employee contribution rates, increasing entitlement age, and changing indexation in an attempt to reduce their risk exposure. The trend to close DB plans and replacing them with DC plans further accelerated (Casey, 2012). Overall, the implications of the crisis on DB scheme members that are close to retirement have been less severe. But active members (those that are still contributing to the schemes) have been confronted with scheme changes that will eventually reduce their benefit entitlement or increase their current contribution. Nevertheless, for DC scheme members – the crisis impacted both: those close to retirement as well as active members. Employees nearing retirement saw their pension savings diminished and those considering buying an annuity received unfavourable rates from insurance companies. Consequently, those employees were forced to adapt their spending level in retirement or to reconsider their decision to retire and instead to continue working beyond retirement age (Casey, 2012). So

called bridge jobs, in between retirement and career employment, are quite popular as they may provide supplemental financial incentives – even if they are lower than during the career employment¹³ (Quinn, 2002). While it is expected that asset values will recover over the long-term, only “young” DC scheme members are expected to benefit from this.

Workplace pensions as a tool to provide sustainable and reliable supplementary pension income, has widely been discussed since the GFC. Figure 2.3 illustrates the main challenges around supplementary private pensions (including workplace pensions). The relevant literature is further discussed below.

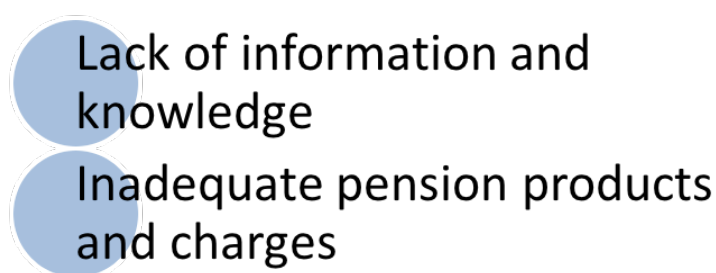


Figure 2.3: Challenges providing sustainable and reliable private pensions

The theoretical assumption that lies behind private savings being a tool that provides sustainable and reliable pension income assumes that individuals make good choices about the several aspects of pensions, including: saving, borrowing, portfolio choice and in some countries choosing the most appropriate annuitisation (Barr & Diamond, 2008). In addition it assumes that the pension products made available to individuals and employees are competitively priced with the overall aim to provide long-term financial support to its members. Yet, in practice, private pension provision looks different.

Lack of information and knowledge

One of the most widely discussed challenges around pension savings has been the “imperfect information” (Barr & Diamond, 2008). Empirical evidence has shown that employees and individuals are often insufficiently and inadequately informed (e.g. due

¹³Bridge jobs also provide a social network and improve physical and mental wellbeing (Quinn, 2002; Ruhm, 1990).

to terminology used), and do not take the time to fully comprehend risks and uncertainties related to private savings. Recent literature on behavioural economics has identified that people do not save enough or opt for inadequate pensions and investment options, due to several reasons: procrastinating starting to save (Choi, Hastings, & Shrestha, 2012), not wanting to take decisions such as opting into a pension saving arrangement (Barr & Diamond, 2008; Beshears, Choi, & Laibson, 2008), complexity and conflicting information, deciding to retire at earliest date possible, opting for familiar investment choices and hence lacking investment diversification, basing saving choices on herd behaviour, as well as over-trading pension assets searching short-term returns (Barr & Diamond, 2008; Munnell, 2011). Burtless (2004) bases people's limited decision taking on bounded rationality, bounded self-control, bounded self-interest, or bounded selfishness. Interdisciplinary literature, mainly from HRM, has emphasised the role culture has played in terms of individual decision taking on pension savings, investment, and hence the final pension available. Van Dalen, Henkens, and Hershey (2010) have identified three main forces shaping individual saving decisions which are summarised in Table 2.4 below.

Type of force	Definition
Institutional forces	Decisions are shaped by the quality and design of pension institutions, their trust in the financial and governing institutions
Social forces	Decisions are shaped by the social context in which they are made, including the individual's immediate social and workplace network, as well as upbringing
Psychological forces	Decisions are made affected by one's cognitive capabilities, the ability to plan over time and the perseverance required to carry out those long-range plans
Source: Van Dalen, Henkens, and Hershey (2010)	

Table 2.4: Three forces shaping individual savings decisions

Decision taking in terms of pension savings is therefore shaped by multi-layers, whereby the institutional context of and trust in institutions, the social environment as well as the wider knowledge and capabilities of the individual impact the ultimate pension verdict.

With the aim to establish some conclusive findings, pension research has typically focused on comparable groups of individuals and analysed their decision taking in terms of pension savings. These groups were constructed depending on age, ethnic

background and household income; and generally found that young individuals, as well as those from certain ethnic backgrounds and low household income save less for their future and take less active decisions in terms of pension savings (Flippen & Tienda, 2000; Ginn, 2013; Tamborini & Kim, 2017). Research has also focused on the integrated culture and gender role – often arguing that women are disadvantaged when it comes to pension savings (Chau, Foster, & Yu, 2016; Ginn, 2013; Grady, 2015).

Elevating research from societal groups, scholars have increasingly analysed differences in the private pension saving habits between national cultures. While this research exists, it is still far from mainstream or conclusive, and few in numbers. Most notable papers in this field are from Van Dalen, Henkens, and Hershey (2010); and Engström and Westerberg (2003), who compared pension saving characteristics between the United States (where most of related research and findings stem from), and the Netherlands and Sweden respectively. Van Dalen, Henkens, and Hershey (2010) show that the differences in the dispositions of workers (with respect to future orientation and financial planning) play a far larger role in explaining differences in perceptions of savings adequacy in the United States than in the Netherlands. This research therefore illustrates that there are varying degrees of influences of the three forces shaping individual savings decisions among nations. The research from Engström and Westerberg (2003) confirmed as well as contradicted some of the findings from US studies. For example, while they agree that learning and familiarity significantly affect individuals' decision-making (psychological forces), there is less evidence that in the Swedish system younger employees and women are less active in terms of their pension savings decision-making. While both papers neglect the categorisation in terms of industry, region and type of workforce (e.g. blue and white collar workers); they highlight the role of different cultural cross-border influences, raising caution for generalisation only based on societal groups without taking into account the wider context.

Inadequate pension products and charges

In addition to the shortcomings of information sharing and bad decision-making by individuals, criticism on private pension products and related charges were made. As

part of this debate, DC pensions have been attracting the majority of attention, as concerns were raised that not only insurance and pensions providers are limited in their ability to provide competitively-priced products that match individual's needs for DC (Barr & Diamond, 2008), but also DC pensions fail to integrate accumulation and decumulation phases. In many DC plans longevity is either not insured or only available in combination with specific risk exposures to financial risks (e.g. constant nominal or real income), and product management during the accumulation phase is often not aimed at providing stable retirement income (Barr & Diamond, 2008). A related debate about the provider market has been on taxation and administration charges, which get passed on to members. A number of studies have emphasised a lifetime approach to measuring the cost incidence of charges in both voluntary and mandatory pension schemes. Among others, Murthi, Orszag, and Orszag (1999) indicate that various fees accumulated over a lifetime could consume over 40 per cent of individual pension account value in the UK. Whitehouse (2000) compared pension charges among several countries. While he acknowledges that it is difficult to compare pension charges among different countries due to the different set-ups and varying pension coverage (i.e. in some countries pension coverage also includes disability insurance etc.) – he found that Mexico's charges are the most complex in Latin America. It is important to note that "most complex" does not necessarily mean the most expensive. Mitchell (1999), for example, finds that costs related to administrative record-keeping (which is one of the important factors in costs that get transformed into pension charges) are low in Mexico, as the pension providers enjoy economies of scale. More information on pension charges in Mexico can be found in section 2.3.

Overall, it is important to adopt a careful approach to generalising pension charges (Sluchynsky, 2015) as it needs a holistic view of pension provision and the relative role of the different pillars providing the core old-age income (as outlined in section 2.1). For example, if pension provision is mainly derived through pillar one and two, higher charges for private and workplace pensions have less impact on the overall pension income than if the majority of pension income stems from pillars three and four.

Section 2.2 reviewed the literature on workplace pensions and therefore the concept of

pension privatisation. It defined workplace pensions, recognising that the notion and role of workplace pensions differ within national contexts, depending on its overall importance to provide pension income and therefore national responses to pension privatisation. It also introduced as well as contrasted the different types of pension benefit schemes. It highlighted the shortcomings of workplace pensions particularly in the context of a crisis. Literature on pensions since the financial crisis has mainly focused on the adequacy and sustainability of pensions as the GFC made it apparent that there is a gap in terms of what workplace and private pensions are expected to deliver versus the resilience they show during unpredictable times. Overall, the key challenges for private and workplace pensions include: the lack of information provided to individuals, the overall knowledge gap among savers, as well as inadequate pension products in the market and related charges which are imposed on scheme members reducing their overall pension income. The next section takes account of the literature review in section 2.1 and section 2.2, and introduces the country case studies. It describes how pension privatisation has transformed the Swedish and Mexican pension system

2.3 Pension systems in Sweden and Mexico

In order to put the literature review of pension privatisation and the challenges around workplace pensions into context, this section descriptively introduces the pension systems of the two country case studies applied for this thesis¹⁴. More emphasis is given to the Mexican pension system, as it is essential for this research to fully comprehend the role workplace pensions play within the pension market in the host-country Mexico (where local pension decision-making is reviewed as part of the case study analysis in Chapter six).

¹⁴For information on the methodology applied for having chosen the country case studies introduced in this Chapter, please refer to Chapter four.

2.3.1 Home country: Swedish pension system

The Swedish pension system was reformed in 1998. Prior to 1998, the pension system had been in place for 40 years¹⁵. The old age pension (which was agreed to in parliament in 1958 and enforced in the early 1960s) was a pay-as-you-go system which included a universal pension supplemented by an earnings-related pension (ATP). The system provided a full pension based on the earnings of a worker's best 15 years and after contributing for 30 years, favouring particularly high earners. The overall replacement rate was between 55-70 per cent (Barr, 2013). By the 1980s, Sweden experienced financial pressures and hence introduced over time a reformed pension system. The new system was aiming to increase work incentives by making the pension system actuarially fair, as well as provide a basic old-age income for all (Palmer & Wadensjö, 2004). In essence, the new system had to offer an insurance system-type arrangement (i.e. DC) and a notion of redistribution.

Ultimately, the new system has been consisting of three main parts:

- The income pension (*inkomstpension*) is a notional defined contribution (NDC) PAYG pension that replaced the ATP pension scheme and flat-rate basic pension. Under the NDC arrangement the contributions are notionally accumulated – whereby the value of contributions and thereby pension assets are based on a rule rather than investment returns (as it would be under a DC only system). Under this rule, the notional accumulation which is credited to an individual notional account is increased in line with a notional interest rate, which is calculated by the government encompassing earnings and price inflation¹⁶. At the time of retirement the *inkomstpension* is payable in form of an annuity.
- The premier pension (*premiepension*) is a mandatory individual DC investment account arrangement. This component provides individuals the option to choose up to five pension funds, among the approximately 800 available funds (consisting of insurance companies, banks as well as “newcomers” – which are approved

¹⁵Prior pension systems existed in Sweden (including an occupational pension for state employees in the 18th century, and a people's pension – *folkpension* – in 1948). But these will not be further addressed within the scope of this thesis.

¹⁶A detailed overview on how the notional interest rate is calculated can be found in literature from the Swedish Pensions Agency as well as the insurance companies (*forsakringskassen*), but is beyond the scope of this thesis.

and supervised by the Swedish Financial Inspection Authority), to provide administration services to their premier pension savings. Expectations are that the premier pension funds will be corresponding to 25–30 per cent of GDP when the system reaches maturity. As such, they will be acting like a buffer fund to safeguard against unforeseen developments during a crisis which may be impacting the PAYG system.

- A guarantee pension (*garantipension*) which applies to individuals with low or no earnings and therefore a low pension from the income system.

The guarantee pension is financed through the state, whereas the income and premier pensions are financed through total contributions of 18.5 per cent of earnings, whereby 16 percentage units of the fees are paid into the PAYG system, and 2.5 percentage units into the individual DC accounts. Contributions are shared relatively equally between employer and employee. Certain years of care, study and disability yield pension credits alongside earnings, which are financed by the state (Palmer & Wadensjö, 2004).

The pension scheme was gradually implemented starting in 1999 and fully applied in 2003. Those born in 1938 have started to receive part of their pension from the new system, whereas those born in 1954 or later will be based entirely on the new system (Lindquist & Wadensjö, 2011). The DC pension system is complemented by occupational pension plans. These are comprised of four main plans: for government employees (PA 03), for those re-employed by counties and municipalities (KAP-KL/AKAP-KL), for white-collar workers in the private sector (ITP), and for blue-collar workers in the private sector (SAF-LO). These collective schemes provide mandatory coverage to more than 90 per cent of employees in Sweden, providing approximately 10 per cent in addition to the income pension (Lindquist & Wadensjö, 2011). Self-employed can opt to participate in the system, whereas other individuals (for example part-time employees on very short working hours and those outside of the labour market) are not covered by the occupational pension plans. Occupational pension plans are collectively negotiated and managed. Private sector schemes are DC plans, whereas public-sector schemes combine components of DB and DC (Lindquist & Wadensjö, 2011). For the scope of this thesis, more emphasis is paid to the ITP arrangement (Industrins och handeln tilläggspension). ITP is undergoing a transition

from DB to DC. Members born 1978 and earlier are in the ITP 2 scheme that provides benefits on a final salary DB basis. While all others are in the entirely DC arrangement called ITP1, introduced in 2007. The ITP1 set-up is financed through employer contributions which consist of 4.5 per cent on income below the statutory ceiling and 30 per cent on income above that ceiling. Part (approximately one half) of the contribution is allocated to fixed annuity products and the other half to either fixed annuity products or unit-linked products (Anderson, 2015). Individuals can choose the pension products from the different providers.

While the ITP terms and conditions dominate the pension market some industries may have other collective pension arrangements than ITP, but benefits are alike. Due to the employer contribution set-up of the ITP system (and those occupational pension plans that mirror ITP terms and conditions), particularly high earners benefit from this provision ensuring closer replacement rates to their income levels during working period (Diamond, 2009; Lindquist & Wadensjö, 2006).

Due to the collective nature of the Swedish system (including occupational pensions), the crisis has not had large implications on the overall funding levels (Sundén, 2009). Instead, socio-economic and demographic factors are considered to be challenging, though are beyond the scope of this thesis.

2.3.2 Host country: Mexican pension system

Mexico privatised its pension system in 1997. Three socio-economic reasons instigated the reform. Firstly, a financial disequilibrium had emerged as pension assets had not been accumulated until 1970s and those reserves that were available were used for other payments (such as financing the infrastructure requirements of the social security system and to partially fund health and maternity insurance). Secondly, the system was perceived as being inadequate due to currency deflation and only partial indexation. And lastly, the system was subject to high evasion, whereby for example workers and employers misreported earnings to either receive benefits or to avoid being affiliated with the system (as some perceived it just as a payroll tax) (Acuña, Palomino, Villar, Villagómez, & Valero, 2015; Grandolini & Cerda, 1998). International pressure to reform the system in order to qualify for fiscal support also came from the IMF and

World Bank, as well as the North America Free Trade Agreement (Brooks, 2005)¹⁷. As such, Mexico began a transition from a public pension system to one based on individual accounts and administered by private managers. The below section introduces the different pillars of the reformed pension system. This section highlights that social security benefits have fallen short for employees with earnings higher than the social security ceiling, as state pension provision has concentrated on low income workers. Also, employees that have started contributing only to the reformed system (since 1997) will be facing a low replacement rate. Supplementary workplace pensions have therefore become an important component of the Mexican pension system, benefitting a variety of individuals.

2.3.2.1 Non-contributory pension system (pillar 0)

Non-contributory pension rights have existed since 2003, and are typically offered through different programmes. These programmes aim to reduce old-age poverty and hence provide a minimum income to people above a certain age. According to the National Council for the Evaluation of Social Development Policy (Consejo Nacional de Evaluación de la Política de Desarrollo Social, CONEVAL), there were 13 different registered programmes in 2012, making it challenging to effectively administer, manage and distribute old-age pension provision (Acuña, Palomino, Villar, Villagómez, & Valero, 2015). The three largest programmes (in terms of coverage) are: the Federal District's Food Pension, the old age transfer that forms part of Oportunidades, and the Federal Government's "70 and over" programme (Lomeli, Rodríguez, & Weber, 2012). Of these programmes "70 and over" has the largest coverage across the Mexican population. SEDESOL launched the programme in 2007 for people aged 70 years and above living in rural areas (Programa de Atención a los Adultos Mayores de 70 Años y Más en Zonas Rurales). In 2012 and 2013, the eligibility requirements were amended. Among other changes, the required age-limit was reduced to 65 years and the monthly benefit increased from 500 to 580 pesos in 2013. Reforms have been proposed to convert "70 and over" to a universal pension, which would entitle people (foreigners and Mexicans) aged 65 and over who live in Mexico, to a monthly pension

¹⁷A deeper review and analysis of the reasons for reform is out of scope for the purpose of this thesis. The information provided should support the reader in understanding the socio-economic challenges the system had been under before the reform.

of 580 pesos (US\$44), rising annually to around 900 pesos over a period of 15 years.¹⁸

2.3.2.2 Contributory pension system (pillar 1)

Contributory pensions and the first pillar have emerged since the late last century (Acuña, Palomino, Villar, Villagómez, & Valero, 2015). The existing regimes exclude informal workers¹⁹. According to Lomeli, Rodriguez, and Weber (2012) there are more than 100 different pension schemes in Mexico, taking into account employees that started under the old regime (before 1997) and then changed to the new regime. These schemes are mandatory. As part of this thesis, only the largest and most common pension scheme for private sector employees (Mexican Social Security System – Instituto Mexicano del Seguro social, IMSS) is introduced.

The social security system, which covers private sector employees and is managed by the IMSS, is the largest and most important pension programme in Mexico. It underwent structural reform in 1997, introducing the notion of pension privatisation (Acuña, Palomino, Villar, Villagómez, & Valero, 2015). Prior to the reform, employees received earnings in the form of an integrated salary up to 25 times the minimum wage base (MWB), depending on the contribution period (a minimum of 500 weeks was required). This provision has left high-earners with relatively low benefits at time of retirement in comparison to their previous earnings (Acuña, Palomino, Villar, Villagómez, & Valero, 2015).

Since privatising, individuals contribute to an individual account and at time of retirement an annuity is provided based on the value of accumulated invested contributions, subject to a minimum monthly pension benefit of one time minimum wage. Pensions are available to workers aged 60 years and above as long as they have contributed for at least 1 250 weeks (almost 24 years). Analysing the reform further, is out of scope of this research. Yet, it is worth noting that in response to concerns raised by some policy makers, and other stakeholders of the pension industry – the government confirmed that all employees who started contributing under the previous system (hence before July 1997) have a guarantee that their pension will not be less

¹⁸The proposal had been approved by plenary vote in Mexico's lower house and has been in the Senate, subject for discussion, since April 2014 (OECD, 2017).

¹⁹There are continuous conversations among lobbyists and policy makers to extend this programme to the informal sector as well.

than the amount that would have been payable under the old pension scheme, and have therefore the option to choose pension entitlements under the old or new scheme at time of retirement (Grandolini & Cerda, 1998).

Under the new system and therefore for those who have only contributed to the social security system after the reform (and are starting to retire from 2021), the estimated replacement rates are as low as 20 to 30 per cent, leaving a significant gap in terms of providing sustainable and adequate pension provision (Espinosa-Vega & Sinha, 2000). More information on the challenges of the Mexican pension system is addressed later in this section.

It is important to note that under the new system disability, accident and incapacity insurances are also managed by the IMSS (Acuña, Palomino, Villar, Villagómez, & Valero, 2015). Incapacity insurance amounts to 2.5 per cent of contributions, and 0.25 per cent for accident and disability insurance. Employee pension contributions account for 1.125 per cent of pensionable earnings to the salary ceiling of 25 times the MWB, and employer contributions are 5.15 per cent of pensionable earnings to the salary ceiling of 25 MWB. In addition to the small government contribution, total average individual contributions per month amount to 6.5 per cent of pensionable salary. Table 2.5 below illustrates the break-down of the IMSS contributions and coverages (per cent of the basic salary).

Type of cover	Employer	Employee	Government	Total
Retirement	2.00	-	-	2.00
Severance age, unemployment at old age	3.15	1.13	0.23	4.50
Social quota*	-	-	2.30	2.30
Incapacity insurance	1.75	0.63	0.13	2.50
Accident and disability insurance	0.25-15	-	-	0.25-15
* The "social quota" (Cuota Social) is a progressive social contribution, indexed to inflation.				
Source: Acuña, Palomino, Villar, Villagómez, and Valero (2015), pg. 2013				

Table 2.5: Breakdown of social security contributions in per cent

The IMSS collects the contributions and delivers them to the private retirement fund administrator companies (*Administradora de Fondos para el Retiro*, AFORE) which manage the individual workers' pension savings. AFOREs' main responsibilities include opening and administering member accounts; managing investments; issuing

statements; and processing benefits. At the time of writing this thesis there have been 11 AFORES providing services (CONSAR, 2016).

Every worker has an individual account with an AFORE whose balance is increased by performing periodic contributions and the investment returns generated. The final pensionable amount depends on the accumulated account at the end of working life²⁰. The main variables that affect final pension income are: contributions; wages and growth; income from investments; age at the time of receiving pension; and commissions AFORES receive (Acuña, Palomino, Villar, Villagómez, & Valero, 2015). Since 2009, AFORES are only allowed to charge commission on the account balance. From 1997 until the end of 2008, AFORES charged three types of management fees: a load factor, fees on the balance of the account, and fees on the accrued interest (Aguila, Hurd, & Rohwedder, 2014) – which made Mexico one of the most complex structures in Latin America. Previous studies have found that retirement-fund management fees in Mexico are the highest among the Latin American and OECD countries, eroding from 18 per cent to 23 per cent of the total accumulated retirement benefits (Dobronogov & Murthi, 2005; James, Smalhout, & Vittas, 2001; Kritzer, Kay, & Sinha, 2011).

Every year AFORES and the CONSAR meet to agree on commission rates for the following year. AFORES need to explain their income/spend and present their business plan. So far, commission rates have continuously been decreasing and are expected to do so going forward. Commission rates and investment rates of return are two of the most important marketing messages AFORES use to attract new members. The role of sales people, who encourage individuals to change AFORES, has been widely debated. As sales people are remunerated through commissions, it has been argued that their main incentive lies on individuals changing AFORES, rather than providing effective individual advice. Especially at a time of crisis and when general trust in AFORES is low, yet overall awareness and interest is comparatively high – sales people have found it less challenging to convince individuals to change AFORES. While there is no direct impact on individuals changing AFORES (e.g. in form of one-off payments,

²⁰There is a minimum pension guaranteed by the State (PMG), equivalent to the minimum wage in July 1997, which has been inflation-adjusted. The PMG is obtained when the accumulated balance in the individual account is insufficient and does not meet the PMG amount, provided the member has contributed for at least 1 250 weeks.

penalty fees or other), indirect payments can be faced as AFOREs seek to level out their financial outflows (in form of paid commissions to sales people). Advantages for individuals to change AFOREs can be the better returns of investment offered by the new AFORE, yet decision-making is based on historical performance data, which is not representative of future outcome.

Pension asset investment is strongly regulated in Mexico. At the time of reform and introduction of the AFOREs, there was only one authorised investment portfolio and funds had to be largely invested in government bonds (Grandolini & Cerda, 1998). Since 2001, the maximum proportion of funds that could be invested in the domestic market has increased. Investment in international financial instruments was not allowed until 2005. Pension assets are invested in pension funds which are called Sociedades de Inversión Especializada en Fondos para el Retiro (Siefore). The CONSAR regulates the investment portfolios, determines the type and characteristics of financial instruments and the accepted limits. Table 2.6 below illustrates the type of investment and when it was permitted to invest in these asset classes.

Instruments allowed in the Investment Regime of the Siefore																	
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Foreign Exchange	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Equity	N	N	N	N	N	N	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y
Foreign asset	N	N	N	N	N	N	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y
CKDS and FIBRAS	N	N	N	N	N	N	N	N	N	N	Y	Y	Y	Y	Y	Y	Y
Securitization	N	N	N	N	N	N	N	N	N	N	Y	Y	Y	Y	Y	Y	Y
Commodities	N	N	N	N	N	N	N	N	N	N	Y	Y	Y	Y	Y	Y	Y
Swaptions	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	Y
REITs	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	Y

Source: CONSAR in Acuña, Palomino, Villar, Villagómez, and Valero (2015), pg. 2014

Table 2.6: Investment instruments of Mexican pension funds

Initially AFOREs had to offer one fund: Siefore Basica. This fund could invest in bonds, without any restriction as to the Mexican government bonds exposure. In 2004, the CONSAR liberalised the investment regulations, including the introduction of an age-based Siefore system. Under this system, AFOREs had to offer two different funds with varying risk exposure. These different approaches to default funds were implemented in order to align investment and risk exposure with the age of pension savers (i.e. funds designed for the younger contributors have been exposed to higher risks than for those members close to retirement) (Choi, Hastings, & Shrestha, 2012).

There are four different pension funds in Mexico. In 2008 the number of Siefors was extended from two to five and revised to four in 2012 to enhance the investment strategies and align these to the expected years of contributions (i.e. funds designed for the younger contributors tend to have a higher risk profile). In 2014 a new pension fund for employees above the age of 63 was created, with very low risk exposure. Table 2.7 provides an overview of the plans (in 2017 when this thesis was written up):

Name of Siefore	Age range
SIEFORE Basica (SB1)	60 years and older
SB 2	46 years to 59
SB 3	37 years to 45
SB 4	up to 36 years old

Table 2.7: Overview of Siefors

In 2015 the OECD assessed the Mexican pension system, including the Siefors' default options. Overall, the OECD welcomed the existence of default funds in Mexico – yet, highlighted that Mexico should consider providing workers the choice of saving in more than one basic Siefore and give individuals a say on the investment strategies used for their funds. AFOREs decide and manage the investment strategies of the Siefors in line with the overall investment guidelines provided by the CONSAR. The OECD's recommendation has touched on two momentous debates among stakeholders in the Mexican pension market. Namely, the extent of individual choice that should be given despite widely spread financial illiteracy (further addressed below) and the sustainability of investment regulations under which the AFOREs need to manage pension assets (OECD, 2015).

The investment regime of the Siefore has been widely debated. Firstly, while different types of investment vehicles are accepted, these are subject to caps which for higher risk investment classes are relatively low. AFOREs in particular have highlighted that this limitation impacts their ability to generate returns for their members, which eventually causes low replacement rates for the individual. Secondly, the regime does not allow more flexibility at a time of crisis. According to a 2009 report by the National Bank of Mexico, return of investment for Siefors in 2008 was the lowest ever experienced since their foundation. Siefors managed by almost each AFORE was impacted by this drop, as illustrated by the below table which outlines the investment performance of each AFORE operating during 2007 to 2009.

Afore	Return on investment in per cent		
	2007	2008	2009
Actinver	4.5	5.0	5.0
Afirme Bajio	4.2	2.3	5.4
Ahorra Ahora	3.4	-4.0	-1.1
Azteca	4.1	2.9	2.7
Banamex	8.0	6.3	5.5
Bancomer	7.2	5.5	4.8
Banorte Generali	7.3	5.6	4.6
Coppel	3.4	-0.4	0.0
De la Gente	4.0	3.1	3.1
HSBC	7.3	6.0	5.5
Inbursa	6.5	5.7	5.6
ING (now Sura)	7.6	6.0	5.5
Invercap	5.5	0.5	-1.9
Ixe	5.3	3.2	2.0
Metlife	5.0	1.6	-0.3
Principal	7.5	6.0	5.3
Profuturo GNP	8.2	6.4	5.7
Santander	7.6	7.0	7.0
Scotia	2.8	-0.2	5.4
XXI	7.6	6.2	5.7
Average	7.3	5.9	5.3
Source: Banco de Mexico, 2009, p. 165			

Table 2.8: Overview of AFOREs' investment performances from 2007 to 2009

Investment returns dropped on average by 20 per cent in 2008 and almost 30 per cent in 2009 relative to 2007. According to the National Bank of Mexico, all losses were reportedly recuperated by June 2009. More information on the GFC impact on the Mexican pension system can be found in Chapter six.

In Mexico, there is no minimum investment return guarantee. In 2002, the government introduced a risk measure, the so called Value at Risk (VaR), with the aim to limit market risk. The VaR is a quantitative risk measurement tool using historical data (i.e. risk factors) to determine expected losses over a given time interval. As a risk management tool the VaR has limitations, particularly as it is based and dependent on historic data, which makes it unreliable in a crisis or high uncertainty environment (Acuña, Palomino, Villar, Villagómez, & Valero, 2015; Lechner & Oavert, 2010). In 2010, the VaR technique was revised with the aim to take into account unforeseen and imperative volatilities in financial markets, as well as to prevent pro-cyclicality (OECD, 2015). In 2012 further changes were made and the Conditional Value at Risk (CVaR) was introduced to funds with long-term investment horizons. The CVaR measures

extreme risks and calculates the risk beyond VaR. The CONSAR sets the maximum parameters and the regulatory levels which may not be exceeded. AFOREs have to calculate and meet the CVaR limit every day. If the VaR limit has been exceeded, an AFORE may face financial penalties.

AFOREs have several requirements around pension management governance. For example, through on-site inspections the CONSAR regularly reviews an AFORE's corporate governance and internal investment/risk procedures. AFOREs are required to manage investment and financial risks through different bodies, including a Comprehensive Risk Management Unit (Unidad para la Administración Integral de Riesgos), a Financial Risk Committee and an Investment Committee (OECD, 2015). Asset classes that an AFORE would like to have access to need to be approved by the CONSAR and depend on whether the AFORE can offer systems and human capital to manage these.

A typical measurement to be able to compare AFOREs in terms of their net performance has been the Net Return Indicator (INR), which represents the long-term historical performance of SIEFOREs. Initially, observations of Siefors' performance were allowed to extend to a maximum of three years. Yet, stress-tested against market uncertainties and most notably the GFC, it became apparent that this investment view of performance was subject to higher volatility. The INR was also exposed to the risk of not capturing other cost components correctly (such as the AFOREs fees). As a result, many employees took uneducated and hasty decisions when choosing AFOREs, exposing themselves to increasing risks of negative implications on their total savings pot during the GFC. To make the indicator more robust, some changes were implemented in 2008:

- extending the investment term to five years (from three),
- changing the calculations of the AFOREs fees, and
- implementing a period which is used to capture trends in returns to avoid sudden movements in the ranking of the AFOREs.

The INR has since been consistently revised and adapted to market needs in order to ensure that individuals have a comparable indicator for AFOREs. The INR also plays

an important role for individuals who have money deposited in a Siefore but do not select an AFORE. Their active accounts get automatically assigned to the AFORE with the highest INR once a year. These individuals are referred to as assigned workers versus registered workers who have chosen an AFORE and their respective services. While AFOREs are legally obliged to provide the same services to assigned and registered workers, awareness around the scope of additional services that an individual can receive by an AFORE varies, as assigned individuals often do not know which AFORE they have been assigned to.

A national survey in 2013, which aimed to analyse the knowledge and perception of the Mexican retirement system among individuals aged 15-65 years found that 66 per cent of workers do not generally save and more than half of workers have not even been thinking about their means for retirement. Of those who do save, 70 per cent decided to save in order to meet any financial needs in case of an emergency. Only 7.2 per cent have voluntary savings (in addition to the AFORE, which is further described in the following section). And overall, almost 70 per cent do not know the performance of their AFORE, and slightly more (74 per cent) do not know the commission charged by their AFORE (Araujo & Buitrón, 2013). While some earlier research has shown that the GFC has increased awareness of pensions, the 2013 study still highlights the widely spread illiteracy and lack of pension knowledge across the population. A 2012 study by Choi, Hastings, and Shrestha found that the financial knowledge among men in Mexico had increased due to the GFC, and that high returns increased reliance on and value of the retirement account and financial instruments more generally among women. Yet, while the study detected some increase in knowledge, it also found that by 2010, only 24 per cent of respondents were familiar with the term “Siefore” and of those 24 per cent, only 8 per cent knew that within an AFORE the Siefores are meant to offer different risks according to age.

2.3.2.3 Voluntary pension system (pillar 2)

The second pillar is a voluntary pension saving mechanism. Voluntary pension arrangements are either hybrid, DC or DB. Contributions are tax deductible. The maximum deductible amount is 10 per cent of the total annual taxable income of the individual, and contributions cannot exceed five times the minimum salary per year. Benefit

payouts to the individual are tax exempt up to 15 times MWB, and needs to be paid out in form of an annuity. There are only a very small amount of annuity providers in the market (about three: Allianz, Sura and Metlife in 2017, when writing up this thesis), which illustrates some immaturity in the Mexican pension market (OECD, 2015). Local pension experts have argued that due to the low demand the number of annuity providers is limited (as not enough people have been saving voluntarily, and have not been retiring under the new system). But the expectation is that within 10 to 15 years, higher annuity transaction values will be taking place, attracting more annuity providers and hence increasing competition while offering choice to the end consumer²¹.

There are mainly two types of voluntary pension arrangements: additional savings accounts as part of the mandatory programmes (such as IMSS); and occupational voluntary pension plans (Acuña, Palomino, Villar, Villagómez, & Valero, 2015). Private sector employees under IMSS can contribute to voluntary pensions at any time. There are four different arrangements an employee can choose from. These include: short-term savings which can be taken out after two or six months depending on the AFORE; savings which are accessible after contributing for five years; a scheme which can be taken out before retirement age – but AFORES are obliged to withhold 20 per cent of this amount; complimentary pensions at time of retirement and after the age of 65 years. Voluntary arrangements are not widely used in Mexico.

2.3.2.4 Occupational pension plans (pillar 3)

As highlighted throughout Chapter two, social security benefits have fallen short, especially for employees with earnings higher than the social security ceiling as well as for employees covered under the new social security formula. In order to bridge the gap employers can supplement statutory pension provision, and implement voluntary arrangements for employees. Additional reasons for offering supplementary pension provision for employers are to incentivise early retirement and hence undergo succession planning from an organisational HR perspective, and to benefit from tax

²¹More information on annuity providers can be found in Chapter six and as part of the qualitative findings.

advantages²². In 2014, however, as part of a large tax reform benefit deductions for employers (including pensions) were reduced from 100 percent to 53 per cent, which has minimised the tax-based incentive to provide workplace pensions (Acuña, Palomino, Villar, Villagómez, & Valero, 2015).

Workplace supplementary pension provision (i.e. pension provision in addition to the AFORES arrangements) is not widely spread in Mexico. According to the CONSAR there has been a slight increase in companies setting up private pension provision. In its August 2016 publication on private pensions, the CONSAR reveals that 2017 pension plans were offered in 2016, which is an increase of 2.5 per cent compared to previous years. The below figure provides an overview of the amount and types of workplace pension plans offered by companies in each year since 2006.

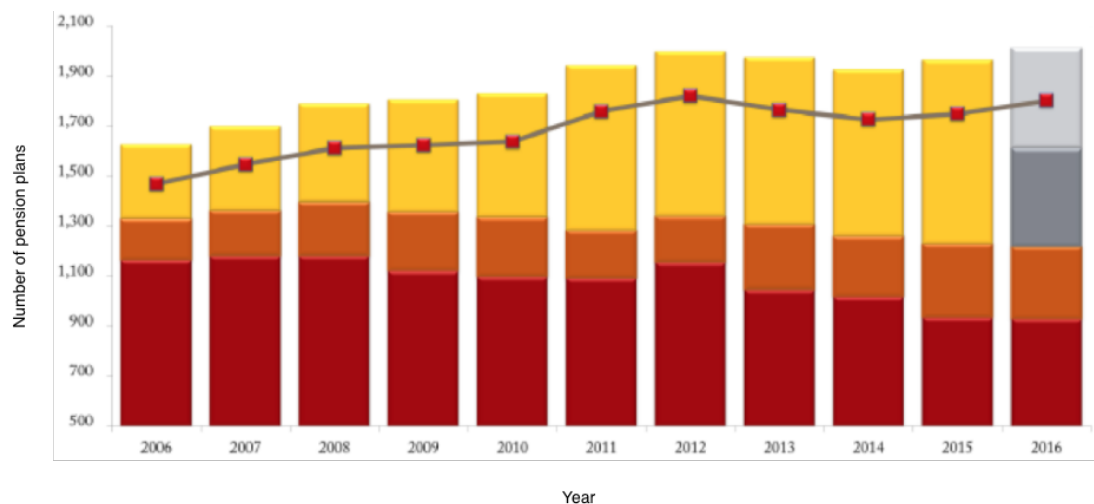


Figure 2.4: Workplace private pension plans per year offered by companies in Mexico
Source: CONSAR (2016, p. 2)

The colour code of above graph is as follows:

- Dark red: DB plans
- Orange: DC plans
- Yellow: Hybrid and mixed²³ plans
- Dark grey: Hybrid plans

²²More information on the reasons for employers to provide supplementary pension provision in Mexico can be found in Chapter six, as part of the qualitative findings from interviews.

²³Mixed plans provide DB and DC arrangements which work independently of each other.

- Light grey: Mixed plans

The line shows the amount of companies offering supplementary pension provision each year. Private pension provision kept relatively stable during the years of the GFC and only picked up notably in 2011. DB pensions, however, decreased slightly between 2008 and 2009 and DC provision marginally increased during this time. Declining numbers of companies offering DB pensions could be subject to the global trend as illustrated in section 2.1, rather than caused by the GFC.

To put the above statistics into the wider context, workplace pension arrangements cover approximately 1.4m people in Mexico, of which about 1.3m are active within the labour force – 26,000 are inactive but have accumulated some pension rights previously, and 72,000 are pensioners (CONSAR, 2016). According to the International Labour Organization statistics²⁴ 60 per cent of the total working-age population was part of the labour force in 2015. The working age population of Mexico (defined as those aged 15 to 64) consists of approximately 81m (CIA, 2015). Therefore, from the 48.6m working-age population only about 2.5 per cent is enrolled in a supplementary workplace pension. So arguably, while there has been an increase in private pension provisions – in absolute terms, private pension coverage is not widely spread across the Mexican population.

Those individuals who are enrolled in a workplace pension provision, find themselves within DB, DC, hybrid and mixed schemes²⁵. The table below illustrates the prevalence of each arrangement across Mexico, including eligibility and employee/employer contributions:

Type of plan	Number	Prevalence percentage*	Eligibility	Contr. by employer	Contr. by employee
DB	931	46.2%	All employees	3.0%–5.0%	0%
DC	288	14.3%	All employees	3.0%–6.0%	1.0%–6.0%
Hybrid	394	19.5%	All employees	Depends on set-up	Depends on set-up
Mixed	404	20.0%	All employees	Depends on set-up	Depends on set-up
* compared to total registered pension schemes in Mexico Source: CONSAR (2016, pg. 5) and Mercer (2016)					

Table 2.9: Workplace pension arrangements in Mexico

²⁴ Accessed ILOSTAT on 1 April 2017.

²⁵ Further information on the type of plans, their advantages and challenges can be found in section 2.2.

While the provision of DB plans is decreasing, they still have prevalence across Mexico. DB plans are typically considered to be quite generous, whereby the employer bears all the risk in ensuring pension rights are paid during retirement. Yet, in Mexico – DB plans have a different structure and can thereby not be compared to the DB arrangements typically found in Europe or the United States. In Mexico DB plans are generally linked to the statutory benefit of paying a termination indemnity to individuals. Here the defined pension is actually a payment made to the employee at time of leaving the organisation. Converting the mandatory termination indemnity payment into a DB arrangement offered organisations tax efficiencies. Spurred by the crisis and need for smarter benefit financing, companies increasingly converted their termination indemnity arrangements into DB plans during and post the GFC (more information can be found in Chapter six).

International consulting firms advise MNCs to provide workplace pensions as the social security arrangement is not sufficient (particularly for higher earners), and that it is market practice to provide DB, DC or hybrid plans – and most recently for new plans to establish DC and hybrid arrangements (Mercer, 2016).

According to the 2016 report on private workplace arrangements by the CONSAR, 62 per cent of companies that offer workplace pensions registered with the CONSAR stated that having implemented a workplace pension arrangement is due to a HR initiative, whereas 38 per cent mentioned that they followed corporate pressures from their head offices outside of Mexico (particularly from the United States and Europe). The below table provides an overview of the extent of companies with headquarters outside of Mexico which have implemented pension arrangements in Mexico due to corporate pressure.

Country	% of companies with headquarters outside of Mexico*	Country	% of companies with headquarters outside of Mexico*
United States	50.7%	Spain	4.7%
Germany	9.9%	United Kingdom	3.1%
Belgium	8.6%	Japan	2.8%
Switzerland	5.5%	Netherlands	2.5%
France	5.2%	Others	7.1%
* Compared to the total number of companies who offer pension plans registered with the CONSAR and have headquarters outside of Mexico Source: CONSAR (2016, pg. 11)			

Table 2.10: Mexican entities implementing pension plans due to corporate pressure

The CONSAR study therefore indicates that the provision of workplace pensions depends on the MNCs' home country, and therefore highlights that several influences impact the decision of providing supplementary pensions benefits. This is an important element for this study.

2.4 Summary and conclusion

Literature has extensively looked at the development of pension provision. It recognised that there has been a global change of pensions, whereby pension privatisation and the move to multi-pillar pension provision has been at the heart of this transition. Several factors have impacted and accelerated this paradigm shift in social protection of moving the responsibility of old-age pension from the state to employers and individuals; including demographic transition due to lower fertility and mortality rates, increasing PAYG deficit levels, and low trust in the system due to some pension mismanagement. Globally, workplace pensions have started to enjoy an increasingly important role, providing an essential part of the overall pension income. More recent literature, however – arguably spurred by the GFC, has focused on the inadequacy of this shift. It highlights that several challenges, including inadequate pension products, charges and information sharing – as well as the lack of individual knowledge and interest around pensions, make it difficult to achieve sustainable and adequate pension income. After a brief review of the pension system in Sweden and a more detailed examination of Mexico, it becomes apparent that both systems have undergone the same type of structural changes. Mexico proves to be a prime country example, which faces the challenges around privatised pension system outlined in the earlier literature review (including inadequate pension products and charges, lack of information and knowledge). In addition, the need and importance of workplace pensions and the incentives to work longer (for example in a bridge job) has become apparent due to the low benefits under the social security system for high-earners, and the low replacement rate for employees who have only contributed to the reformed system. Due to the need to build up pensions over time in order to be able to have sufficient reserves at time of retirement, individuals who have only contributed under the new system and are due to retire from 2021, need to consider additional savings vehicles

to the contributory pillar one pension (e.g. the IMSS). Therefore, it is essential that employers have already started to support pension savings efforts (in form of workplace pension arrangements) for their employees. Yet, the literature review has also shown that the provision of supplementary pension provision has been low, attributed to several influences of which some of them are related to human resource indicators within organisations. While national companies may be culturally closer and therefore more aware of evolving socio-economic needs (including pensions), MNCs have come into a system with increasing expectations and need to provide workplace pensions. It is therefore important to understand what the decision-making process around pension provision within MNCs is – and whether pension decisions are taken locally or are influenced by global policies and practices (or other).

Chapter two provided a contextual review of the pension literature. It highlights the importance for further analysis of workplace pension provision – particularly within the context of emerging markets (here Mexico) and the GFC. It is important to understand the role of MNCs and their global pension policies and practices, to be able to determine whether they impact local workplace pension provision/decision-making. Therefore the key components within pension privatisation that this thesis is focusing on (also referred as conceptual boundaries, further explained in Chapter one) are:

- MNCs
- Emerging markets
- GFC

Figure 2.5 outlines the narrative of this thesis, sets it into the wider context of the current literature and positions it as an important and new contribution to existing knowledge.

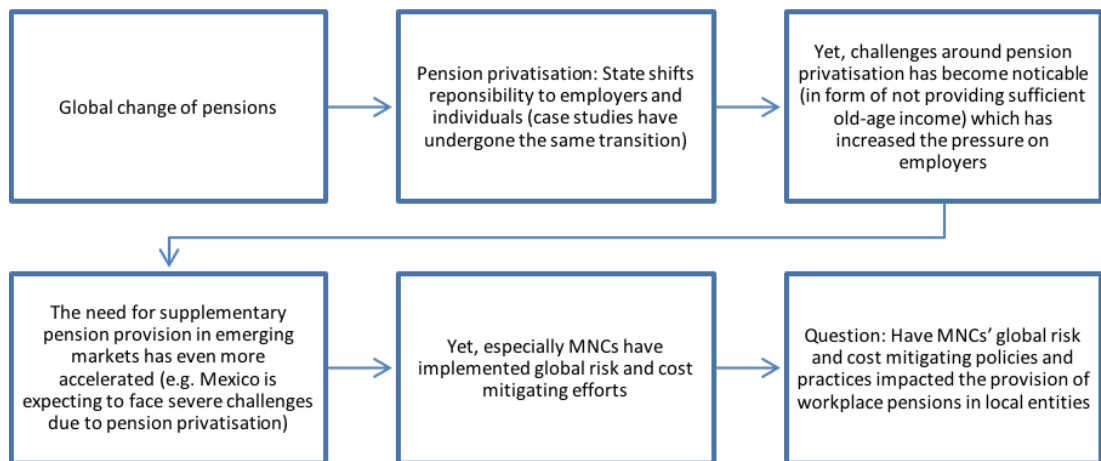


Figure 2.5: Thesis contributing to new knowledge

By undertaking this study, the thesis contributes to the existing pension literature by providing further research on the process of pension decision-making in MNCs, pension provision in emerging markets, the impact of the GFC on employer sponsored workplace pension provision, and the analysis of workplace pensions as an HRM instrument and as part of HR policy transfer.

In order to be able to analyse and research the above outlined narrative, it is important to also take account of interdisciplinary literature. While literature from the field of HR has been referred to in this Chapter, a more detailed literature review (discussed in Chapter three) is necessary. Having reviewed interdisciplinary literature will enable the creation of a research framework, setting the structure of analysis for this thesis.

Chapter 3

Defining the research framework from HR literature

The aim of Chapter three is to identify and develop the conceptual framework to be able to analyse the pension decision-making process in MNCs and to understand the influence global policies and practices have on local decision-making. It first outlines related HRM/IHRM literature and then evaluates its relevance to this thesis in section 3.6.1. This Chapter introduces the complete research framework, which sets the structure of analysis of this thesis – and defines the first two levels of the research framework (see Figure 3.1) by reviewing the relevant HRM/IHRM literature. Chapter three provides the theoretical framework to be able to analyse the transfer of pension policies and practices from HQ to local entities. The framework will enable the researcher in Chapter five to address the first research question and hypothesis, which are outlined later in this Chapter.

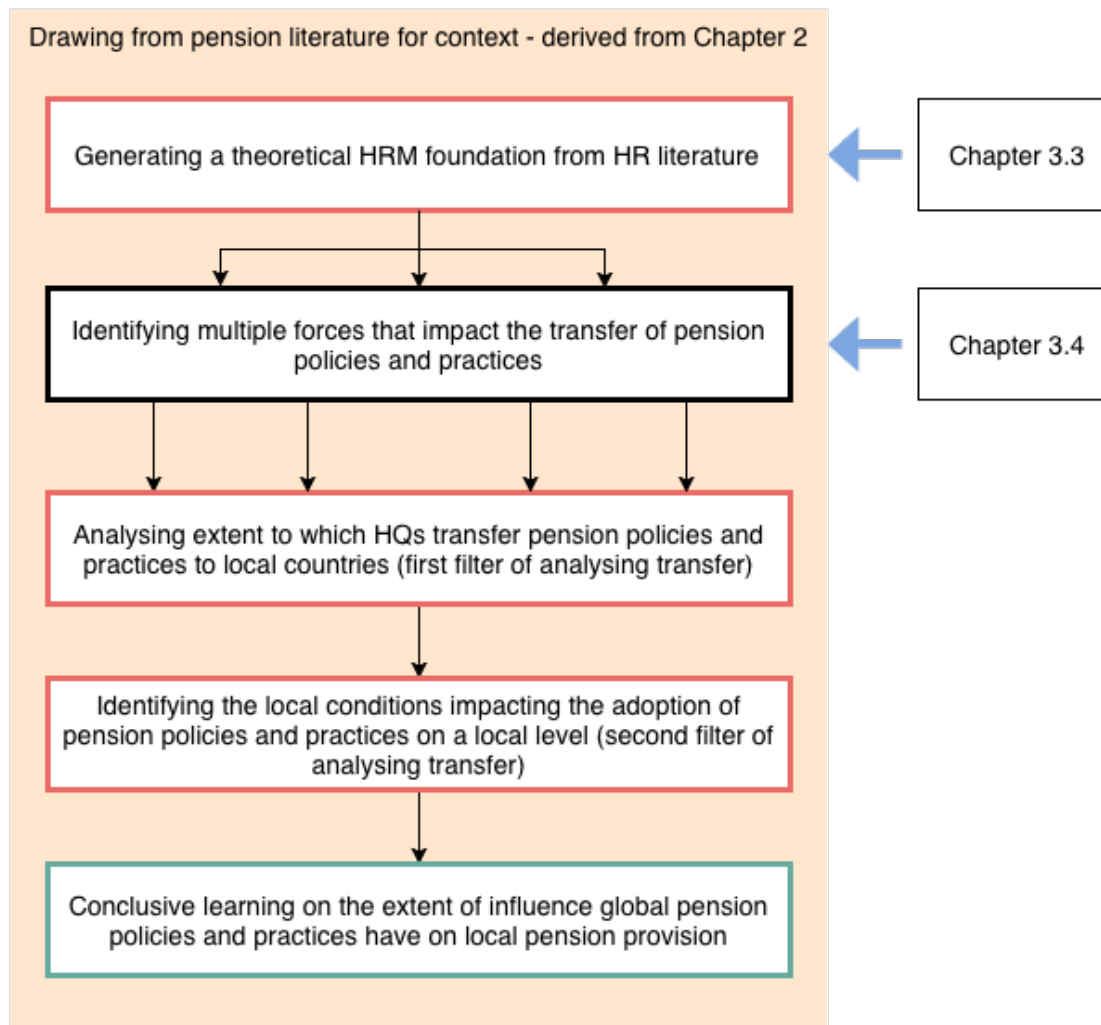


Figure 3.1: Research framework to be defined in Chapter three

The themes which will be addressed in this Chapter include the notion of general as well as IHRM and related key research fields.

3.1 Introducing the notion and development of HRM

HRM can be defined as the policies and processes designed to attract and retain personnel and to utilise people in order to achieve an organisation's objectives. The HRM movement started in the United States in the early 1980s, which has been argued to be as a result of economic recession (Wood, 1995). Academics advocated that managers take a more strategic approach in managing personnel, arguing that human resources are a significant source of competitive success. Here, the funda-

mental premise of HRM is that organisations can differentiate themselves and are competitive due to their people, as technology and finance was generally available to anyone (Pfeffer, 1994). Over the past two decades, much attention has been given to the strategic orientation of companies, and its growing shift from the bureaucracy of personnel management to a more flexible and responsive HRM approach – i.e. from a management approach whereby the aim is to get only the best results from employees, to an approach that emphasises the need to link HRM with business strategy and cultural change to enhance trust, commitment and participation (Arthur, 1994; Gerhart & Milkovich, 1990; Huselid, 1995). Aligning HRM with business strategy can have an economically significant effect on the company's bottom line, and as such HR departments and processes can contribute directly to the implementation of the operating and strategic objectives of the firm (Becker & Gerhart, 1996). As Storey and Sisson (1993, p. 52) state, "central to the very idea of HRM is the notion that it entails a more strategic approach to the management of people than does traditional personnel management".

3.2 Defining MNCs

Chapter two identified MNCs as a boundary for the purpose of this study, as many researchers and practitioners use the terms "international", "multinational", "transnational" and "global" companies as synonyms, attaching these to either "companies" or "corporations", or "enterprises" to refer to internationalised companies. This conflation has caused some debate within the IHRM and business literature.

MNCs are traditionally thought of as successful firms which operate across borders of nation states distinguishing themselves by having international business strategies to extend operations from a domestic base to other countries and by having varying degrees and practices of corporate control towards subsidiaries (Aggarwal, Berrill, Hutson, & Kearney, 2010).

These internationalisation strategies can be defined as the way headquarters relate to their subsidiaries and the diverse markets and institutional contexts in which they operate. A classic study by Bartlett and Ghoshal (1998) suggested that companies follow different paths and develop their international strategies as part of their in-

ternational growth. In their study of European, American and Japanese enterprises, Bartlett and Ghoshal outline three strategies that MNCs have followed in the pursuit of success in foreign markets, depending on the historical movement of the companies, national characteristics, and developments in international markets. According to Bartlett and Ghoshal the European model can be defined as one of a decentralised structure, high local responsiveness and low interdependence in which subsidiaries managed by trusted expatriates have acted in local market needs with autonomy. This approach is referred to as “multinational” strategy. North American companies, however, have adopted the so called “international” strategy, whereby parent know-how is transferred to subsidiaries which are linked in a federal structure but have some freedom to adapt products to local markets. The Japanese model has the opposite characteristics of the European model, and operates a “global” strategy, treating the world as a single market, and seeking cost advantages through global integration of operations. This structure is centralised and subsidiaries have less autonomy than in the other two types. The table below summarises the main characteristics of each categorisation according to Bartlett & Ghoshal’s model:

Model	Characteristic
Multinational (European)	decentralised organisational control, subsidiaries operate independently, subsidiaries develop own local advantages and assets
Global (Japanese)	unitary world market, centralised, subsidiaries integrated, transfer of resources and knowledge to subsidiaries
International (North America)	not decentralised, also not fully centralised, operational control typically centralised, subsidiaries extension of parent knowledge and expertise
Source: Bartlett and Ghoshal (1998)	

Table 3.1: Categorisation of international corporations based on Bartlett and Ghoshal

The strategy categorisation by Bartlett and Ghoshal has been widely used in research. For example, Leong and Tan (1993) from a survey of American executives of multinationals provided empirical evidence that MNCs could be categorised on the basis of the Bartlett & Ghoshal typology. In particular, the multinational and the global firms could be differentiated from the others. Yet, it is important to highlight that Bartlett & Ghoshal’s study only comprised nine MNCs of which only three were European companies: two were Dutch (Philips) or partly Dutch (Unilever) and the third was Swedish (Ericsson). While it is challenging to conclude a “European model” with

this selection of case studies, the categorisation sheds some light on the different international strategies adopted depending on the interdependence of subsidiaries and headquarters and the responsiveness to local markets and other specific situations.

N. J. Adler (1991) also examined the internationalisation processes of companies and suggested that companies might need to follow very different international HR policies and practices depending on the stages of company development. N. J. Adler argues that the internationalisation of companies is an evolutionary process and not (as per Bartlett & Ghoshal) a business strategy that companies can choose to follow. N. J. Adler and Ghadar (1990) outlined four stages within an organizational life cycle – recognising that the order and phases of the four stages vary depending on the age and national origin of MNCs. These four stages are: domestic (exporting products for local markets), international (products are developed to fit local market), multinational (achieving economy of scales by coordinating globally) and global (high quality at low cost through global integration and local feedback and awareness). Dowling, Welch, and Schuler (1999) integrated both schools of thought (from N. J. Adler and Bartlett and Ghoshal) and identified six development stages of the internationalised companies: export, sales subsidiary, international division, global product/area division, matrix and mixed structure, and transnational. Headquarter involvement and input is part of the “global product/area division”, and under the matrix and mixed structure stage companies integrate their operations. At the transnational stage, parent enterprises and their overseas affiliates integrate as one market. Dowling, Welch, and Schuler (1999) recognise, however, that the time and type of international processes can differ among companies – for example in the case of mergers and acquisitions (M&A).

HRM literature has also focused on how MNCs integrate and interact with their subsidiaries. Researchers have identified four possible operational orientations: ethnocentric, polycentric, geocentric (Perlmutter, 1969) and regiocentric (Heenan & Perlmutter, 1979). The table below defines each orientation:

Orientation	Type of MNC	Characteristic
Ethnocentric	Corporate strategies are developed from home country's perspective	<ul style="list-style-type: none"> - Often used when product/service is associated with parent company, or parent company has strong competitive advantages that subsidiaries need - Key positions are appointed and filled by parent enterprises home country nationals (Perlmutter, 1969) - Potential resistance from local subsidiaries (N. J. Adler, 1991)
Polycentric	Local strategies and strong local mandate	<ul style="list-style-type: none"> - Tend to develop when there is strong external business relationships locally/foreign sales are significant contributors to corporate success (Andersson & Forsgren, 2000) - Headquarter considers it too difficult to manage local operational issues (Perlmutter, 1969) - Little transferred policies practices between subsidiaries and to/from headquarter - Lack of global standards could lead to considerable inefficiency (N. J. Adler, 1991)
Geocentric	Strategies are built in conjunction	<ul style="list-style-type: none"> - Seeking for best management system - More recruitment options for best globally available talent (Dowling, Festing, & Eagle, 2008)
Regiocentric	Regional strategies and structures are built	<ul style="list-style-type: none"> - Regional autonomy - Strong communication and link to headquarter (but not in terms of resource interchange from regional to headquarter)
Source: (N. J. Adler, 1991; Dowling, Festing, & Eagle, 2008; Perlmutter, 1969; Andersson & Forsgren, 2000; Heenan & Perlmutter, 1979)		

Table 3.2: Different interactions between headquarter and subsidiaries

MNCs adapt these four operational orientations as part of managing their international set-up, and organisation design, control as well as staffing. According to Perlmutter (1969) a truly international firm is geocentric, sharing resources and innovations across the companies. Among others, Edström and Galbraith (1977) found that the rotation of expatriates depends on the orientations (as outlined in Table 3.2) of headquarters towards their subsidiaries. Therefore, the use of expatriates to achieve company goals

(such as increase of control, staffing, development of local management and organisation) depends on the overall orientation of the MNC. Expatriates are used to transfer skills, knowledge and technology. Within an ethnocentric organisation expatriates socialise the headquarter culture to the local entities and typically expect good career opportunities after expatriation. Within a polycentric organisation, career opportunities are limited and expatriation is only typically used for one-off management training. Regiocentric and Geocentric organisations consider expatriation as an effective tool to transfer organisational and individual development. Elaborating on the debate around organisational orientations and expatriation, Bartlett and Ghoshal (1987) argued that emphasis needs to be given to the organisational and national culture when reviewing the impact of expatriation (which is further outlined in section 3.4.2).

This sub-section has focused on the development of internationalisation of organisations, and has outlined different definitions and understandings related to the terminology. As part of this thesis it is important to define the researcher's interpretation of MNCs to set common expectations and interpretations. In existing literature there are a cross-overs and ambiguities related to the terms used. For convenience and consistency purposes, for this study, an MNC is viewed in the traditional sense, as stated in the beginning of this section and referred to by Aggarwal, Berrill, Hutson, and Kearney (2010). As such, MNCs for the purpose of this research are successful firms which operate across borders of nation states distinguishing themselves by having international business strategies to extend operations from a domestic base to other countries and by having varying degrees and practices of corporate control towards subsidiaries. It is also assumed that MNCs in this thesis align with Bartlett & Ghoshal's definition of Multinational (European), as all MNCs are headquartered in Sweden. More information on its applicability can be found in Chapter seven. Throughout this thesis references to the interaction of the mother company with local entities are made.

3.3 Generating a theoretical HRM foundation

HR policies are a form of governance that ensures that the overall HRM approach is monitored and adhered to. In order to understand HR policies, it is essential to

review the HRM models applied within an organisation. This section outlines the literature review applicable for the first level of analysis in the research framework (as per Figure 3.1). Different schools of thought on the implementation of HRM have developed. Two particular approaches have emerged within the literature on HRM/firm performance: one emphasises the importance of integrating people management and organisational strategy and has adopted the “hard and soft model”; the other focuses on the importance of policies that build workforce commitment and uses models around “best fit and best practice”. Both approaches have been selected and are discussed further below as the management approach to HR is typically reflected in the global HR policies which are further studied in this research. More information and empirical analysis on linking HR management philosophies with policies and their impact on benefit and pension management can be found in Chapter five.

3.3.1 Hard and Soft HRM

Storey (1989) and Legge (1995) (among others) have categorised HRM into “hard” and “soft” models, arguing that people are often seen as resources to achieve company-goals (hard HRM) or as resourceful humans with whom organisations build a long-term relationship (soft HRM). Under the hard approach employees are considered a critical component to achieving company success, and the viewpoint is that employees need to be managed, along with other critical factors such as capital (Tyson & Fell, 1986). The emphasis of this model is placed on managing employees, which is dictated by the strategic direction the organisation is taking; therefore adopting a top-down approach. The hard approach to HRM is typically implemented as part of achieving cost-saving objectives and where HR policies are closely linked to the organisation’s strategy (external fit) and are coherent (internal fit) (Baird & Meshoulam, 1988; Hendry & Pettigrew, 1986). The soft model also considers the integration of HRM strategy with business objectives as critical. Yet, under this model, HRM focuses on building a long-term relationship, seeing and treating employees as valued assets delivering competitive advantage through their commitment, adaptability and high quality of skill and performance. This bottom-up approach regards employees as proactive, capable of development, and trustworthy and seeks to build employee commitment and flexibility. Effective communication is at the core of a soft HRM approach, and

one of the key drivers for success (Storey & Sisson, 1993). In terms of HRM strategy and adherence (for example in form of developing global HR policies), employee commitment is at the essence of the soft approach for control (Purcell, 1993).

Common criticism to the soft and hard model framework has been that it could indicate that both approaches are contrary to each other. Hence, that an organisation adopts either a hard or soft management style in order to achieve business objectives. Yet, both concepts are not incompatible. In reality a combination of both models is witnessed within organisations and hence neither model (soft or hard) can accurately represent an organisation's HRM (Storey, 1992; Truss, Gratton, Hope-Hailey, McGovern, & Stiles, 1997; Wood, 1995). Caution has been raised when incorporating both theories into an HRM model, as it was found that two different assumptions form the basis of soft and hard: human nature and managerial control strategies (Truss, Gratton, Hope-Hailey, McGovern, & Stiles, 1997). Literature further discusses the notion and complexity around the soft and hard theories in terms of HRM strategy making. Among others, contributors to this debate include Dyer (1985), Truss, Gratton, Hope-Hailey, McGovern, and Stiles (1997), Kamoche (1994) and Whittington (1993). This thesis agrees with the multi-complexity of HRM strategy and that basing it solely on soft and hard theories would be misrepresentative. Yet, this study does not apply the soft and hard theories to examine the HR strategy of the case studies, but instead uses the notions of both theoretical approaches to understand the construct of the HR policies for benefits and pension applied within the MNCs. Findings when linking the literature around soft and hard with empirical data can be found in Chapter five.

3.3.2 Best fit and best practice HRM

Becker and Gerhart (1996) have adopted a different categorisation to HRM (and therefore the drivers for HR policy making). They linked the concept to two main approaches "best fit" and "best practice". Under a best fit HRM approach, policies aim to be aligned and consistent internally with organisational/business strategy and hence may vary, subject to the organisational need and context. The best practice approach, however, is more universal. Under this approach, a particular set of HR practices is defined and if adopted and implemented together, productivity and performance in any organisational set-up will be improved. Here, MNCs seek for new

and innovative solutions to increase their competitiveness as an employer of choice (Taylor, Beechler, & Napier, 1996). These best practices are often passed on from associated leading companies, consultancy firms or business schools (Kipping & Wright, 2012; Pudelko, 2006) using benchmarking, learning networks, or coercive comparisons of an underperforming subsidiary to a better performing subsidiary (Coller, 1996) as tools to determine best practice. According to several scholars, MNCs are particularly likely to adopt a best practice approach to address some inconsistent managerial competencies across its subsidiaries (Edwards, Colling, & Ferner, 2007; Pudelko, 2006). A best practice approach is generally easier to implement and navigate than a “best fit” HRM approach, and more flexible in its nature. Best practices are often linked to workforce commitment, workforce competence, organisational and employee objectives’ congruence, and the respective HR cost effectiveness – referencing to the Harvard map created by Beer, Spector, Lawrence, Mills, and Walton (1984). The map, which is further outlined in Figure 3.2, suggests that HRM policy choices are influenced by different stakeholders and situations. Management will decide policies based on these factors which will then extend to HRM.

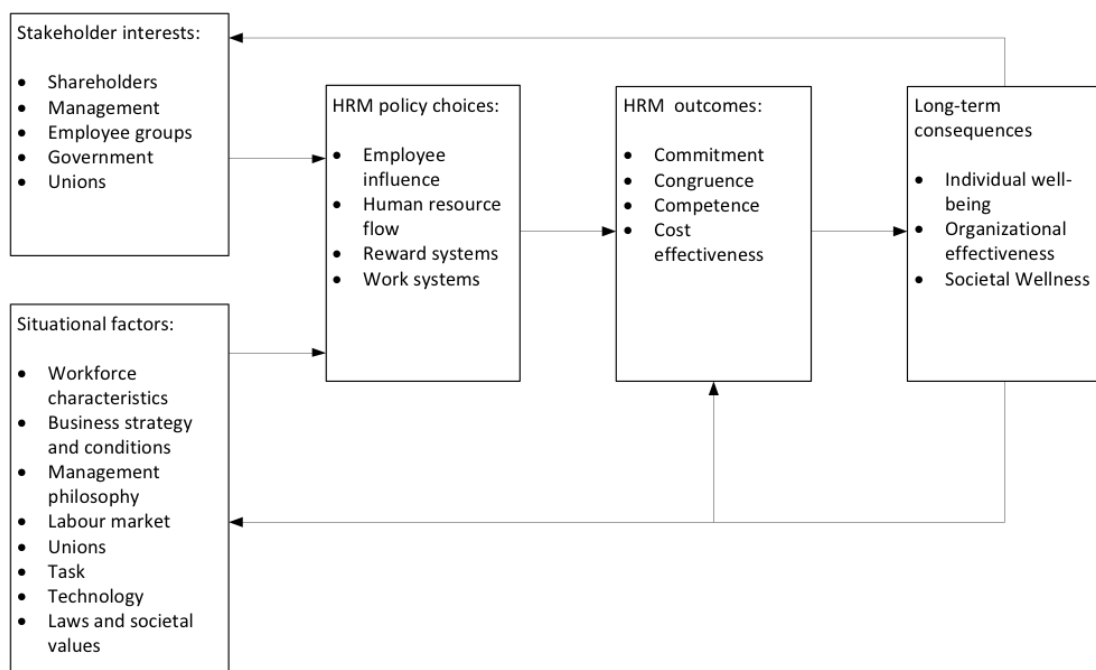


Figure 3.2: Harvard Analytical Framework for HRM
Source: Beer, Spector, Lawrence, Mills, and Walton (1984)

The Harvard map has, in some literature, also been linked to the soft model as described in the previous subsection (Truss, Gratton, Hope-Hailey, McGovern, &

Stiles, 1997), which may lead to initial conclusions that the soft HRM approach and best practice are closely interrelated. Empirical findings laid out in this study, however, suggest that it may not be the case for all companies (further illustrated in Chapter five).

Best practices vary and the level of generality is low. Applied to HR policies, this means that best practice policies may be reviewed on a regular basis and also allow for exemptions (Taylor, Beechler, & Napier, 1996). HRM and HR policies under the construct of best practices are impacted by numerous contingencies which have been outlined by different models (as listed in Table 3.3). It is important to be aware of these contingencies when analysing the HRM and HR policies of companies.

Authors	Organisational contingencies
Beer, Spector, Lawrence, Mills, and Walton 1984	Workforce characteristics, strategy, management philosophy, unions, task technology
Fombrun, Tichy, and Devanna 1984	Strategy, structure
Hendry and Pettigrew 1986	Culture, structure, leadership, task-technology, outputs, strategy
Kochan, Katz, and McKersie 1986 ("MIT model")	Structure, leadership, business strategy, political strategies, macroeconomic policies
Brewster and Hegewisch 1994	Size, structure, culture, corporate strategy
Crookell & Morrison, 1990; Ferner & Tempel, 2006; Ghauri, 1992; Schütte, 1998	Size, structure, culture, interdependence, type of industry

Table 3.3: Contingencies influencing HR

Strategy is a common contingency highlighted in all of these models. All models agree that by taking the different perspectives of other stakeholders into account, the implementation and general management of HRM becomes more effective.

This section on the notion and development of HRM aimed to provide a basis for the reader to understand the role of HRM within organisations. For this thesis, these findings are applied to understand how global pension policies may be impacted by the HRM applied. As outlined in Table 3.3 there are several influences that may impact the choice of HRM and therefore the transfer of HR policies. The relevance of the outlined HRM literature will be further reviewed in section 3.6.1.

To be able to analyse the HRM and benefit and pension policies of the company case studies selected for this study, further insights into the IHRM and cross-cultural

management literature is needed, which addresses the multi-dimensional complexity MNCs are subject to, including the numerous contingencies as outlined above.

3.4 Defining the factors influencing transfer

This section reviews related HRM literature on the transfer of policies and practices to be able to define the factors (as outlined in Chapter one). It sets the analytical basis for the second level of analysis (as per Figure 3.1). Related literature includes the debate on convergence versus divergence, the impact of culture, and institutional factors.

3.4.1 Convergence vs divergence

IHRM and cross-cultural management literature, focusing on international HR policy transfer within the context of multinational organisations has largely centered around the divergence and convergence debate. The notion of the convergence theory is based on applying best practices (as defined by an organisation's headquarter) in different countries/subsidiaries, irrespective of cultural and institutional differences (for example the different characteristics of countries and companies) (Dowling, Welch, & Schuler, 1999). A more detailed review on the literature on culture follows later in this Chapter. Also, the institutional differences (including the literature on institutional regimes and institutional distance) will be discussed in more detail in the following sub-sections.

There have been several reasons for the development, accelerations and embeddedness of the convergence approach, which can be summarised as: the globalisation of businesses with focus on economic rationality and beating international competition (with focus on cost-saving and efficiency), as well as the spread and modernisation of technology (Kerr, Dunlop, Harbison, & Myers, 1960; Levitt, 1983). Earlier literature has supported the notion of convergence by referring to country-specific management styles that could be adopted in other countries (also discussed in the previous sub-section). For example, literature from the 1950s and 60s referred to the American model as the "one best way" of management (Dowling, Welch, & Schuler, 1999; Kerr,

Dunlop, Harbison, & Myers, 1960) whereas, in the 1970s it was believed that the Japanese model became the best way forward for European countries and the USA (Ouchi, 1981; Pascale, Athos, & Parker, 1981). More recent literature highlights the globalisation debate – therefore the liberalisation of economies and markets, deregulation, as well as the regional economic integration and trading blocs (e.g. EU, NAFTA, APEC) – as the main reasons for a decreasing influence of local institutions and national factors, and hence strengthening the “one common management system” (Pudelko, 2006). Organisations become transnationals that converge into a new “best model” in order to take advantage of global efficiency, multinational responsiveness, and worldwide learning (Bartlett & Ghoshal, 1998), and may even detach from their original nationalities (Ohmae, 1990).

Critics of the convergence thesis have argued that globalisation literature is over-enthusiastic in terms of defining models and theories and simplifies reasoning and empirical evidence, and hence omits crucial and residual differences between national practices, organisational levels and individuals (Dowling, Welch, & Schuler, 1999).

The notion of divergence has instead gained support, emphasising the local variations of management systems based on cultural and institutional context (Pudelko, 2006). Divergence arguments draw from two main strands of literature: the comparative institutional theory; and the culturalist arguments – both further described in the following subsections). Culturists and institutionalists argue against the convergence model, as they see limited scope for a “one common approach” of management practices between nations as these are shaped by the local business environment and debatably subject to varying theoretical business models (Pudelko, 2006). Supporters of the divergence model recognise that as part of the contingency model some contingent variables are respected²⁶, however, dismiss the underlying rationale for the “one best way”. Related literature on the path dependence of institutional evolution and institutional configurations (Whitley, 1999) has supported the divergence model, by stressing the national variations in terms of governments, regulations, culture, and education systems, and thus variations in IHRM practices²⁷.

²⁶Differences in technology or the varying levels of socio, political and economic stability of the nations in which subsidiaries operating are considered variables within the framework of the contingency model.

²⁷Path dependency theory has also played an important role as part of the pension literature and the development of pensions, which is further discussed in Chapter two.

While the convergence and the divergence models receive support respectively, increasingly, both models are not seen as mutually exclusive or as opposing approaches (Tayeb, 1996). Interrelated models such as: “cross-vergence” or “relative convergence” have been developed (Warner, 2012). Here, it is argued that HR policies and practices can be convergent or divergent at different levels of organisations and in different countries. For example, Child and Faulkner (1998) compared HRM research across cultures and has found that convergence can occur at the HR policy level (typically through headquarter), while divergence can take place on the HR practice level according to different national contexts (typically on a local level). In the HRM context, the transfer of HR policy and local adaption depends typically on whether the local entities find the global approach acceptable or of need for local adaptation. In case of the former, HR policies and practices could be converged towards affiliates, whereas in the case of the latter, a divergent approach could happen (Warner, 2012). When a subsidiary, however, is found in a new local environment mixed with various values, customs and employment regulations, it is believed that a cross-vergent transfer is a more likely strategy to be approved.

According to Ferner and Tempel (2006), the pursuit of convergence/divergence/or cross-vergence depends on the interplay of interests and the empowerment of different actors to deploy power resources. Due to globalisation, subsidiaries can end up competing with their parent company, and local subsidiaries may have a vested interest in developing and innovating and becoming less dependent on the home country (Crookell & Morrison, 1990). MNCs with small home countries that have subsidiaries in larger markets may lose the managerial dominance and become less important (Ghauri, 1992). Alternatively regional headquarters may grow stronger relationships with local offices than headquarters (Schütte, 1998), potentially causing irritation among global managers and executives based in the home country who are losing power and importance. Rosenzweig and Nohria (1994) have highlighted additional factors influencing local HRM and the notion of “dependence”, including the method of founding (for example via an acquisition), dependence upon the local environment for inputs, presence of expatriates, and frequency of communication. Characterisations of dependence and impact on HRM policy transfer have been researched by several scholars. For example Kostova and Roth (2002) refer to a range

from minimal to active adoption; whereas Ferner, Almond, and Coiling (2005) discuss the range from resistance to accommodation. A three step approach has been raised by Tempel, Edwards, Ferner, Muller-Camen, and Wachter (2006), who classify the relationship and relative dependence between home and host country into the following: are host countries proactive, compromising or do they just want to strategically comply. In terms of socio-economic development of nations, less developed markets/countries can create a traditional openness to transfer from more developed markets/countries (Bjarnar & Kipping, 1998; Üsdiken, 2004). Others, for example Hickson, Hinings, Lee, Schneck, and Pennings (1971) and Jacobs (1974) referred to the influence-dependence framework, which outlines two key components that impact the extent of dependence between HQ and its local entities. These are: importance of the respective resource provided by the entity, and whether this resource is available also from other sources. Martinez and Ricks (1989) found that resource dependency caused the highest influence by the US HQ on their Mexican entities. In addition, other factors enabling HQ to influence HR initiatives locally in Mexico included: the importance of the local entity to HQ, the nationality of senior managers and the type of ownership arrangements.

Kostova and Roth (2002) have highlighted the need to understand the institutional regimes (characteristics of countries and companies), and hence the institutional distance or similarity between the institutional profiles of the home and host countries. Institutional literature is further discussed in 3.4.3. Yet – references are already made in this section, in order to be able to introduce a deeper debate on convergence and divergence. While the literature is distinct, they are related - and institutional references have been increasingly been made within the literature on convergence and divergence (most notably by Kostova & Roth, 2002).

According to Kostova and Roth, even if parental and subsidiary organisations are considered to be broadly comparable, underlying institutional differences can cause an “institutional distance” creating tension and conflict, or at least partial/superficial adaptation of the global employment practices locally. In a favourable institutional environment, policy transfers are easier to undertake as the institutional profile influences the adoption positively. In addition, dependence, trust and common identity can have a significant impact on the institutional context between the home and the

host country. If the subsidiary relies on the parent company for major resources such as capital, expertise and technology – policy transfer and organisational practices will be easier to implement (Kostova & Roth, 2002).

Therefore, contingencies such as the size of the MNC, the nature of industry, the distribution of employment and assets, and the dependency degree of the host country have a direct impact on the applicability and transfer of HR policies. Additionally, MNCs may have different roles for subsidiaries, or there may be different relationships depending on whether the subsidiary is well established or new, creating institutional distance or dependence that may enforce or weaken adherence to global policies. In some cases subsidiaries even develop their own power bases within the organisation because of their position in local networks of customers and suppliers (Bartlett & Ghoshal, 1998).

The debate on convergence/divergence/cross-vergence plays an instrumental role when defining the factors as part of the research framework (as per the second level in Figure 3.1). These factors enable the operationalisation and analysis (including measurement) of the transfer of pension policies and practices from HQ to local entities.

3.4.2 Cultural impact

HRM is often considered to be subject to cultural influences (Hendry, 1991; Müller, 1999). There are two approaches to culture in terms of HRM: national and organisational culture. This sub-section firstly introduces the context around national culture, and then follows with a discussion on organisational culture – including some focus on “extra- and intra-organisational culture”.

The national culture research area is largely based on the work of Hofstede (1980), whose approach argues that culture is the “collective programming” of the mind of members of a group which distinguishes the members of one human group from another. He emphasises that country boundaries are usually cultural boundaries, and national culture is instilled from birth. It is because values and relations (for example to family, society and business) are so important to human beings everywhere that many commentators have emphasised differences in culture as an explanatory variable

in comparing many areas and aspects of management, including HRM. Hofstede also believes that the national culture impacts the organisational culture, as human beings are programmed to be pragmatic in how they perceive and interact with their surroundings. He found that organisational cultures and management styles in entities of Japanese, Canadian, and European MNCs are largely different, suggesting that the culture of an MNC parent company may affect the management of their entities (Hedlund & Åman, 1984; Hofstede, 1980). Values, for example, can be seen when comparing managers more “individualistic” approach in the US versus managers in Japan who apply greater “collectivism”. Anglo-Saxon individualism encourages personal incentives, but Japanese collectivism remunerates group achievement and minimises pay differentials (among those with the same seniority). US firms have also been found to rely more on expatriating local managers for a period of time to transfer and socialise control, whereas European companies rely on an identified international group of managers to transfer policies and practices, and Japanese companies enforce regular visits between home and host country managers to ensure policy transfer and practices are formalised and socialised (Bartlett & Ghoshal, 1987; La Palombara & Blank, 1977; Ondrack, 1985).

Critics have highlighted Hofstede’s theoretical and methodological shortcomings in considering continuous change as it is too embedded in its national institutional context (Baskerville, 2005; Bhimani, 1999; Ferner, Almond, & Coiling, 2005; Harrison & McKinnon, 1999; McSweeney, 2002a, 2002b). For example, Hofstede’s studies reveal that Mexicans scored high in Collectivism (Hofstede, 1984), whereas a study by (Trompenaars, 1994) shows that Mexican culture is particularistic, individualistic, and high on the achievement dimension. This could be explained by the socio-economic development Mexico has been under since Hofstede’s earlier studies in 1980 (Gutiérrez, 1994). As such, some of these cultural based arguments overstate the case, attempting to explain every difference with an underlying cultural notion. By doing so, culturalists neglect other components such as change, as well as the sectoral and organisational level of analysis and their influences on companies’ behaviours (Ferner, Almond, & Coiling, 2005).

From an organisational culture perspective – two forms have been reviewed in more detail: extra- and intra-organisational culture (Edwards, Colling, & Ferner, 2007;

Ferner & Tempel, 2006). Extra-organisational culture takes account of the national culture and related values, and how these impact employees' and managers' perceptions and attitudes; whereas intra-organisational factors represent the culture within the organisation or sector. Intra-organisational culture is composed of the norms, values and institutions of specific groups of people within the organisation, which evoke a fundamental basis of employees' behaviours. Interplay of both levels of organisational culture can facilitate when different actors use institutional resources in order to defend or promote their interests (Edwards, Colling, & Ferner, 2007). For example, countries with engaged trade unions provide more bargaining power to the local workforce – and local management to hinder or reduce the scope of HR policies imposed from the home country. Therefore, extra-organisational factors, such as trade unions, impact intra-organisational cultures by empowering different actors and their interests within an organisation locally – regardless of a regional or even global HRM mandate (Ferner & Tempel, 2006).

Culture has a tremendous impact not only on employees within the context of intra-organisational research, but also on the wider definition of individuals (hence also outside of the work-context). People constantly interact with larger environmental systems, including globalised workplaces and the increasing diversity of social value systems, which exposes them to different (and potentially contradictory) values in their working and non-working lives (Geertz, 1993).

Managing the culture of an organisation to mobilise employee commitment towards organisational values and priorities is crucial when transferring HRM policies and management practices across borders, industries and entities (Sisson, 1994). For example, as part of M&A as well as alliances, the interplay between national and organisational cultures of each participating organisation and their respective national context need to be carefully reviewed and understood in order to ensure a smoother integration. This extends to the understanding and value setting on benefits and pension provision.

For this thesis, which focuses on workplace pensions often led by union or employer association negotiations, more focus is paid on the “organisational culture” as a strategic component to the theoretical and methodological approach to HRM policy transfer and HRM management. The scope of transfer and influences are being analysed

by further deep-diving into the organisational set-up, often defined by institutional factors (as outlined below). Further discussion on the literature on culture respective to this thesis can be found in sub-section 3.4.4.

Culture includes not only the values held by individuals and relations between people at work and in their families, but also the structure of the firm and society, and other wider factors (Evans & Lorange, 1989). Approaches that have tried to take account of these broader factors are often referred to as institutional approaches.

3.4.3 Institutional factors outlined

Related institutional literature has been focusing on the institutions, the structure of the firm and society, and other wider factors. HRM literature applying institutional theory to the study of MNCs has increased in the last two decades (Dacin, Goodstein, & Scott, 2002). Sayim (2008) has highlighted three significant contributions to comparative institutionalism approaches in the HRM literature, which together establish a framework for comparatively studying firm behaviour in different national settings. These include: the “national business systems” by Whitley (1999); the “societal systems of production” by Hollingsworth and Boyer (1997), and the “varieties of capitalism” (VoC) by Hall and Soskice (2001). All assertions share their focus on the influence of macro-level social institutions (i.e. political, legal and societal frameworks at the nation-state level) on company behaviour, and literature is largely based in the realm of path-dependency theory. It emphasises the significance of the historical and path-dependent nature of key national institutions and their development (Cantwell, 1991; Mahoney, 2003). Its framework therefore suggests that MNCs develop their HRM policies in response to key home-country national institutions. Particularly the VoC approach has been quite influential on HRM and the transfer of policies and practices (Hall & Soskice, 2001; Marginson, 2004) – and is therefore further discussed below.

As part of the VoC approach, Hall and Soskice focus distinctly on the behaviour of firms, including their way of interacting with each other and with other actors. They differentiate between two types of economies: liberal market economies (LME) – also referred to as Anglo-American; and the coordinated market economic orientation (CME) – or Rhineland (Hall & Soskice, 2001; Hyman, 2004). LMEs are often found

to focus particularly on short-term financial performance. From a HRM perspective this typically translates into an organisation where employees are seen as disposable resources and management teams are empowered to control HRM, usually focused on individual performances and respective incentive schemes (Marginson, 2004). CMEs, however, are more likely to prioritise longer-term performance and employees tend to be regarded as valuable contributors providing a competitive advantage. More emphasis is paid to training and development (Marginson, 2004).

The VoC approach therefore focuses in particular on the country specific perspective. Critics have highlighted, however, that nations (and by extent MNCs' HRM) cannot be aggregated to two types of market economies due to the different sectors, regions, and sub-regions of national economies and the varying governance mechanisms economies are subject to (Crouch, Schröder, & Voelzkow, 2009; Lane & Wood, 2009; Streeck, 2009). Also, nations may change over time, moving towards LME or CME, which the VoC research approach would not take into account (Streeck, 2009). It is important, therefore, to go beyond institutional arrangements, and also to focus on broader factors such as individual stakeholder influences (Peck & Theodore, 2007; Wailes, 2011), and the different sectors (Bechter, Brandl, & Meardi, 2012). Focus on the sector is instrumental as it reveals fundamentals for the governance of labour markets such as trade union and employer association engagement, as well as institutional support for example by the state (Hall & Soskice, 2001). The transfer of work practices and policies has been extensively reviewed by Smith and Meiksins (1995), who also found that the national context in which organisations operate is less influential than social relations and interactions within organisations. To analyse solely or primarily the national contexts of the global as well as the local operations is insufficient to understand the full complexity of modern international MNCs, the transfer of policies and practices, as well as the decision-making process.

New institutionalism has dealt with the transfer of policy practice from the parent company to the subsidiaries, as well as the influence an MNC has on its local subsidiaries. Here, MNCs are "exporters" of their institutional traits (such as distinct capabilities or management styles) from their country of origin to their local subsidiaries. Related literature refers to the convergence and divergence debate as illustrated earlier in this Chapter, and will therefore not be further addressed here. Other re-

search, related – yet distinct, has focused on the transfer according to the object. This research includes (among others) literature on the transfer of knowledge – for example by Minbaeva (2007), Szulanski (1996), and Björkman and Lervik (2007); and literature on “hybridization” by Boyer (1998). Literature on the transfer of knowledge highlight that the ability and effectiveness of transferring knowledge, which is created within different parts of an MNC, is a key competitive advantage. Knowledge (K) is transferred from a sender (S) to a recipient (R), whereby the sender’s characteristics define the degree of knowledge transferred to the recipient (Minbaeva, 2007). Causal ambiguity, the relationships between source and recipient units, as well as the recipients’ ability and capacity to absorb knowledge impact predominantly the knowledge transfer within firms (Szulanski, 1996). Björkman and Lervik (2007) have further elaborated on the literature of knowledge transfer and focused on the transfer of HR practices to MNC units. They highlight that the transfer of HR practices depends on several components, such as the degree of governance mechanisms within MNCs, the HRM system used by the subsidiary, the social relationship between the subsidiary and HQ, as well as the transfer approach taken by management in HQ. Literature on knowledge transfer has largely focused on intra-MNCs mechanisms, focusing on “how”, “why” and “to what extent” knowledge or HR practices are transferred within the institutional context of an MNC. Related literature has increasingly focused on the transmutation or “hybridization” of policies that are transferred internationally (for example Boyer 1998; Boyer, Charron, Jürgens, & Tolliday, 1998). “Hybridization” therefore combines global HRM standards and local practices, and recognises other influences (such as different national, legal, or institutional systems, as well as different local labour markets, skill structures and different political contexts) within an institutional framework on MNCs’ transfer of their practices to local entities. According to Boyer (1998), hybridization is achieved when old or different routines are combined with new principles. Therefore, innovation can be spurred by hybridization. Related research has particularly focused on the transfer of HRM and production practices from or to emerging markets (Chung & Furusawa, 2015; Yahiaoui, 2014). While hybridization is often considered as an integral part of organisational learning when MNCs transfer their home country practices to host environments (Boyer, Charron, Jürgens, & Tolliday, 1998), Kostova (1999) for example has warned that by

applying hybridization, the transfer may be too subjective, regulated or standardised. According to Kostova, a clear distinction needs to be drawn between implementing (where practices are formally adhered to) or internalising home country practices and policies, where host-country employees fully engage and bring meaning (often in form of infusing local values) to the home country practices. Meardi and Toth (2006) have also warned about applying hybridization to analyse the transfer of policies and practices solely. In a comparative analysis on MNCs' employment practice in Central Europe, Meardi and Toth found that the linear approach of hybridization could not explain the structural conditions of the transfer, as home country dominant practices varied. Instead, they were most often stimulated by the shifting conditions of the host country environments (such as the influence of trade unions and working time flexibility). Also, Pries (2003) picked up on Boyer's previous statement that hybridization creates innovation, and has instead found in his case study on German car manufacturers exporting German production models overseas that hybridization was only one mechanism that drives innovation – in addition to recursive reflexivity and externally forced change within an organisation. Also, innovation can take place independently (related to principles and/or to routines), therefore both do not have to merge to achieve innovation, as Boyer previously implied.

As part of the literature on knowledge transfer, it was mentioned that knowledge can be created within different parts of an MNC. Business management and strategy literature has also found that in some cases the influence of the HQ corporate structure may not come from one single country (Bélanger, Berggren, Björkman, & Köhler, 1999). For example, in a case study review on how the Swedish multinational company ABB transfers its HQ business management practices and processes, Bélanger, Berggren, Björkman, and Köhler (1999) found that while there has certainly been a corporate influence, it took multiple forms and came from different countries (typically dependent on M&A activities and the level of autonomous relationship between HQ and the different plants). ABB is of course an interesting case study to look at, as it is a Swedish-Swiss multinational, and as Bélanger, Berggren, Björkman, and Köhler (1999, pg. 258-259) have defined, "an Americanized European-based company", due to its dominant Anglo-management style. Zineldin (2007); Zineldin, Desalegn, and Vasicheva (2008) reviewed the establishment process of two Swedish automotive mul-

tionals (Volvo and Scania) in Mexico. According to the study, the processes varied largely among the two case studies, each subject to their own driving and influential forces. A common and shared necessity, however, has been that both companies had to build strong government relationships in addition to customer relations in the Mexican market.

While the literature on the management and process transfer of MNCs when internationalising is interesting to review, it typically focuses on processes, functions, and wider economic and business factors. HRM and HRM policies and practices are hardly (if at all) referred to. It is therefore limited in its debate, and needs to be supplemented. Also, while the literature on the transfer of knowledge as well as hybridization has been recognised and while it has broadened the researcher's understanding on transfer, it also needs to be supplemented. Its debate is limited and could be exposed to "subjectivity and standardization" (Kostova, 1999). In order to ensure that the multi-dimensional complexity MNCs are subject to is taken into account, other components – such as the internal as well as external influences (as earlier introduced and further outlined later on in this Chapter), as well as several dimensions of transfer (not only knowledge or practices) will be addressed, and the debate will therefore be broadened. The aim of this thesis is to understand the decision-making process of pension provision within MNCs, in order to gain some understanding whether the global pension policies and practices impact local pension provision. Therefore, different schools of thought and literature need to be considered and integrated, which is further discussed in section 3.6.

This sub-section has outlined related HRM/IHRM literature, which will be evaluated in terms of its relevance to this thesis in section 3.6. Before the evaluation of the literature as well as the finalisation of the research framework (as introduced preliminarily in Chapter one), a conclusive research direction of this thesis needs to be provided. The next section briefly reviews the key findings in this Chapter and identifies any research gaps from the HRM/IHRM and pension literature (from Chapter two), in order to illustrate the importance of this thesis and its contribution to existing literature. It confirms the research questions and clarifies the scope of this thesis.

3.5 Identifying the gap

Chapter two flagged that MNCs' global pension policies and practices have tried to manage costs and risks related to workplace pensions which have become a substantial component of pension income within the realm of pension privatisation. The research objective defined from the pension literature has been to understand the pension decision-making process within MNCs, in order to be able to understand whether MNCs' global risk and cost mitigating policies and practices have impacted the provision of workplace pensions in local entities. To be able to analyse the research objective, interdisciplinary HR/IHRM literature has been reviewed in this Chapter²⁸.

Extensive research has been done on HR policies as a form of governance that ensures that the overall HRM approach is monitored and adhered to. This includes literature on the "hard and soft" as well as "best fit and best practice" approaches. The international HR policy transfer within the context of multinational organisations has been emphasised in the IHRM literature; adopting either the convergence/divergence/or cross-vergent theories, or focusing on the national/organisational cultural influence, as well as the institutional factors. While this existing literature provides a good research basis, it has become apparent that literature on HR policy transfer from a developed to an emerging market still requires further research (especially from a Nordic country to Latin America). Some literature has compiled a series of papers on the transfer of management knowledge and business processes including some emerging markets – notably Turkey, India, and China (Kipping & Wright, 2012), as well as Swedish companies operating in Mexico (Zineldin, Desalegn, & Vasicheva, 2008). There are also a few studies from a European perspective (Meardi et al., 2009; Myloni, Harzing, & Mirza, 2007), but the particular HR angle and even more specifically employee benefits has been missing.

Pulling together and drawing from the gaps identified in Chapter two and three, the following needs for further research have become apparent in current research and understanding:

- Pension literature that focuses on emerging markets exists, but still has scope for further research.

²⁸Only relevant HRM/IHRM has been reviewed in this Chapter. For further information on the pensions literature, please see Chapter two.

- Few studies in the pension literature have focused so far on the impact of the GFC on the provision of workplace pensions from the employer perspective and as an employee benefit.
- Pension literature on workplace pensions as an HRM instrument – and therefore component of HR policy transfers from developed to emerging markets – seems to be non-existent.
- While HR literature on policy transfer from developed to emerging markets exists, none of these focus on employee benefits and in particular workplace pensions.

Only by combining both sets of literature the apparent gaps can be addressed, and a relevant research framework can be developed (introduced in Chapter one and further outlined below). In relation to the research problem posed in the Introduction, and further elaborated in terms of literature gaps in Chapters two and three, the following broad questions emerge:

1. How do MNCs' HQs from developed markets transfer their global pension policies to their host countries in emerging markets?
 - (a) What are the factors influencing this transfer?
 - (b) What influence, if any, has the GFC had on global pension policies transfer or otherwise from HQ?

Hypothesis: HQs influence workplace pension provision in the host country by transferring their global policies. The extent of HQs' influence depends on the HRM model and the forces affecting the pension policy transfer. The GFC has had an influence when setting up the global pension policies and practices, and has increased the monitoring of its compliance from a HQ level.

2. To what extent have MNCs' local entities followed global guidelines when taking pension decisions; and how have local entities' pension plans developed?
 - (a) To what extent have global policies and practices been moderated by local changes and trends?

- (b) What influence, if any, has the GFC had on workplace pension provision in the host country?

Hypothesis: Global guidelines are followed when undertaking substantial pension changes, such as when implementing a new pension plan or amending the pension design of existing arrangements. Yet, MNCs' local subsidiaries manage pension provision subject to local market trends. The GFC has influenced MNCs' local pension provision in two ways. Firstly, local entities considered and implemented cost/risk-mitigation pension vehicles (e.g. moving from DB to DC); and secondly local entities amended pension provision in line with new legislative changes which were passed due to the crisis (aiming to incentivise employers to provide/increase workplace pension provision).

In order to shed light on these and other questions and to be able to analyse the decision-making process, this PhD thesis examines MNCs' transfer of pension policies and practices from the HQ based in a developed market to its entity in an emerging market; and the applicability of the transfer locally - within the context of the GFC.

The following section outlines the theoretical framework, constituting the basis for this thesis and providing a meaningful context. It evaluates the literature introduced earlier in this Chapter, prior to complementing the research framework (introduced in Chapter one) and providing a definition of the factors used to analyse the transfer of pension policies and practices of the case studies selected for this thesis – by linking the different streams of the literature to the newly developed research framework.

3.6 Theoretical framework

This section summarises and structures the HR/IHRM literature review in order to analyse the HR pension policy transfer from MNCs to their entities in emerging markets (the two first levels of Figure 3.1).

As the case studies have been selected from one country of origin (here Sweden), with a local entity in the same emerging market (here Mexico) – further analysis on the different HRM implications from MNCs with HQs in varying countries of origin, as well as different countries where local entities are situated, is out of scope for the

purpose of this thesis²⁹.

3.6.1 Relevant literature for the two level analysis

The aim of this thesis is to understand the decision-making process of pension provision within MNCs, in order to gain some understanding whether the global pension policies and practices impact local pension provision. Therefore, two levels of analysis have been applied to the research framework in order to understand the full decision-making process.

At the first level of analysis the theoretical HRM foundation is reviewed and defined. Here, literature on “hard and soft” (among others: Storey, 1989; Legge, 1995; Tyson & Fell, 1986) and well as “best fit and best practice” (among others: Becker & Gerhart, 1996; Taylor, Beechler, & Napier, 1996; Coller, 1996) have been found to be relevant, as their research helps to understand and analyse the foundational HRM approach MNC's have taken. This thesis takes into account existing concerns by critics (among others Dyer, 1985; Kamoche, 1994; Hendry & Pettigrew, 1986), who have argued that both sets of literature are not holistic enough and too simplistic in their approach to explain the overall HR strategy and transfer. For this thesis, related literature is used in order to generate an understanding of the construct of the HRM foundation applied within MNCs and their respective pension and benefits policies. It helps to understand part of the decision-making process and transfer, namely: how global pension policies may be impacted by the HRM applied. The transfer is further reviewed in the second level of analysis.

The second level of analysis focuses on the transfer of HRM practices and policies of benefits and workplace pensions. As the IHRM and HRM literature above outlines, there are different frameworks for transfer, each of them have their advantages and disadvantages. The literature on convergence and divergence (for example: Pudelko, 2006; Levitt, 1983; Bartlett & Ghoshal, 1998; Warner, 2012; Child & Faulkner, 1998) is perceived as very relevant for the research framework as it helps to understand the HRM approach applied within the case studies, as well as the HR policy transfer

²⁹The researcher recognises that further research could be done incorporating these factors (among others), and that a larger sample of case studies could enable comparative statistical analysis as to which factors have most influence/impact over the transfer of HRM practices and policies (including workplace pensions). More information can be found in the Conclusion.

of pension and benefits. For this thesis it is important to understand whether the case studies have applied a convergence, divergence, or cross-vergence approach to policy transfer, in order to be able to further evaluate the decision-making process. Special attention will be paid to literature by Ferner and Tempel (2006) who have focused on the interplay of interests and the empowerment of different actors to deploy power resources; Rosenzweig and Nohria (1994) who have highlighted additional factors influencing local HRM and the notion of “dependence”; and Kostova and Roth (2002) who reviewed the institutional regimes and the institutional distance between the institutional profiles of the home and host countries. Complementing literature lies within the realm of culture. By reviewing, understanding and applying relevant cultural literature, the research is able to conduct a deeper and more profound analysis of the decision-making process. Here, work by Hofstede (1980) and Bartlett and Ghoshal (1987) have been influential. The thesis recognises that there are two main levels of organisational culture: extra- and intra-organisational culture (Edwards, Colling, & Ferner, 2007; Ferner & Tempel, 2006). Especially the cross-border organisational cultural influences are important to reflect in the theoretical and methodological framework, when analysing the transfer of HR policy from MNCs headquarter offices to local entities in emerging markets; as well as some national cultural literature when analysing the local influences in Mexico. It is important to highlight, however, that while cultural influences are recognised as part of this research, it does not try to explain every difference with an underlying cultural notion, nor does it neglect other components such as sectoral and organisational level of analysis and their influences on companies’ behaviours (Ferner, Almond, & Coiling, 2005). In order to avoid any over-simplification, literature on convergence, divergence and cross-vergence (as previously outlined), as well as some institutional literature will also be taken into account and integrated. Some of the most influential institutional literature includes research on the VoC approach by Hall and Soskice (2001). For this thesis, however, further analysis on the VoC approach will not take place, and related literature has not been further taken into consideration for the research framework, as it was found that explaining/analysing the decision-taking process based solely on the national contexts the case studies operate in would be insufficient. Instead, more attention will be paid to the social relations and interactions within organisations

(Smith & Meiksins, 1995). Also related literature on the transfer according to the object – such as the transfer of knowledge (for example: Minbaeva, 2007; Szulanski, 1996; Björkman & Lervik, 2007); and literature on “hybridization” (Boyer, 1998) have been reviewed for this thesis – however, will not be further developed as part of the research framework in order to maintain a HRM/IHRM perspective with a deep focus on the multi-dimensional complexity of MNCs within the transfer of HR policies and practices – or more specifically pension provision.

To sum up, the research framework will be developed by integrating different literature – and specifically existing research on convergence, divergence and cross-vergence and culture. Institutional research has been reviewed and has helped the researcher to build a deeper theoretical understanding on transfer of practices and knowledge. Related institutional literature, however, will be reflected and incorporated into the research framework only in the context of convergence, divergence and cross-vergence.

3.6.2 Defining the research framework

Having reviewed the HR literature on transfer, it becomes apparent that influences are instigated from three levels of forces. These levels are: organisational forces (for example the interdependence between HQ and local entities, scope of centralisation, the number of expatriates in the local entity etc.); stakeholder interactions and their level of collaboration, personal interests and cultural narratives; and local forces, such as local legislative requirements and changes, locally-set business goals and expectations etc. As part of this thesis, the three levels of forces are defined as “organisational, stakeholder and local”. These forces represent the overarching categorisation of the Factors, used to operationalise and measure the Construct – the transfer of policies and practices – as per Bacharach’s theory building introduced in Chapter one.

Table 3.4 summarises the main components outlined in the HR literature and their respective relevance to this thesis, including their link to the three levels of forces. The aim is to align the most relevant theoretical arguments of the HR literature as discussed in this Chapter, and to use them as a basis to build level one and two of the research framework which sets the analytical structure of this thesis. As such, the existing literature will be used and further elaborated by enacting a research framework that can be used to analyse the decision-making process of pensions, and

therefore the transfer of HRM policies and practices within organisations.

HR literature	Key aim	Relevance	Included in model/level	In relation to the three forces
HRM: hard and soft	To identify whether employees are seen as resources to achieve company-goals (hard HRM) or as resourceful humans with whom organisations build a long-term relationship (soft HRM).	HRM strategy impacts the adherence and management of HR policies; expected to extend to pension policies. Literature is relevant.	Yes, it forms the theoretical HRM foundation – first level of the research framework.	Builds the foundation for the analysis of the three forces.
HRM: best fit and best practice	To analyse whether policies aim to be aligned with organisational/business strategy (best fit); or whether a set of HR practices is defined and adopted (best practice).	It indicates the strengths of HR transfer and the influence of external stakeholders. Literature is relevant.	Yes, it forms the theoretical HRM foundation – first level of the research framework.	Builds the foundation for the analysis of the three forces.
IHRM: convergence/divergence/or cross-vergence	To analyse whether an organisation applies best practice in different countries (convergence), takes account of local variations, or adopts both approaches.	Literature is very relevant as it helps to understand the HRM approach applied within the case studies, as well as the HR policy transfer.	Yes, when analysing the forces impacting pension policy transfer – second level of the research framework.	It is part of the Factors to be able to operationalise and measure the transfer.
Culture (national or organisational)	To understand the cultural impact on firm behaviour and the management of local entities.	Important to understand when analysing the transfer of HR policies.	Yes, when analysing the forces impacting pension policy transfer – second level of the research framework.	It is part of the Factors to be able to operationalise and measure the transfer.
Organisational factors	To understand the national context	Less relevant, as the decision-making process is subject to more complexity	Not included in the model, but taken into consideration when introducing the national business and pension context	N/A

Table 3.4: Review of HR literature and relevance for this thesis

The literature around soft and hard HRM, as well as best fit and best practice is

applied to generate a theoretical HRM foundation for the analysis of transfer. The remaining literature reviewed, contributes to the definition of the Factors influencing the transfer of pension policies and practices. The application and combination of all literature is expected to provide the most pertinent context in order to answer the research questions. After having reviewed the HR literature, levels one and two of the research framework can be defined. The theoretical basis for the analysis of the multi-layered, multi-dimensional context of pension policies and practices transfer has been made and is outlined in Figure 3.3.

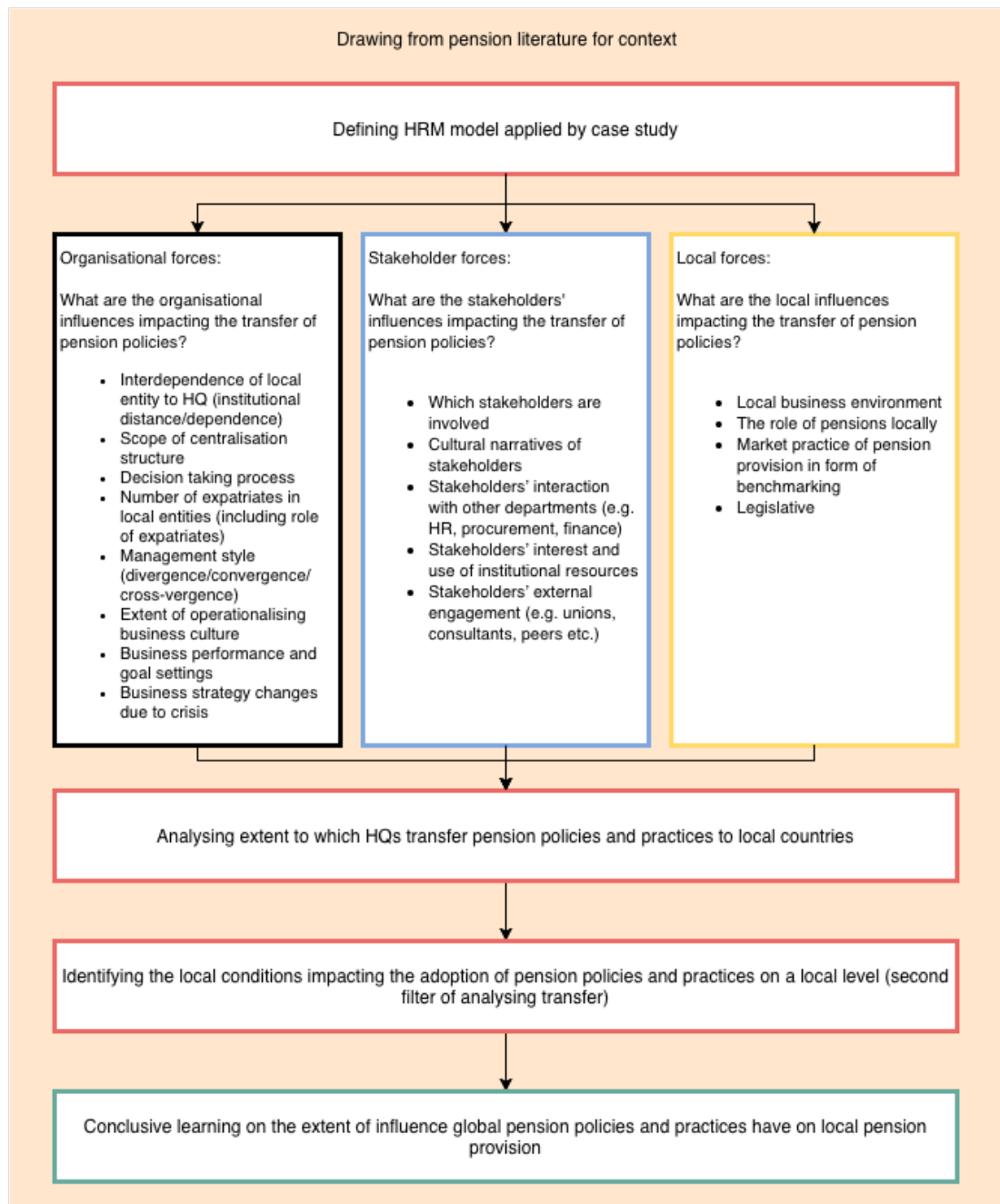


Figure 3.3: The research framework

It is important to note that the three identified forces are closely interlinked, and may therefore impact the development of each other. Further empirical findings related to the research framework and the role of the three forces can be found in Chapter five. The following chapters will adopt the above research framework to ensure a meaningful case study research methodological approach has been applied, answering the research questions outlined earlier in this Chapter.

3.7 Summary and conclusion

The main aim of this Chapter is to introduce the research framework and to define the first two levels of analysis, which constitute the analytical structure to be able to analyse the decision-making process of pensions in MNCs and to study the transfer of global pension policies and practices. The pension literature (outlined in Chapter two) highlighted that there may be a discrepancy between pension privatisation (and the increasing need for employer sponsored pension provision), and global pension risk and cost mitigation policies and practices that MNCs implement. It was concluded that HR literature would need to be reviewed – and both literatures on pension and HRM/IHRM needed to be combined – in order to be able to analyse the pension decision-making process and to understand the extent of impact global policies and practices have on local pension provision.

Having reviewed the pension and HR literature enabled the researcher to identify any gaps in the existing academic research and to position this thesis as an important contributor to new knowledge. The contribution of this thesis to the existing HRM/IHRM literature is to provide further research on the HR policy transfer of a HR component not discussed frequently in existing HRM/IHRM literature (workplace pensions), from the MNC headquarter in a developed market to its entity in an emerging market. Also, a new research framework on the transfer of policies and practices has been derived from existing HRM/IHRM literature and constitutes contribution to new knowledge. Therefore, the contribution of this thesis is twofold, constituting of empirical and theoretical contributions (further elaborated in Chapter seven).

This Chapter introduced, reviewed and discussed the HRM literature. Insights into the HRM and IHRM, made it possible to define MNCs from an HRM perspective for the purpose of this thesis – which was one of the three conceptual boundaries defined in Chapter two. In addition, the theoretical HRM foundation for the analysis of transfer, framing levels one and two of the overall research framework, could be generated. The review created a novel theoretical HRM foundation. The analysis of the transfer among case studies can now be operationalised and measured in the subsequent chapters, which will provide insights and further understanding into the decision-making processes of pension provision within MNCs.

The following Chapter describes the research methodology used to collect and analyse the data, and its relationship to the research questions and theoretical framework.

Chapter 4

Research design and methodology

The previous two chapters have discussed the pensions and HRM literature and developed the research framework, which constitutes the analytical structure of this thesis. The aim of this methodology chapter is to explain the research design used to undertake this research. It also aims to justify the research methods applied to collect the appropriate data, to be able to address the research questions and test the hypotheses in the following chapters.

Chapter four starts with a discussion on how the research design is derived. It then compares qualitative and quantitative research methods and outlines the research method chosen for this thesis. The following sections discuss the data collection method and provide insights into the case studies used for this research including the choice of countries, sectors and interviewees. It then outlines the different phases of research fieldwork and discusses the data collection strategies applied, including the use of semi-structured interviews, documentary and secondary data analysis, and the researcher's role. The penultimate section discusses how the data in this study is analysed. This Chapter ends with a conclusion.

4.1 Research theory-building

There are two main strategies to research and for building theory. These are referred to "research-to-theory" and "theory-to-research" strategies (Reynolds, 1971), or more

commonly: the inductive and the deductive strategies (Hussey & Hussey, 2003; Lynham, 2002; Sekaran & Bougie, 2010). Under the deductive approach, the researcher tests theory by applying empirical observation. The approach starts from a theory, develops hypotheses, and then collects data or observations to address the hypotheses. This approach ultimately confirms or disproves the original theory. The deductive approach is referred to as moving from the general to the particular (Hussey & Hussey, 2003; Sekaran & Bougie, 2010). According to Reynolds (1971), a deductive approach needs to have a relatively small number of variables and few significant patterns as part of the data collection.

Under an inductive approach, the researcher develops a theory by observing empirical reality. Here, the researcher collects and analyses data to develop a theory (Bryman & Bell, 2003; Saunders, Lewis, & Thornhill, 2009). It moves from individual observations to statements of general patterns or laws (Hussey & Hussey, 2003). This approach was made popular by Karl Popper, who used the inductive approach for the purpose of falsifying rather than verifying research. According to Karl Popper "... scientific knowledge would advance most rapidly through the development of new ideas [conjectures] and attempts to falsify them with empirical research [refutations]" (Reynolds, 1971, p. 144).

The deductive approach owes more to realism and positivism and is often applied in quantitative research; whereby the inductive approach relates to qualitative research that follows nominalism and interpretivism (Bryman & Bell, 2003; Lynham, 2002; Saunders, Lewis, & Thornhill, 2009). More information on quantitative and qualitative research can be found in section 4.2.

In the 17th century and as part of the Enlightenment, the separation between measurable and abstract thinking/research was debated, as well as the separation between rational and creative thinking (Brown & Harris, 2014). More recent research has increasingly argued against using both approaches as single or even controverting approaches, and instead has proposed that they should be seen as reflections on how the three essential elements of applied theory building evolve (Collis & Hussey, 2009; Easterby-Smith, Thorpe, & Lowe, 1991; Kauffman, 1980; Lynham, 2002; Senge, 1990). These elements are: the development of knowledge and explanation (theory); the inquiry and discovery (research); and the outcomes of the first two elements (practice) (Lynham,

2002). As such, both approaches have often been combined in the same study, applying the argument that they complement each other, whereby induction helps to develop a theory and deduction helps to test it. Layder (1998) named the combined approach “adaptive theory approach”, resting upon an epistemological position which is neither positivist nor interpretivist, and applying objectivism and subjectivism in terms of its ontological assumption. It assumes that the social world is complex and multi-faceted, paying particular attention to the interconnections between human agency, social activities and social organisations (structures and systems).

Using case studies to build theory has been a popular tool to reach a combined deductive and inductive approach; whereby inductive theory building is based on the new data that comes from cases, and the deductive theory approach uses case data to test the theory (Eisenhardt & Graebner, 2007). Some researchers have argued that the theory that stems from cases is likely to be more accurate, interesting and testable – as it is based on rich empirical data; however, have also warned for oversimplification, broad generalisations, and confusion around the complexity of the research approach (Eisenhardt & Graebner, 2007)

The present research adopts an adaptive theory approach, whereby predominantly the deductive approach is used to answer the research questions. Following the deductive approach, this thesis begins with a detailed literature review to understand the research domain. From the existing literature, research gaps are identified. A research framework and two hypotheses are then developed. To test the hypotheses and the reliability and validity of the research framework – empirical data is needed. Qualitative data is primarily used. The study also incorporates some inductive theory building, by integrating empirical data when building the research framework (Hamel, 1993). Empirical data can be referred to in this instance, as the researcher’s experience as a consultant and reflection of knowledge and insights into the topic and the companies (further discussed in section 4.3.3.3), and the review and adjustment of the initial research framework throughout the research, when new empirical data became available. In addition, this thesis also considers the context of the different “objects”, which according to Hamel (1993) is an inductive notion to research. Overall, this thesis aims to analyse pension decision-making process in MNCs and to understand the impact global pension policies and practices have on local decision making. An

important component of this research is therefore to investigate the transfer of global pension policies and practices and local entities' decision-making around adapting these guidelines. Its foundation is the research framework, which needs to be a thorough theory, hence first to be built and then tested. As such, the adaptive theory approach, as outlined (and introduced earlier in this section) by Layder (1998) is the most appropriate approach for this thesis. The next section provides details of the chosen methods of research.

4.2 Research methodology

There are two types of research methods – quantitative and qualitative – which differ in their approach to explain a phenomenon.

4.2.1 Qualitative and quantitative research methods

The below table provides an introductory overview of both research methods, which are further discussed in the text following the table.

Scope	Quantitative Research	Qualitative Research
The nature of research	Develops answers and explanations of “how much, how many, how often, to what extent”, based on natural science methods.	Develops answers and explanations of social phenomena including “why and how”, and based on human methods.
Methods of collecting data	Typically use of questionnaires or surveys used to collect standardised data, and to administer and register data.	Direct interactions with individuals or groups.
Limitations of research method	Some information is difficult to process (e.g. emotional changes, behaviour and feelings), limited validity checks, does not take note of moral responsibility, at times simplifies findings and hence can contribute to research with less impact/achieve less innovative and new theoretical constructs.	Data collected from a smaller sample, considered to be more expensive and time-intensive, validity and reliability can be compromised due to subjectivity nature of research method, limitations of being able to generalise findings.
Advantages of research method	Considered to be more reliable and objective. Large amount of information can be processed quickly. Research method is replicable.	Information is considered to be richer with deep insights into the phenomenon under study, play a key role when analysing relationships, dynamic processes, effects, and causes.
Sources: Aliaga and Gunderson (2000); Sagman and Milanova (2013); Denzin and Lincoln (2005); Bryman (2008); Collis and Hussey (2009); Creswell (1998)		

Table 4.1: Quantitative and qualitative research methods compared

The quantitative method uses mathematically based methods (particularly statistics) to collect and analyse data (Aliaga & Gunderson, 2000); whereas the qualitative method is a research method that uses non-numerical data. Both research methods differ in terms of their research outcome aims. Quantitative research looks for standardisation, measurability, and to some extent reproducibility; while qualitative research focuses on statistical testing and understanding and interpreting interrelations, behaviours, and contexts (Sagman & Milanova, 2013). There have been times where one research method has been preferred over the other. For example, articles published in the post-World War II period have predominantly applied quantitative methods (Platt, 1996), whereas research from 1980 to 2000 (and in particular social science research) applied increasingly qualitative research methods (Denzin & Lincoln,

2005).

Quantitative research is often argued to be more objective, realistic, and concrete than qualitative research; and that the process is replicable with generally good, valid data (Bryman, 2008; Sagman & Milanova, 2013). While traditionally non-quantitative data (such as feelings, attitudes and beliefs) can also be used for quantitative research – by transforming the data into a quantitative form, for example by using scaling methods – it can be subject to increased difficulties and limitations in terms of identifying findings. There are several limitations and constraints that researchers can face when applying the quantitative research method, such as constraints around data collection and analysis as the sample of quantitative research must be large enough to generalise research results (Collis & Hussey, 2009); statistical constraints that may hinder the interpretation of complex, multi-layered situations; and the difficulty in choosing the most appropriate data to include relevant variables and exclude irrelevant variables (Bryman, 2008). In addition, it can be challenging to achieve innovative and new theoretical constructs, as quantitative method typically relies on existing theories and tests hypotheses by using statistical techniques (Collis & Hussey, 2009). Generally quantitative research is a preferred method to use if there is a hypothesis to test.

Qualitative methods are typically used when a researcher aims to provide a holistic view and to fully comprehend the subject of study (especially with complex interrelations) (Creswell, 1998; Mayring, 2002). It is also perceived as the most suitable approach for theory building, elaboration and testing, particularly where theory indicates a reference to context (Sagman & Milanova, 2013). Qualitative methods are increasingly adopted in research areas that have not yet been researched thoroughly or at all (Stern, 1980). Compared to quantitative research, qualitative methods require a smaller (yet more detailed) sampling, which has exposed qualitative research to some criticism on whether findings can be generalised and whether it can be applied to academic research (Collis & Hussey, 2009; Gioia, Corley, & Hamilton, 2012). Variables, such as researchers' interpretations and perceptions, as well as researchers' influences on participants' responses (consciously or un-consciously) can impact the findings. Therefore, it has often been argued that qualitative research is not suitable for drawing definitive conclusions, but to illustrate potential explanations of a phenomenon. There are several collection methods that can be applied to the qual-

itative research approach, for example interviews, group discussions, semi-structured interviews, participant observation, archival or content analysis, and case studies.

4.2.2 Chosen research method

The aim of this study is to understand the pension decision-making process within MNCs, and to analyse whether MNCs' global pension policies and practices have influenced local decision-making. This research is therefore a study of HR policy transfer in the realm of workplace pension provision from the home to the host country in the context of the GFC. It examines the ways in which workplace pension provision in the host country was devised, implemented or amended by internal HR professionals globally, regionally and locally, as well as other stakeholders such as external industry players and employer and employee representatives. The research assessment is based on the distinctive views and experiences of the internal and external stakeholders, as well as their complex interrelations, of which little were known at the beginning of the research. As such, a qualitative research method is applied that assesses the issues from the inside, disclosing how HR professionals globally, regionally and locally, and other stakeholders come to understand, account for, take action, manage their actions and reflect on their experiences (Bergman et al., 2010; Miles & Huberman, 1994). Adopting a qualitative research approach provides rich and detailed data that allows this study to assess the pension decision-making and HR policy transfer of global pension policies and practices from the home to the host country, answering empirical questions such as "how" and "why" within the context of the GFC.

The qualitative approach offers several additional advantages for this study. The theoretical framework for instance is based on a cross-cultural analysis drawing to some extent from "

Swedish concepts and perspectives that are applied to Mexican subsidiaries. The study is therefore culturally constructed and provides insights into individual and collective interactions. Quantitative terms and measurements would be limited in its findings and a qualitative approach is needed to represent the full context of interactions. Also, the research is set within a specific time of change, during the GFC. Applying quantitative methods are useful when providing a before and after comparison. But this research aims to reveal in detail the pension decision-making process and the

HR policy transfer and how change in terms of workplace pension provision occurred, including relevant activities, negotiations and decisions performed by different actors. Lastly, and as outlined in the research framework in Chapter three, the study seeks to identify the transfer of global pension policies and practices by understanding the underlying HRM model applied and the three forces of influence (organisational, stakeholder and local). Applying qualitative research methods enables the researcher to gain an integrated overview of the multi-layered organisational context in which the participants are working in (hence MNCs' employees), and reflect the scope of influence external actors including consultants, providers and policy makers have had. While a qualitative research approach for this thesis is the best applicable methodology, there may be certain limitations. For example, "generalising" findings needs to be handled with care, as the sample sizes are limited³⁰, and apply quality criteria when assessing the data and breaking it down into segments. It is also essential to apply an open and flexible approach in conducting qualitative research, as unanticipated findings may be provided that require alterations during the course of the study. While unanticipated findings as part of qualitative research could be considered a limitation (as mentioned above), it is important to highlight that they also represent an additional value to research. These findings are expected to enrich the data collection and complement the expected or in some cases even foreseen findings. The following section outlines the various data collection methods used for this study.

4.3 Data collection methods

Several research and data collection methods have been chosen for this study. It is conducted in a case study format, underpinned by field research and includes semi-structured interviews and documentary analysis. The below sections explain the reasoning for having chosen the identified research and data collection methods in more detail.

³⁰More information on case studies is provided in the following section of this Chapter.

4.3.1 Case studies

In order to research the decision-making process in the realm of workplace pensions since the GFC, this study poses several “how” and “why” type research questions. Due to its explanatory nature, the study is conducted in a case study format (Yin, 1994).

4.3.1.1 Introducing case study research

Case study methodology is a major component of social research. It is primarily considered a qualitative research method. There has been considerable debate about the theoretical argument that can be drawn when applying a case study analysis. For example, Stake (1998) argues that while a case study research can reveal detailed dynamics of a particular case, the theory-driven interrogation of the data may distort the actual situation. However, Easterby-Smith, Thorpe, and Lowe (1991) have argued that from a positivism perspective, theoretical ideas can be developed out of a particular case study and a survey of sample populations can be used to test a hypothesis. Several other scholars have supported Easterby-Smith, Thorpe, and Lowe and have stressed the need for a theoretical framework and context, in order to test and refine theoretical arguments, and also to avoid making a descriptive study (Hartley, 1994; Walton, 1992). This is in line with the present research, which seeks to test its theoretical argument of the three theoretical forces of influence as outlined in Chapter three.

As Oram, Feagin, and Sjoberg (1991, p. 2) outline, a case study is:

“[A]n in-depth, multi-faceted investigation, using qualitative research methods, of a single social phenomenon. The study is conducted in great detail and often relies on the use of several data sources.”

A case study approach can include one or several case studies. According to Yin (1994) results from multiple case studies are typically more compelling than those from a single case, yet the researcher should bear in mind that the main purposes of employing a case study approach is to be able to answer the research questions. For this study, it was felt that multiple case studies would provide varieties of responses and comparisons, and would therefore provide more insights when answering the

research questions posed. While including a higher number of case studies for analysis may be useful, it is important to be able to engage deeply with each case in order to understand the complex multi-layered organisation structures, as well as interrelations of the internal and external stakeholders to be able to answer the research questions and prove or disprove the hypotheses; within the timeframe of a PhD thesis. As this study focuses on the transfer of global pension policies and practices, subject to several in-person as well as institutional influences (from internal and external) – analysis in form of interviewees (further discussed below) will be performed with individuals employed within the case studies, as well as external stakeholders. In order to provide the right balance of empirical evidence of personal and institutional, internal as well as external influences when transferring global pension policies and practices, three case studies have been chosen.

4.3.1.2 Choice of countries

This thesis focuses on Swedish MNCs' decision-making process. The researcher chose Swedish MNCs for several reasons. Firstly, Sweden has one of the strongest economies in the world. It was ranked the ninth most competitive economy in the world, benefitting from an efficient and transparent institutional framework (World Economic Forum, 2015), and also the ninth easiest country to do business in (World Bank Group, 2016). Sweden is an export-oriented country with large trade surplus. In 2015, 45.3 per cent of the nation's GDP was due to goods and services exports (Indexmundi, 2016). The largest portion of these exports (70 per cent) had been destined for the European market. Slowing consumption in Europe and in the world due to the GFC has prompted the Swedish government to consider alternatives and to issue an export strategy in 2015 (Government Offices of Sweden, 2015). One of the key strategic outlooks for Sweden has been to focus on and increase its trade relationship with emerging markets. This is a particularly important development for this thesis, as its geographical focus is the relationship between an MNC from a strong home economy with affiliates in emerging markets.

In addition businesses (including MNCs) in Sweden are operating under a so called "Nordic model" which has attracted a lot of attention among policy groups and scholars. Figure 4.1 below illustrates the Nordic model.

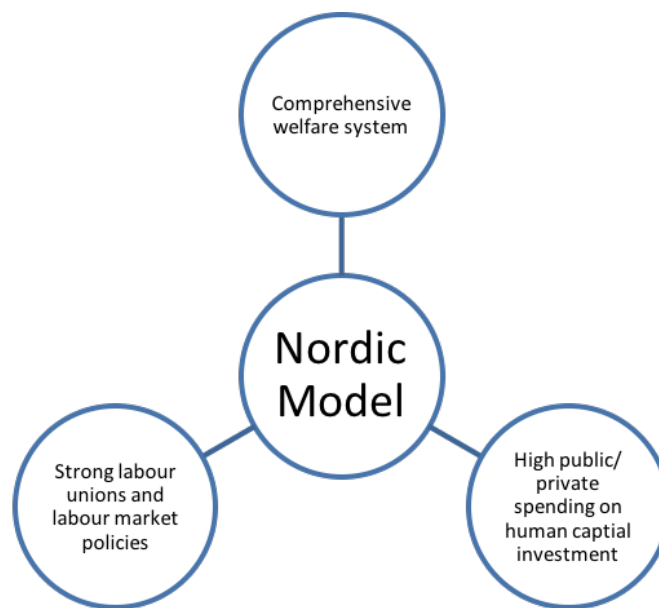


Figure 4.1: The Nordic model

Source: Andersen et al. (2007)

The model consists of three main components: a comprehensive welfare state providing comprehensive social services financed by taxes; significant public and private spending in human capital (e.g. child care and education); and labour market institutions such as labour unions and employer associations who lead decisions around salaries³¹, unemployment benefits and other labour market policies. The model's underlying characteristic is as Andersen et al. (2007, p. 14) highlight "a combination of collective risk sharing and openness to globalization." The Nordic model has often been referred to as the most sustainable way of conducting business and ensuring socio-economic effectiveness and good performance. It is also widely regarded as a form of benchmark when comparing the economic and social performance of nations. The Nordic countries typically rank high, illustrating that they effectively combine economic growth, a calm labour market and fair income distribution, as well as social cohesion Andersen et al. (2007).

For this thesis, it is expected that this largely contrasting business environment between Sweden and emerging markets will reveal fundamental variables essential for an adaptive theory approach. Additionally, as businesses are embedded in this environment, research has found that their HRM strategies and policies have been impacted

³¹Labour unions also act as lobbying forces in regards to themes around the labour market, as many decisions are taken by the state.

by it; requiring companies to meet the socio-political objectives of the Nordic model (Boxall & Purcell, 2011). As such, MNCs headquartered in Sweden emphasise their social responsibility, which is reflected in their HR practices and management. This element offers a solid basis to analyse the HR policy transfer to emerging markets, where the notion of social responsibility play a less important role. More specifically, as the research focuses on workplace pension provision policy transfer, Sweden is a good home country choice for several reasons: workplace pensions are collectively negotiated, pensions is one of the key elements of the total reward (TR) package that employees receive (in terms of costs and attractiveness) and hence enjoy significant attention among HR and business managers. Focusing the research on an HRM element that is solid (in terms of country-wide applicability and market practice) and largely comparable is essential in order to apply quality criteria for the qualitative research approach and to facilitate the ability to draw a theoretical argument. An additional reason for choosing Swedish MNCs was the researcher's relationship with the case studies, knowledge of the organisational cultures and relatively easy access to information. Further information on the researcher can be found in section 4.3.3.3. In order to be able to analyse Swedish MNCs' transfer of global pension policies and practices, it is essential to get an in-depth perspective also of the host countries. Mexico was chosen as the host country due to several reasons. Mexico is a fast-growing and transitional market, hence an emerging market as per the broad definition offered in Chapter one. Mexico is one of the largest emerging markets next to the BRICS (Brazil, Russia, India, China and South Africa) and has been identified by Bloomberg as one of the 20 best emerging markets in 2015 (Bloomberg, 2015). Bloomberg used its own financial market statistics as well as IMF and the World Bank forecasts, and ranked Mexico 18th among the emerging markets in terms of its ease of conducting business, the perceived level of corruption and economic freedom. Mexico is also strategically well located, and many internationally headquartered companies choose to set up subsidiaries in Mexico in order to have easy access into the wider Latin American market, as well as to the United States³². Mexico has one of the largest networks of free trade agreements. International companies typically decide to

³²The US president elections that took place during the time of writing may have a future impact on the economic situation of Mexico. Related analysis is out of scope for the purpose of this thesis.

set up subsidiaries in Mexico due to its comparatively low labour costs³³. Surprisingly, hourly wages in Mexico have been estimated to be 40 per cent lower than in China. Low labour costs (for which China has been one of the most desired locations), is among others a key strategic aspect MNCs (especially those in manufacturing) take into consideration when deciding on establishing local entities abroad. Local subsidiaries of the case studies chosen for this thesis (further introduced in the next section) set up their local entities a long time ago (specific times have not been able to be confirmed by the interviewees). While the chart below outlines the progressing gap of labour costs between Mexico and China – at the time the case studies set up their local entities in Mexico, labour costs in China were most likely still cheaper and other reasons (such as access to markets in US and Latin America etc.) took precedence in their business expansion decision-making.

³³As previously in this thesis outlined, economic reasoning for establishing entities in Mexico can be low labour costs which may impact the overall willingness to implement “expensive” workplace pension vehicles, driving up related costs.

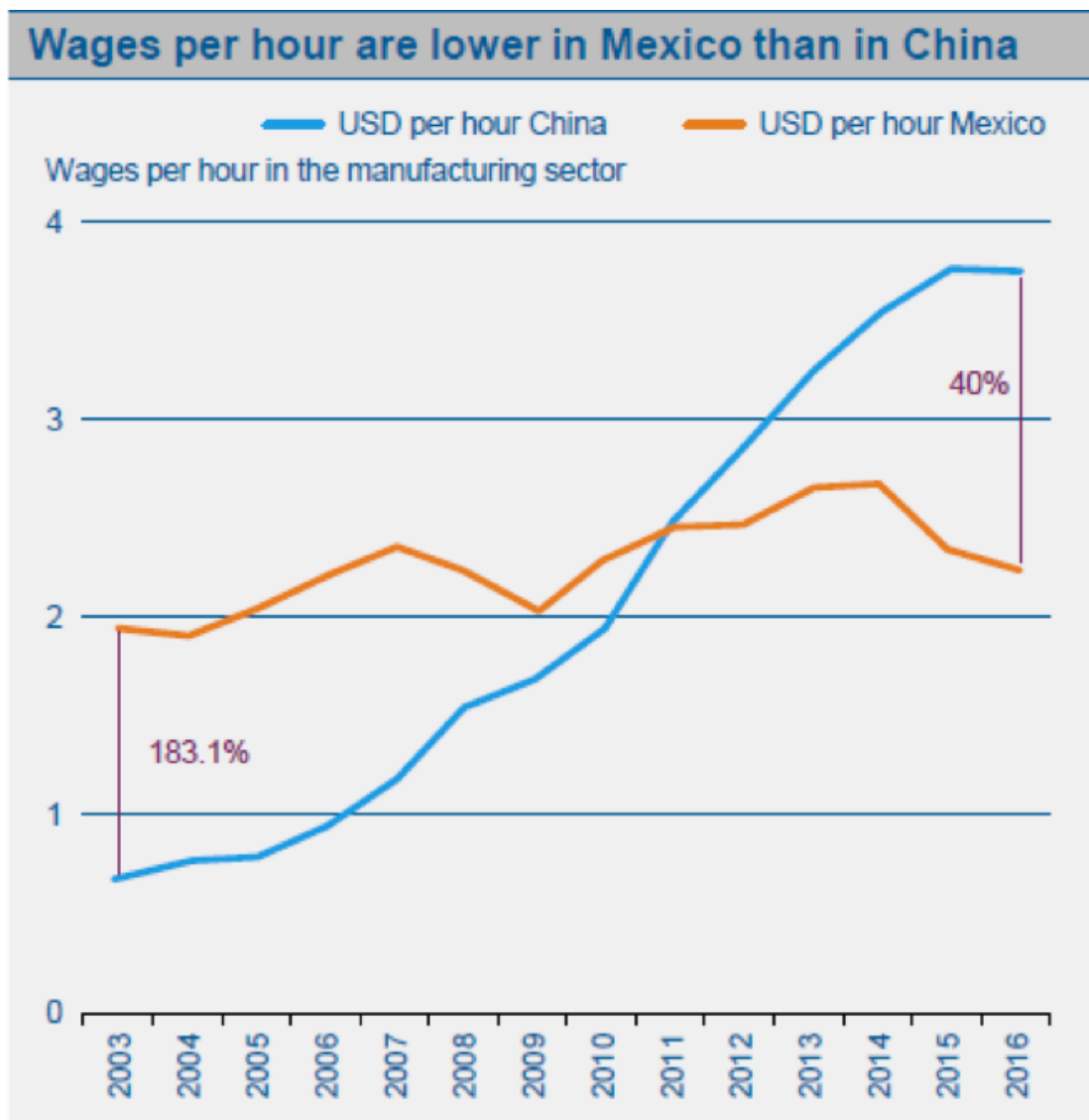


Figure 4.2: Hourly wages Mexico versus China since 2003

Source: Aberdeen, 2016 based on Bank of America Merrill Lynch Global Research, INEGI, ILO, Bloomberg

Additional reasons for establishing an entity in Mexico is the country's strong demographics with over 66 per cent of the total population of working age and which is expected to increase (World Bank, 2015) and a general high level of education³⁴.

Since the GFC, Mexico and Sweden have entered into several trade agreements and established a strong bilateral economic relationship largely focused on investments. Mexico is the second largest trading partner of Sweden in Latin America (Business Sweden, 2017), and Sweden was ranked as Mexico's eighth business partner among European Union member states and 31st worldwide (ProMéxico, 2013). Mexico hosts

³⁴A detailed discussion on Mexico's pension system (including business practices and some demographic implications) is outlined in Chapter two.

over 100 Swedish companies and has, since 2000 significantly increased its trade balance with Mexico when Sweden's Trade Commission "Sweden Business" opened its first office in Mexico City (Business Sweden, 2017). The Mexican Trade Commission opened an office in Stockholm in 2008.

To sum up, Mexico represents a good case study for this research due to its socio-economic status and strong economic relationship with Sweden. Mexico was also selected by the researcher due to her familiarity with the subtle differences in terms of the business culture, as well as her Spanish language skills to conduct interviews directly. Being familiar with the language and wider cultural context of the country of study hosts many advantages (further addressed below).

4.3.1.3 Choice of sectors and case studies

Comparative studies have often been the subject of controversy among methodologists. National comparative studies undertaking industry research have typically focused on the national path dependency factors and have analysed the local historical developments that have formed the industry (for example Bean, 1994; Ferner & Hyman, 1998; Traxler, Blaschke, & Kittel, 2001). Critics have highlighted, however, that a researcher should rather look at the international convergence factors (Bechter, Brandl, & Meardi, 2012; Visser, 2008). Typologies, for example, have included five models: "organised corporatism" in Nordic countries, "social partnership" in Central Western Europe, a "state-centred" model in Southern Europe, a "liberal" model in North-Western Europe, and a mixed approach in post-communist Central and Eastern Europe (European Commission, 2009; Visser, 2008). As outlined in Chapter three, furthermore, critics have argued that more focus needs to be paid to the sector rather than solely on the nation, which reveals fundamentals for the governance of labour markets such as trade union and employer association engagement, as well as institutional support for example by the state (Bechter, Brandl, & Meardi, 2012; Crouch, 1993; Meardi, 2004). As workplace pensions is typically one of the labour market components led by trade union and employer associations, and impacted by the state – it is important to understand these sectoral influences. In Sweden, industry representation and workplace pension provision is strongly interlinked, as industry associations negotiate with trade unions the terms and conditions of HR and labour

law matters including pensions. Industry members are legally required to adopt the so called “collective agreements”.

This thesis provides further insights into the engineering industry (Teknikföretagen) in Sweden. The engineering industry comprises companies from the Telecom, electronics & instruments sector, as well as from the Electrical machinery; Installation and repairs; Machinery and equipment; Fabricated metal products and Motor vehicles. It is represented by an industry employers’ organisation – Teknikföretagen – that represents 3,900 engineering companies in Sweden (Teknikföretagen, 2017). The association supports its members with requests relating to labour law, environment and training, and interacts as well as negotiates with the trade unions on collective agreements. Among the member companies, 15 have subsidiaries in Mexico: ABB, Alfa Laval Atlas Copco, Ericsson, Munters, Scania, SKF, Tetra Pak, Trelleborg, AB Volvo³⁵, Avesta Värmeprodukter, Gambro, Hiab, Q-Matic, and Svedala Rostfria.

In order to narrow down the selection of case studies several criteria were applied, illustrated in Table 4.2.

Number	Definition if criteria
1	The global employee headcount should be above 10,000 employees to allow a multi-layered structure
2	Companies needed to be headquartered in Sweden
3	The researcher should have access to organisations and consulting relationships

Table 4.2: Overview of case study criteria applied

One of the aims of this thesis was to understand the complexity around HRM policies in large organisations due to the multi-layered structure. In order to understand the organisational complexity fully and in-depth, a qualitative case study research method was chosen - further discussed earlier in this Chapter (Bergman et al., 2010; Miles & Huberman, 1994). Eight MNCs have a headcount of more than 10,000 employees: AB Volvo, ABB, Alfa Laval, Atlas Copco, Ericsson, Scania, SKF and Trelleborg. The second criteria was that the company needed to be headquartered in Sweden and that it had not been acquired by a foreign investor, aiming to limit the external influence foreign stakeholders have on management (including HR). As ABB

³⁵Note – AB Volvo operates the trucks, buses and construction equipment and should not be confused with Volvo Cars, which is a separate company and is Chinese-owned.

is headquartered in Switzerland and Volkswagen has a majority share (almost 100 per cent) in Scania, the remaining cases were: AB Volvo, Alfa Laval, Atlas Copco, Ericsson, SKF and Trelleborg. The third criteria – to have access to the organisations and consulting relationships – was also applied. No access to Trelleborg existed, and establishing new contacts proved difficult due to the lack of organisational knowledge (i.e. understanding the most relevant roles/individuals within the organisation for this thesis) and due to the absence of any route of access (in form of references). Atlas Copco had also been deselected in order to avoid any conflict of interest³⁶.

Four Swedish MNCs remained, which were approached and asked whether they were available and interested to participate in the research. Ericsson, Alfa Laval and AB Volvo agreed to participate and SKF declined due to the timing and upcoming internal organisational changes.

The selection of the three case studies consisted of Ericsson, Alfa Laval and AB Volvo. An introductory overview of the three MNCs can be found in the below table.

Name	Ericsson	AB Volvo	Alfa Laval
Ownership	Swedish	Swedish	Swedish
Industry	Teknikföretagen	Teknikföretagen	Teknikföretagen
Operating footprint	Global	Global	Global
Global headcount	110,000	118,000	14,000
Regional office in Mexico	Yes	Yes	No
Trade Union agreement in Mexico	No	Yes	No
Number of Swedish nationals (expats and local contracts)	Four	Two	One
Local employee type (white/blue collar workers)	White	White and Blue	White
Size of local entity	Over 1,000*	Over 4,000*	Approximately 50
Local HR presence in Mexico	Yes	Yes	Not at time of writing up
* as per official business profiles from the subscription-information centre Factiva (global.factiva.com)			

Table 4.3: Introduction to case studies

In order to ensure quality data from the case studies, and to ensure that the research

³⁶Atlas Copco had its primary pension consulting relationship with one of the main competitors of the firm where the researcher was employed during the course of this study. The researcher wanted to avoid any loss or lower quality of data, due to potential confidentiality agreements with the other consulting firm.

questions posed could be answered, reflecting on the literature review in Chapter three, additional elements to the criteria outlined above needed to be reviewed and investigated. These included the number of Swedish nationals working in the local entities, which may impact the influence and tendency of adopting home country practice (Rosenzweig & Nohria, 1994), and whether any of the organisations had a trade union agreement in Mexico, as the HR influence may then be largely steered by the unions, impacting the HR policy transfer from home to host country (Beer, Spector, Lawrence, Mills, & Walton, 1984). Both variables vary among the case studies which will provide richer and deeper insights when comparing and contrasting.

4.3.2 Research fieldwork

The aim of this thesis is to understand the extent of influence global pension policies and practices have on local decision-making around the provision of workplace pensions. By analysing the pension policy and practices transfer within the case studies it is expected that the various decision influences around providing pension benefits locally will be revealed. Data was collected between 2015 and 2016. Two personal visits to Alfa Laval were undertaken, while meetings with AB Volvo were on the phone, due to calendar restrictions. Meetings with Ericsson occurred several times during this period, and on two occasions formal interviews for the PhD took place.

The fieldwork in Mexico was conducted in two time periods during July 2015 and August 2016. The first period in 2015 enabled the researcher to explore the general issues and challenges around workplace pension provision in Mexico, and to establish relationships with the key stakeholders of the case studies, policy makers, providers, academics and employee/employer representatives. Meetings with all external stakeholders took place in English and Spanish during this period. Access to MNCs local entities was mostly agreed through headquarters prior to July 2015. Local policy makers, academics, employer and employee representatives, as well as providers were approached in Mexico. Relationships with Mercer colleagues were strengthened during the field research, who introduced the researcher to key contacts in the Mexican pension industry. Access to government officials would have been difficult, if not impossible to arrange without Mercer Mexico's support.

Access to trade unions proved to be very challenging. Several access strategies were

investigated, through providers (Mercer and AFOREs), the case studies, government officials and the Swedish trade union. While trade unionism exists, it became apparent that their influence on the case studies has been limited especially in terms of workplace pension provision. Also, as this thesis is written from the employer perspective, it was found that the lacking qualitative data³⁷ from trade unions would not be obstructing this research.

The second period in August 2016 was devoted to data collection with the aim to update and complete existing information. Follow-up meetings with selected stakeholders took place, aiming to verify the initial findings of the research and ensuring any qualitative gaps were identified and empirical evidence as well as wider data was found for further analysis. In total nine interviews were held and documentary information was received. The second field research was essential for this study, as it provided additional valuable insights and information in form of new documentary data as well as empirical data. Stronger relationships with the interviewees had been built during the previous year, which provided deeper and richer data. Additionally, all of the three case studies had been undergoing structural changes during this period – which further developed the insights gathered through the interviews. Collecting data over a longer period, including two field research intervals in Mexico, met the requirement of longitudinal characteristics of case studies, which provide the opportunity to capture and analyse “events and happenings, interactions and relationships, and groups and institutions as they emerge and evolve across time” (Snow & Anderson, 1991, p. 161). By having undertaken two field research assignments and having collected documentary data over a period of over two years – the data collected was deep, insightful and rich, as well as reflective of business practices over a period of time, and could be used to stress-test some of the initial assumptions formed during the early data analysis. Thorough investigation and analysis were possible which furthered the comprehension of organisational structures (including individuals’ preferences and ambitions), the scale of impact and decision power of different stakeholders and structures, and institutional and business environments. Yet, this period of research also conveyed some challenges in terms of keeping research relationships (some of them from a far distance and in different time-zones), as well as manage some changes in

³⁷The discussion on type and number of interviewees follows later in this Chapter.

appointments. Having returned to Mexico during the second field-research, enabled the researcher to re-enforce relationships that had been somewhat weakened since the last meeting, strengthen existing relationships, and build new connections with individuals that have changed positions since the initial interviews were conducted. The field research consisted mainly of interviews, as well as documentary data gathering. These are further discussed in the subsequent sections.

4.3.3 Strategies for data collection: interviews

Interviews were the main mean to collecting data, as interviews allow for more detailed discussions on key issues than any other research technique (Blaxter, Hughes, & Tight, 1996). Additionally, the use of interviews provides more insights into interviewees' personal and relative subjective views about their experience and the impact these may have on organisational structures and processes.

4.3.3.1 Interview type

Interviews can be tightly structured including a set of questions requiring specific answers, open-ended, or semi-structured. For this research, a semi-structured interview approach was applied to ensure that the generated data helps answering the research questions. The researcher has also been familiar with the methodology.

Applying semi-structured interviews has advantages and disadvantages. Some of the advantages include that the interview can focus on the research questions and that interview findings from the case studies can be compared (Bryman, 2008). In addition, semi-structured interviews also offer interviewees the opportunity to answer from their own frame of reference (Seidman, 2006), which provides the researcher access to richer data and potentially further information and context. Also, the casual and relaxed atmosphere as well as the existing relationship with most of the interviewees, allow interviewees to express their views openly. Disadvantages or challenges include that questions need to be carefully phrased and the framework needs to be conclusive to avoid interviewees providing less relevant information which may be more difficult and time-intensive for the researcher to set apart. Also, interviewees may share information at different times throughout the interview, for example as part of another question

or at the end of the formal interview process. This set of data may be even more difficult for the researcher to analyse.

In order to address and avoid where possible the above mentioned shortcomings of semi-structured interviews, a relatively flexible framework was created to capture each situation and the full complexity of the research area. In order to ensure that the discussion was focused on the key research issues, the interview guide approach was applied (Patton, 1990). Under this approach, an outline of topics or issues needs to be covered, but the wording and order of the interview questions can be flexible. This approach enables the researcher to conduct data gathering systematically and comprehensively, while the interview itself still remains fairly conversational and informal. A researcher who opts for this interview technique needs to be relatively skilled and experienced in it as well as preferably have some background knowledge of the topics and issues to be discussed, as this technique may require more guiding of the interviewee and proving of in-depth information. Both requirements were met in this case, as the researcher has had experience with semi-structured interviews prior to conducting this thesis and was familiar with the overall topic. Ensuring sufficient informal conversation time at the end of the interview, also addresses the possible drawback of the interview guide approach, which argues that this technique may prevent other important topics from being raised by the interviewee. By applying this approach, key issues were decided in advance, which provided the researcher some autonomy on deciding which sequence would be used in the course of the structured part of the interview. The following table outlines the framework applied to all case study interviewees, with slight variances for global, regional and local representatives.

1)	Interview Protocol: overview of the interview process
2)	Introduction: interviewee provides background information on company and role
3)	Organisational forces: questions the organisational set up between HQ and local operating companies
4)	Stakeholder forces: captures the dynamics around the internal and external stakeholders involved in the pension decision-making process and their respective influence
5)	Local forces: assesses influences from local markets , and reviews the local entity's workplace pension policies, factors
6)	Workplace pension provision: reveals insights into the notion of workplace pensions as a benefit as well as the pension benefit design and the type/scope of employees the benefit is offered to
7)	Global Financial Crisis: reveals the impact the GFC has had on HR governance and policies
8)	Future outlook: questions general opinion on future role of workplace pensions as a benefit
9)	Conclusion: provides the interviewee the opportunity to ask questions, to elaborate on any specific areas

Table 4.4: Interview framework for MNCs

A more detailed interview schedule can be found in the Appendix.

The depth and extent of questions posed to interviewees at MNCs ensured that the quality of data of strong and relevant information was collected in order to address and answer the research questions.

Interview frameworks for the other actors slightly differed. The first and second introductory sections of questions were the same, and then more emphasis was given to workplace pension provision as a benefit within the country (Mexico), the region (Latin America) and to some extent globally. The intension of the researcher was to get insights into workplace pension provision in general before and since the GFC.

4.3.3.2 Interview process

The interview process consisted of four phases: identifying potential interviewees within the case studies and externally, preparation of the interview guides depending on the role of the interviewees, conducting the interviews, and follow up interviews. Interviewees were carefully selected and included only key internal and external actors who are likely to provide relevant and insightful information on all three forces of influence. Interviewees within the case studies were identified by the researcher and HQ, depending on their role within the organisation and scope of responsibilities. The aim

was to receive insights into global, regional and local benefit management with specific focus on workplace pensions. Policy makers and government representatives were chosen, based on their pension expertise, seniority and insights into cross-functional and multi-layered facets within policy making. Government interviewees were supportive and also critical of the current system, to guarantee rich data collection, representative of different opinions and political arguments. The Mexican Mercer colleagues (who have worked in the pension industry for several decades) were able to provide insights into interviewees' historical political work and identified the most appropriate individuals for this research. They also made recommendations for specific individuals among the provider segment (AFOREs) and the academic social science and economic researchers. All identified individuals are influential and well-regarded in the Mexican pension and wider industry, providing regular commentaries to the press and governmental requests.

Arranging the interviews with stakeholders of the case studies was difficult due to the confidential nature of the research topic, as well as the timing of the research (as all case studies were undergoing or considering organisational restructures at the time of undertaking data collection which caused uncertainty among participants and less willingness to share information). Existing relationships and arguably the role as consultant at Mercer has helped the researcher to get access and schedule the interviews (further discussed in 4.3.3.3). Two of the case studies (Ericsson and AB Volvo) immediately agreed to participate. For Alfa Laval follow up emails were required. All case studies' interest in this study and hence their participation was driven by HQ and was based on the existing trust the researcher had built. HQ also identified the right contact persons internally (which was discussed with the researcher) and provided the regional and local managers' contact details, and relationships could be established after an introductory email was sent. Arranging interviews with government officials, providers and academics in Mexico was more challenging, as relationships and trust had to be built first. The assistance provided by Mercer's retirement consultants who had access to the respective actors was crucial for the process of this thesis.

For the purpose of this study, 22 interviewees were selected. This number was determined by considerations of manageability, time-restrictions and sufficiency in relation to the three chosen case studies. This sample size was found to be suitable because it

allowed coverage of all relevant organisational levels (based on feedback received from the case studies in terms of ensuring that all internal stakeholders with direct decision power and further influences – such as voting rights – have been included on the HQ and local level and where applicable also on a regional level). The list of interviewees also include key external stakeholders, who were identified by senior pension experts as those professionals in the market who can provide in-depth and comprehensive insights into the wider socio-economic development of workplace pensions in Mexico. The total amount of identified interviewees and interviews provided the required theoretical saturation (Glaser & Strauss, 1967) in order to be able to test the hypotheses and answer the research questions posed in Chapter three. The triangulation of data, whereby several people were asked about the same processes, ensured that the qualitative data collected is reliable. A list of interviewees and number of interviews can be found in Table 4.5 below.

Table 4.5: Overview of interviewees

Company/ Institution	Description in English	Title/ Role	Key insights shared	Number, date and length of interviews
In-depth insights into Mexican pension system and socio-economic developments				
Colegio Nacional de Actuarios	Education pensions institute, setting professional exams and educational standard for pensions professionals	President	Provided market trends and industry developments since the GFC. Identified and confirmed key legislative changes and impact on MNCs.	Interviews: 06/7/15 (2hrs 45min); 16/08/16 (1hr 25min). Regular email Exchange
Asociacion Mexicana de Actuarios	Association of Actuaries – Lobby organization for the pensions industry	Former President	Detailed insights into system, changes, stakeholders, and role of private pension provision. Identified and confirmed key legislative changes and impact on MNCs. Provided insights into pensions as a benefit.	Interviews: 14/07/15 (39min); 18/08/16 (49min). Regular email exchange

CONSAR	The National Retirement Savings Commission	Two government officials (asked to be kept confidential)	Insights into the politics and dynamics of pension provision. Identified and confirmed key legislative changes and impact on MNCs.	Interviews: 21/07/15 (1hr 21min); 10/08/16 (1hr 14min). Regular email exchange
AFORE ISSSTE	One of the 12 Retirement Funds Administrators operating in the Mexican markets	Deputy Director for Pension ISSSTE	Detailed information about AFOREs. Details on challenges, corruption cases and challenges. Identified and confirmed key legislative changes and impact on MNCs.	Interviews: 17/07/15 (1hr 4min); 19/08/16 (37min). Regular email exchange
AFORE GNP/ Profuturo	One of the 12 Retirement Funds Administrators operating in the Mexican markets	Director and Head of Business Development	Challenges and developments on private pension system and workplace pensions.	Interviews: 21/07/15 (37min) – no follow up due to calendar restrictions and limited need
Mercer	Leading pensions consultancy in Mexico	Principal and Senior Actuary	Insights into pension Systems, and into the development of workplace pensions as a benefit. Provided information on other interviewees. Identified and confirmed key legislative changes and impact on MNCs. Provided case study specific information on Ericsson's pension provision	Interviews: 21/07/15 (39min); 28/07/15 (42min). Informal interviews and checking data took place in August 2016. Regular email exchange
Mercer	Leading pensions consultancy in Mexico	Head of Retirement	Provided thoughts on workplace pensions developments and opportunities. Future orientated.	Interviews: 27/07/15 (48min); 19/08/16 (41min). Regular email exchange

UNAM (Universidad Nacional Autonoma de Mexico)	Leading educational institution in Mexico	Professor and Head of Pensions/ Social Research Department	Focus on pension system in relation to social security system. Detailed information on changes since the GFC. Insights into the socio-political multi-layered complexity around the Mexican pension system. Identified and confirmed key legislative changes and impact on MNCs.	Interviews: 27/07/15 (1hr 17min); 17/08/16 (1hr 34min). Regular email exchange
IMSS	Mexican Social Security Institute	Two interviewees: Head of Pensions, and Pensions Specialist	Detailed insights into the pension system and related challenges and the role of the informal labour market.	Interviews: 28/07/15 (1hr 22min) – no follow up due to calendar restrictions and limited need
CIESS	Inter-American Center for Social Security Studies	Professor, Re-searcher	Provided comparison between Mexico and other Latin American countries. Detailed information on reform including pointing to statistical data.	Interview: 30/07/15 (41min) – no follow up due to calendar restrictions and limited need
AFORE: Sura	One of the 12 Retirement Funds Administrators operating in the Mexican markets	Two interviewees: Deputy Director Products and Services, and Pensions Legal Specialist	Detailed information about the private pensions industry and the challenges /previous corruption cases. Focus on GFC and the development of legislative requirements around pensions. Identified and confirmed key legislative changes and impact on MNCs.	Interviews: 22/07/15 (40min); 19/08/16 (59min). Regular email exchange
Case studies				
Alfa Laval HQ	Case study – HQ in Sweden	Global Head of Compensation and Benefits	Provided information on Alfa Laval and benefit management, including global expectations.	Interviews: 11/03/15 (1hr 19min); 21/10/16 (48min). Regular email exchange

Alfa Laval – Mexico	Case study – Mexican subsidiary	Managing Director	Provided information on benefit transfer for one of the case studies and insights into how benefits are managed locally.	Interviews: 07/07/15 (43min); 12/08/16 (30min). Regular email exchange
Ericsson HQ	Case study – HQ in Sweden	Global Benefit Specialist	Provided insights into the global benefit management at Ericsson, including global expectations.	Interviews: 05/06/15 (44min); 06/12/16 (47min). Regular email exchange
Ericsson Regional Manager	Case study – regional HR, based in Argentina	Head of TR Latin America	Provided detailed information about internal governance structure and general benefit market in Latin America.	Interviews: 08/01/16 (40min); 02/11/16 (19min). Regular email exchange
Ericsson – Mexico	Case study – Mexican subsidiary	Two inter-viewees: Head of HR Mexico and HR Specialist	Sent completed questionnaire twice , and provided insights into all topics and questions raised – especially on benefit transfer within Ericsson and local perception of pension benefits.	No formal interviews, but sent question- naires which were completed twice
AB Volvo – HQ	Case study – HQ in Sweden	Global Benefit Manager	Provided information on AB Volvo and global benefit management, including global expectations.	Interviews: 08/06/15 (59min); 04/08/16 (26min). Regular email exchange
AB Volvo – Mexico	Case study – Mexican subsidiary	Head of HR Latin America and Mexico	Interview was not recorded as asked not to. Answers were typed as provided. Provided insights into all aspects of HR transfer and workplace pension benefits.	Interviews: 16/07/15 (45min - not recorded); 25/10/16 (47min). Regular email exchange

All interviews that took place to get in-depth insights into the Mexican pension system and socio-economic developments, contributed to the fourth level of the research framework, and to further understand the conceptual boundaries applied. Interviews with case studies provided insights which were applied to the first to the fourth level of the research framework.

Interviews took place mostly face-to-face in order to achieve a high acceptance rate and to ensure full insights into an individual's work and responsibility revealed for example by body language and informal conversations before and after the official interview (King, 2004). In some cases initial and follow-up interviews were performed on the phone, due to calendar and geographic restrictions. Formal interviews were always conducted according to the pre-designed interview guides. On average formal interviews lasted for one hour and were recorded on an audio tape recorder in agreement with the interviewees. Recording the interviews enables the researcher to focus on the interviewing itself. By not having to take notes the researcher is able to engage in appropriate eye contact and non-verbal communication (Blaxter, Hughes, & Tight, 1996). Interviews with the regional and local HR manager from AB Volvo were not recorded due to her preference. Instead, notes were taken and sent to the interviewee subsequently to ensure that the information extracted from the interview were representative of the interview. Also, the local HR manager from Ericsson preferred to answer the interviewee schedules in writing and sent it in form of a Word Document. This method was preferred in order to get legal sign-off³⁸ and due to time restrictions. Interview guides were constantly refined and updated – especially for follow-up interviews for the second field research in August 2016. In total 14 external stakeholders and eight case study individuals participated in the interviewees. The number of individuals has been based on preliminary analysis of their knowledge, influence and decision-making authority. The amount of external interviewees provided strong and insightful data into workplace pension provision as part of the wider pension system, and as an employee benefit in Mexico, as well as the impact the GFC has had. This data was considered sufficient to identify whether there is a gap in terms of pension provision in Mexico and how wide it is (therefore, how much the employer provided pension provision plays a role within Mexico). The case study research complemented the findings of the pension research. Due to the difficulty in accessing case studies' individuals, their elite status and overall limited number of individuals who would be relevant for interviews (based on their experience, decision power and influence on the topic of research), a smaller number of samples were adequate as valuable, rich and in-depth material was shared (P. Adler & Adler, 1987). The identified sample size

³⁸Internal sign-off of organisational information shared with third parties (i.e. the researcher) was sought from the Legal department, to ensure all internal compliance requirements are fulfilled.

provided theoretical saturation and reliable data through triangulation as previously mentioned, and ensured that the researcher could make coinciding and conclusive findings backed by empirical data from the interviews, as well as supported by the documentary and secondary data (further illustrated in the next section).

4.3.3.3 Researcher's role

The relationship that can be built with the interviewees during qualitative research is an important component for the data collection, as the data quality depends on the relationship and trust between the researcher and the interviewees (Measor, 1985). The researcher's role as a consultant and expertise in international pensions and employee benefits has significantly helped building trust and confidence, as well as eased the access to interviewees either through direct contacts or via other Mercer relationships. Initial concerns related to the willingness and openness of regional and local HR managers to share politically sensitive data and information, due to the researcher's existing relationships to HQ were unjustified. Assurance that information is treated confidentially and will not be shared with third parties (including colleagues) built strong relationships on all levels. Reflecting on the above and taking account of literature discussing the different consulting typologies, it is worth noting that the researcher's interaction with the case studies has been supportive, acting as informational expert and joint problem solver (Lippitt & Lippitt, 1978; Steele, 1975); and issues of distrust were not evident to this research.

Numerous literature has discussed the role of consultants in terms of their influence on organisations, as well as the spiritual notion of being "a guru" versus a "management guru" (Chapman, 1973; T. Clark, 1996; Huczynski, 1993; Woodworth & Nelson, 1979). Clark refers to consultants as "witchdoctors" who simplify complex ideas in order to make the main concepts user-friendly and easier to apply. Consultants are also seen as gurus who provide their unique insights and therefore establish authority of their thinking and advice, by using unknown or less explored business issues. Knowledge and awareness of this literature was helpful to the researcher to ensure that some of the claimed characteristics of a consultant are not mirrored when undertaking this research and therefore to undertake a clear distinction between the day-to-day consulting work, and the PhD research. Further analysis of related literature is out

of scope for this research.

Overall, the role as a consultant and hence the existing relationship with most of the interviewees has been helpful as it enabled access to insightful information, as participants felt comfortable and spoke openly (potentially partly due to the witchdoctor affect outlined above). It also proved to be an advantage in terms of getting access to internal documents and all actors within the organisation.

Ensuring a strict ethical undertaking as part of the data collection was vital to the researcher, which also helped to build trust. While ensuring that research questions were addressed and insightful qualitative data was collected for this thesis, the researcher avoided posing questions that may have caused a conflict of interest to the interviewee. The researcher also ensured that from the start all interviewees were aware of the ethical code that the researcher ensured to comply with, in order to provide interviewees the opportunity to either not participate in the research or to ask for special treatment (for example not wanting to be recorded, sending the answers by email rather than as part of the interview process etc.). All interviewees that were approached agreed to participate in the research and the ethical code applied was considered as high in standard. Some individuals, however, did ask not to be recorded and preferred to send in their responses by email to ensure that internally their answers could be reviewed and signed-off (as outlined previously in this Chapter). Overall, the anonymity was ensured throughout. While the company name and job title was revealed in this research, the name of the interviewee was only initialed. The government representative who was interviewed asked for further anonymity, which was immediately granted. The researcher should not disclose the department the individual was working at. At the time of writing up the thesis, all quotes and relevant sections of this thesis were sent to the interviewees for feedback. It was made clear that no information would be published if the individual had any hesitations. Quotes were afterwards cleaned up or amended, if the interviewee asked for it. This process did not compromise the data quality and instead enabled the researcher and interviewee to tidy up quotes and specify them further. At times it enhanced the wording and insights of the data collected.

4.3.4 Documentary analysis

In addition to interviews, a documentary analysis technique was employed in order to ensure the required triangulation for holistic contextualisation and enriching empirical data from the interviews (Denzin & Lincoln, 1994; Snow & Anderson, 1991; Yin, 1994). Triangulation examines the research problematic from several perspectives to make the findings more robust. Documentary analysis is also important to cross-check and to verify the information gathered as part of the interview process and hence increase the objectivity. Documentary data allows to delve into a specific issue and to further understand the causes and interviewees' views, which is an important component when conducting interviews (Flick, 2007).

Documents employed for this thesis go beyond the literature review and include primary and secondary documents, also from grey literature. Primary data documents included documents which were made available during the research period (Bell, 1993) and consisted mainly of the case studies' internal documents such as annual reports, communications, existing pensions related surveys from external consulting firms, unpublished policy lobby reports, and unpublished or censored national economic and pension reports. Secondary documents refer to documents that have already been collected in another context than this study (Robson, 2002), providing essential background information for the interpretation of the "events of that period based on primary resources" (Bell, 1993, p. 68). In the context of this thesis, these documents included published documents and data from national statistics bureaus and consultancies' in-house data centres.

The primary documents related to the case studies were particularly difficult to obtain due to their confidentiality to the organisation (Flick, 2007), as well as due the incompleteness of some of the documents (e.g. in the case of Ericsson, some of the key documents were still under construction during the time of writing). Yet, these documents were crucial for this research, as they provided the necessary institutional context for the interviews, and therefore greatly enhanced the quality of empirical data. The primary documents in form of unpublished pensions and other reports from external stakeholders, were less difficult to attain due to the researcher's role as a consultant, and the nature of this study. These documents, combined with the secondary documents, provided a thorough overview of the role of workplace

pensions in Mexico, legislative and regulatory changes since 2007, market trends, MNCs' perceptions of the importance of workplace pension as a benefit, as well as member communication revealing any benefit changes made over the last few years. Secondary data from statistics bureaus and consulting firms showed in detail how the design of workplace pensions has changed since the GFC.

Overall it was important to use a wide range of relevant primary and secondary documents in order to ensure that the additional data and information benefits this research – complementing, confirming and modifying the data gathered through the interviews. In some cases, contradictions even became noticeable which were highlighted as part of the data analysis stage most notably in Chapter five and six.

Documents were collected in different ways throughout the study. Most commonly, primary documents were asked for as part of the interview process and sent subsequently to the researcher in form of an email or made available during the informal interview process after the formal interview had ceased. Particularly for primary documents, follow-up emails from the researcher to the interviewee were necessary. In all cases, documents which were promised and agreed upon during the interview process were sent.

Documents from the case studies varied in terms of format received. Some documents were received in printed form such as HR newsletters including pension information, organisational charts or electronically. Electronically received information was printed and filed securely. Primary and secondary data which external stakeholders sent were primarily in form of email attachments (which were treated the same way as information received from case studies). In three instances, secondary documents in form of hard copies were received immediately during the interview process: two books on AFOREs and the Mexican pension system from Sura, a detailed analysis on pension political stakeholders from the CONSAR, and several newspaper articles and copies of published articles from UNAM. When possible, documents were scanned and filed securely. Books and reports were stored safely with other PhD related documents.

The analysis of all documents was undertaken comparatively to that of the interview data. Information was categorised into different divisions and categories, which could then be used at the time of writing up the thesis.

4.4 Data analysis

There are two main approaches to qualitative data analysis: content analysis and grounded theory (Easterby-Smith, Thorpe, & Lowe, 1991). Applying the content analysis, data is coded identifying common themes (Denzin & Lincoln, 2005). Under a grounded theory approach the researcher uses all data that has been provided, does not standardise it and does not pre-determine themes. Some scholars, for examples Jones (1987) have argued that grounded theory provides a richer analysis. However, it was found that for this thesis the content analysis approach would be more applicable in order to be able to collect relevant and comparable data to answer the research questions and to test the hypotheses as well as to adopt the research framework.

A content analysis has been defined as “a systematic, replicable technique for compressing many words of text into fewer content categories based on explicit rules of coding” (Stemler, 2001, p. 1). It helps the researcher to assess large volumes of data, in a systematic approach and identifies themes and patterns in documents (Stemler, 2001). This research commenced with a literature review which laid out the themes of this thesis, and developed a research framework. This process helped the researcher to code all collected data and to categorise it from the start, which provides a structure enabling the researcher to understand themes and issues that emerge from the data. It is important to differentiate the analysis undertaken as part of the documentary analysis (as outlined in 4.3.4) and the overall content analysis. The documentary analysis was applied to use secondary data to supplement qualitative data in order to further understand certain issues, as well as to provide background information, or to verify findings. Content analysis, however, is a technique that takes into account all data and categorises/codes them to set the basis for this thesis and the respective analysis.

Data collected through interviews and documents were stored, creating an electronic database. Taped interviews were transcribed, coded, categorised and analysed during the transcription stage of this research taking place within two months following the field-research.

The researcher applied a five-step approach to data coding – focusing on colour and terminology coding as outlined in the below figure.

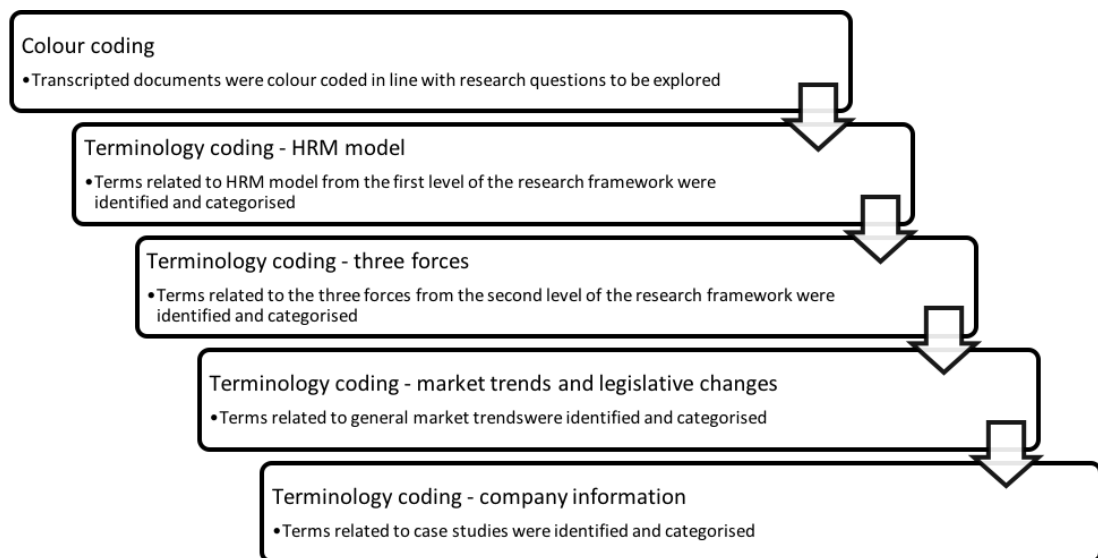


Figure 4.3: Data coding process applied

The aim of applying a coding process is to be able to operationalise the data analysis. The coding process was performed at several stages throughout the research. In between the first and second field-research, initial coding and analysis was performed to capture emerging trends and themes and to be able to identify patterns and potential discrepancies within the collected data. This helped the researcher to formulate and revise the issues for the second round of interviews, as well as when requesting additional primary and secondary data. Interview guides were restructured and re-defined for the second field-research. The key aims were applied to narrow down the scope to the main substantive issues, as well as to follow up on any issues as well as preliminary drawn conclusions. At the writing up phase, all data was coded again. Therefore, data that was collected as part of the first interview was re-coded, and newly acquired data was coded and categorised in line with the main themes of the thesis (as laid out in the above figure).

It is important to note, that the researcher paid particular attention to ensuring that each case was separately analysed, using all available data resources ensuring that early generalisation across cases was prevented. Conclusive notes across case studies were done at the very end of the study and during the writing up phase. With the aim to identify similarities and differences between the cases, the researcher used tables comparing and contrasting the coded data. All transcribed interviews, documentary and secondary data has been stored in an electronic database. The documentary

analysis (as outlined in section 4.3.4) supported the content analysis, by providing an initial analysis of the secondary data, which was then complemented with the remaining data and structured/analysis in form of the content analysis.

4.5 Conclusion

This Chapter has described and discussed the processes, strengths and limitations of the research methodology applied in this thesis. The thesis adopts an adaptive theory and a qualitative research approach – in form of case studies – to fully explore the pension decision-making process, explaining the change from the inside. Case studies were selected according to criteria, including the participation of Teknikföretagen and of a certain size and global presence. Rich and in-depth data was gathered by using a variety of methods, such as interviews based on semi-structured interview guides, documentary and secondary analysis, and work experience as a consultant. The combination of methods increased the reliability and validity of data. Data collected was stored, coded, categorised and analysed. The research design applied to this thesis will enable the exploration of the research problem. The following chapters outline how the research design and data collection methods have enabled the researcher to answer the research questions and prove the hypotheses.

Chapter 5

Case studies' HRM

The aim of this Chapter is to identify to what extent MNCs' HQs from developed markets transfer their global pension policies and practices to their host countries in emerging markets. It evaluates and empirically verifies the hypothesis around the first research question posed in Chapter three. The hypothesis was that HQs increasingly centralise benefit management and therefore influence workplace pension provision in the host country. The extent of HQs' influence depends on the HRM model and approach, and the forces affecting the pension policy transfer (outlined by the first two levels in the research framework). The expectation is that the GFC has had an influence when setting up the global pension policies and that it has increased the monitoring of its compliance from a HQ level.

The below Figure 5.1 illustrates the level of analysis undertaken in this Chapter as part of the overall research framework.

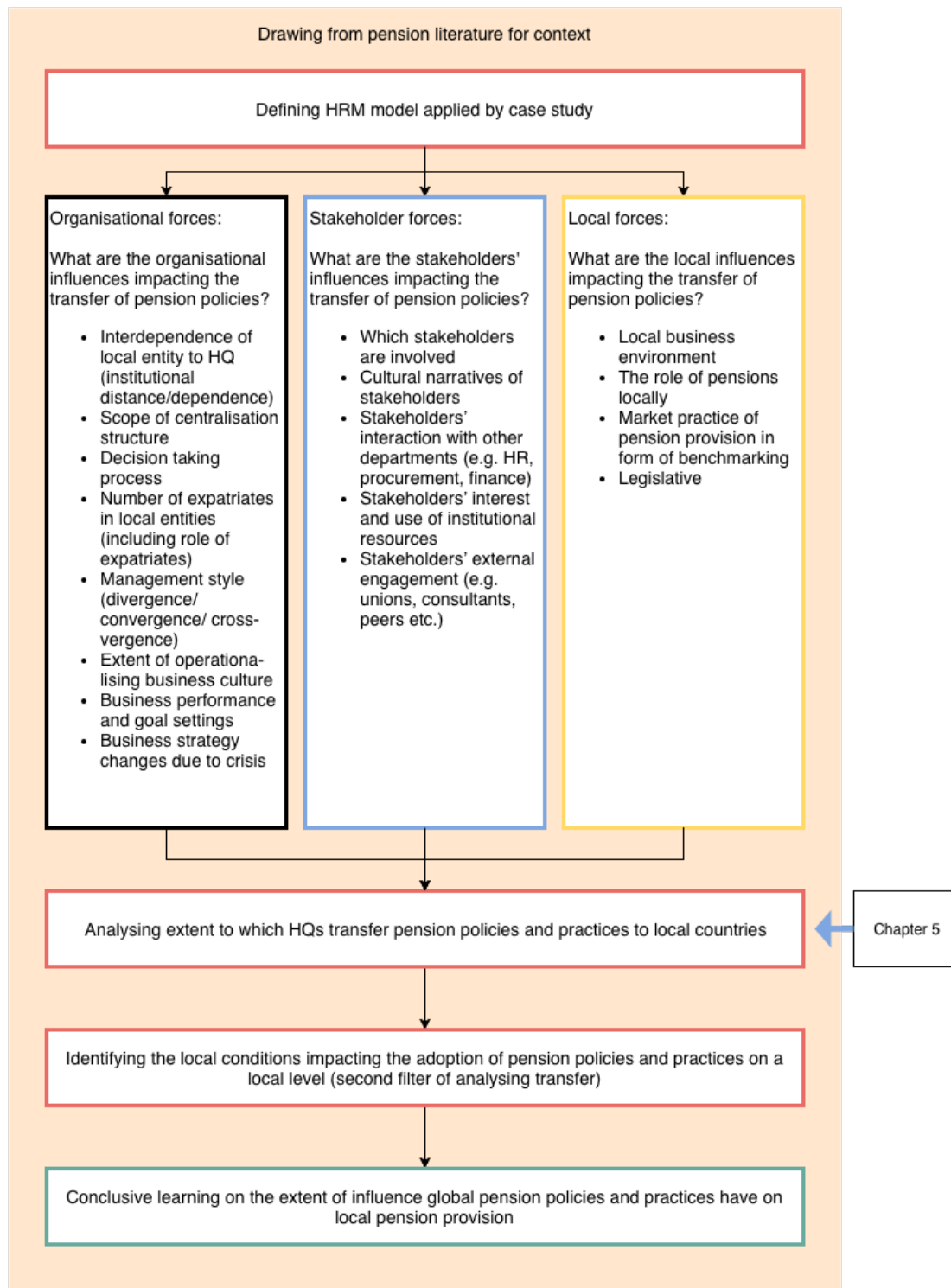


Figure 5.1: Level three in research framework to be analysed in Chapter five

This Chapter starts by introducing the case studies – Alfa Laval, Ericsson and AB Volvo. It outlines their respective global benefit and pensions strategies. In order to empirically analyse the transfer of global pension policies and practices (which is part of the decision-making process), the first two levels of the research framework are

used as the analytical basis. These levels of the research framework are applied to each case study in order to be able to analyse and compare their respective transfers. The Chapter ends with concluding remarks on how the case studies transfer their global pension policies and practices to their host countries. The full decision-making process will be reviewed in the following Chapter seven, where the local influences are taken into consideration.

Throughout this Chapter, references to the GFC are made in order to provide the full business and organisational context when undertaking the analysis on the transfer of pension policies and practices. A thorough application of the GFC as a conceptual boundary, however, is applied in Chapter six - when analysing how the crisis has impacted local pension decision-making.

5.1 Participating companies

5.1.1 Case study 1: Alfa Laval

5.1.1.1 Business profile

Alfa Laval is a world-leading supplier of products and services of specialised engineering solutions. It represents 30 per cent of the world market for heat transfer solutions, 25-30 per cent for separators, and 10-12 per cent for products related to fluid handling, such as pumps, valves, tank cleaning equipment and installation material for industries with stringent hygiene requirements (Alfa Laval, 2016). Industries that commonly use Alfa Laval products are food and pharmaceutical manufacturing, as well as production and wastewater treatment. Alfa Laval made over SEK 30bn (USD 3.4bn) in revenue in 2016 and is expecting to achieve further growth in the future due to (Alfa Laval, 2016):

- Growing energy needs, particularly in emerging markets, as energy industries such as oil and gas exploration, power production, renewable fuels, refinement etc. are expected to use Alfa Laval products
- Stricter environmental regulation, which is expected to increase Alfa Laval's energy efficient and cleaning products

- Higher standard of living in developing and emerging markets, creating more demand on the food industry which is using Alfa Laval's products
- Increasing transport requirements due to globalization, which includes the maritime industry that is a key client segment for Alfa Laval
- Approximately 17,300 employees work for Alfa Laval in over 42 production units across Europe, Asia, the USA and Latin America.

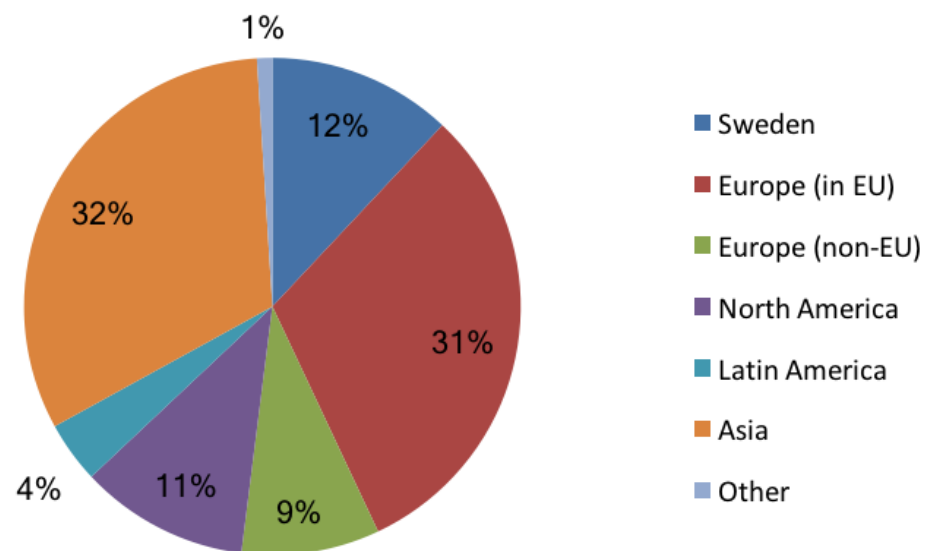


Figure 5.2: Headcount split by region Alfa Laval

Source: Alfa Laval, 2016

In April 2016, the former CEO retired and Tom Erixon took over (Alfa Laval, 2015). In October 2016 a restructuring programme was announced, which is expected to achieve savings of SEK 300m (approximately USD 34m) (Alfa Laval, 2016). The key organisational changes include creating a leaner organisation, separating some product groups, and restructuring the manufacturing footprint. Additional short-term strategic changes are still expected to be announced. As part of the restructuring initiative redundancies of 700 employees have been estimated. While the changes have been announced publicly, the extent to which the restructure may impact the HR departments and the way compensation and benefits are managed globally have not been revealed in 2017, when this thesis was written up. The Global Compensation and Benefit Manager at Alfa Laval was awaiting further information.

Alfa Laval set up operations in Mexico due to the large business potential in that market. In Mexico 48 employees worked for Alfa Laval in 2016, and 41 in 2015 (Alfa Laval, 2016). Headcount has been fluctuating with years of growing and hiring followed by some downsizing activities, and then again growth.

5.1.1.2 GFC impact on the business

The GFC has affected Alfa Laval on a global level significantly with sales declining by 6 per cent and order intake being reduced by 28 per cent in 2009 (Alfa Laval, 2009). Consequently, Alfa Laval stopped several large projects and undertook two savings programmes to “adapt capacity and costs to a new, lower level of demand” (Alfa Laval, 2010, p. 121). These programmes focused on increasing business efficiencies and reducing costs. Local cost-saving targets were distributed to each country, communicated by the CEO and the regional Vice President to the local Managing Directors (MDs).

“[Cost savings targets were] communicated by the CEO and the regional VP to the local MDs. We didn’t influence their local decisions on what they should be doing on a local level to reach those targets. That was a local exercise.” (Global Compensation and Benefit Manager Alfa Laval, interviewee G.)

Cost saving expectations varied among countries, largely depending on business opportunities and growth. In Mexico, the impact has been manageable. “Mexico was not as strongly impacted as Europe where they had to fire many people.” (Managing Director Alfa Laval Mexico, interviewee E.)

From a global HR perspective, cost and risk saving trends that were implemented in the wake of the GFC typically centred around mobility and expat management and DB pensions.

“The GFC has impacted us in the way that we have closed DB plans more quickly than what we would have done otherwise, to limit the risks and the costs of course. We have had to look at our expatriate policy to make it less costly.” (Global Compensation and Benefit Manager Alfa Laval, interviewee G.)

The GFC has had a significant impact on the business globally, but only a relative impact on Mexico.

5.1.1.3 Centralising policies

Centralisation of policies and processes has played an important role at Alfa Laval (Alfa Laval, 2008-2016). While it was felt that the GFC was not the sole reason for centralising processes, there has been increasing focus on generating global oversight since 2008, aiming to mitigate risks and costs (Alfa Laval, 2008-2016). Adopting the HRM model to pension policies and processes, Alfa Laval has implemented an approach aiming to meet company goals (in terms of mitigating risks and costs) dictating a direction from top-down. From an HRM model perspective, this direction is defined as “hard” (Legge, 1995; Storey, 1989). Alfa Laval’s aim has not been to increase employee satisfaction and other human areas of management, which would be the “soft approach” (Poole, 1998; Syrén, 1998). As outlined in the HRM literature review in Chapter three, the hard HRM model is typically implemented when organisations are aiming to meet objectives, including cost savings (Baird & Meshoulam, 1988; Hendry & Pettigrew, 1986). It is important to highlight that the “hard” model approach for Alfa Laval only refers to the centralisation of pension policies and processes related to pension and benefit management – not wider HR.

In practice, however, the top-down approach was attenuated, and instead transformed more into setting global standards and guidelines.

“A lot of work has been done by the central office that the local offices should offer. My opinion is that this is a big advantage for the companies outside, because the people are thinking and developing things and then we need to adapt them to our market. Of course, the negative part is that we need to follow these procedures. But the balance is positive. There are more advantages. So we have guidelines to follow to adapt our company to them. We get a lot of support.” (Managing Director Alfa Laval Mexico, interviewee E.)

Also, some flexibility and decision-taking authority remained on a local level. The Global Compensation and Benefit Manager for instance preferred not to use the

terminology “top-down” as she felt that local input is regularly applied. The aim has been to ensure global consistencies and streamlined processes are implemented and followed, while still taking some local differences into account³⁹.

As the HRM model enabled flexibility and some local authority, the overall policy construct can be described as a “best practice” model (Becker & Gerhart, 1996), as further discussed in Chapter three. Alfa Laval has been embracing the same approach that MNCs are likely to adopt – mostly because the best practice model enables MNCs to address any inconsistent managerial competencies and practices across entities (Edwards, Colling, & Ferner, 2007; Pudelko, 2006).

Alfa Laval has several HR policies focusing on different needs. Workplace pension provision is part of the global guidelines for long-term benefits (LEB). LEB is a terminology used by Alfa Laval, and includes pensions and risk insurances (health, life, accident and disability). The policy outlines minimum requirements and guidelines on the type and design of benefits that should be provided by local entities. LEBs are considered an important part of the TR structure designed to help attract, retain and motivate employees. “It’s about attracting and retaining, but also to make sure we are a fair employer.” (Global Compensation and Benefit Manager Alfa Laval, interviewee G.)

From a governance perspective, local entities are expected to reach out to HQ for their recommendations when wanting to change or implement a new LEB. The final decision is taken locally but there are restrictions in terms of who can be involved in the decision-making process.

“If somebody wants to change or introduce a benefit they have to send this information to us, to explain why they want to make the change, how much this will cost to the company locally and where they plan to insure it, and then we have a committee consisting of myself, our risk manager and our global controller that looks at it from different angles and then we make a recommendation to the VP and the regional manager who is responsible for the region. Then they make a decision based on our recommendation.” (Global Compensation and Benefit Manager Alfa

³⁹Later in this section, the budget autonomy of local managers is discussed, which could be considered as one of the fundamental reasons for applying local flexibility.

Laval, interviewee G.)

The below table provides an overview of the governance process for LEB policies at Alfa Laval.

	Remuneration Committee	Group Management	LEB Committee	Corp HR/ Compensation & Benefits	Local Management
LEB Policy					
- Design and review	Approve		Propose		Implement
Benefit design Group Management level					
- New plan/change of plan	Approve			Propose	
Benefit design – Country level					
- New plan/change of plan		Approve	Review		Propose
- Harmonisation		Approve	Review	Propose	Propose
Funding					
- Change of funding plan/additional funding		Approve	Review		Propose
International Service Employees					
- Design	Approve			Propose	
- Pension Eligibility				Propose	
Source: Alfa Laval 2011, LEB policy, pg. 4					

Table 5.1: Global benefit governance structure Alfa Laval

The policy was created in 2011 and is regularly reviewed and changes are done at times. It is not the intention of the Global Compensation and Benefit Manager to make yearly amendments to the policy as it will be difficult to ensure that all of these guidelines are adhered to if changes occur frequently.

“We do look at it regularly. But we don’t revise it every year. The main frame is the same, we don’t want to change the policy every year.”

(Global Compensation and Benefit Manager Alfa Laval, interviewee G.)

Any proposed local (new or changed) LEB plans must be submitted for approval to the annual compensation planning process which takes place during October and November (Alfa Laval, 2011, LEB policy). If local managers are not able to adhere to this timeline, then they need to submit their proposals to the Global Compensation and Benefit Manager for approval in the LEB committee. The overall responsibility for a LEB policy holds the Global Compensation and Benefit Manager; and together

with the Corporate Risk Manager and the Corporate Controller needs to follow-up on the policy (Alfa Laval, 2011, LEB policy). The relationships between the HR, risk and finance functions are good and open dialogues can be facilitated. The sourcing or procurement departments are not involved in LEB conversations on a central level.

“I work quite a lot with finance and risk. ... Not so much with procurement. At least when it comes to benefit and risk insurances, because this is so specialized locally – and it’s difficult to have somebody centrally also involved.” (Global Compensation and Benefit Manager Alfa Laval, interviewee G.)

The local MD, HR manager and finance manager are responsible for the implementation, communication and operation of the LEB plans (Alfa Laval, 2011, LEB policy). Local HR managers are not represented in all countries, depending on the operations’ size and overall business needs. In cases where no local HR manager is present, regional support can be sought or the MD works directly with the Global Compensation and Benefit Manager. In Mexico, for example, no local HR manager was present at the time of field research and had just started when writing up.

In addition to a rigorous governance structure, there are additional guidelines around LEB policies. These include for example, that employees cannot approve pensions or other LEB plans if they are part of those themselves. Also, all policies need to be in line with local market practice and meet statutory requirements (Alfa Laval, 2011, LEB policy).

The global guidelines are managed by the global compensation and benefit team. On a case by case basis, the team has pro-actively ensured that policies are followed and are in line with local market practice. Global policing of local adherence has not been performed rigorously and systematically.

“We have sort of put things into place to make sure that people have at least a minimum standard of [information]. But we haven’t been going into details, such as ‘now we need a pension scheme in Russia’. This also has to do with the culture at Alfa Laval that we want our MDs to own their company and their benefits and their total compensation. So, it’s really up to them how they want to divide their total compensation and what they

want to focus on. . . . So it's not the centre that tells you that you have to have 40 per cent base salary, and then out of your total compensation you have to have 25 per cent pensions etc. This is in line with local market practice. And this can vary. So if Russia wants to change their total compensation structure, then it's their recommendation and decision to do that. But they need to get an approval for this, and need to have a good reason to do that." (Global Compensation and Benefit Manager Alfa Laval, interviewee G.)

Decision-making authority often depends on budget availability (Kostova & Roth, 2002). Typically, functions that have the ultimate responsibility over the budget also have the overall authority over a benefit change/implementation. At Alfa Laval, budgets are held within the local business with some responsibility on a regional level. The ultimate decision takers are the local entities. "[The budget] is held locally." (Global Compensation and Benefit Manager Alfa Laval, interviewee G.)

Therefore, the role HQ is performing at Alfa Laval can be described as supportive and guiding.

"I wouldn't say there is a close relationship and I don't think [the locals] see themselves as dependents. They see us probably more like a policing department but also a department where they get some assistance and support if they need it, because not always may they have that knowledge in compensation and benefit locally." (Global Compensation and Benefit Manager Alfa Laval, interviewee G.)

By having implemented "best practices" around HR policies and practices across entities irrespective of cultural and institutional differences (Becker & Gerhart, 1996), it could be perceived as if Alfa Laval has adopted the notion of the convergence theory on the HR policy level – whereby policies and practices are defined on a global level and transferred regionally and locally (Dowling, Welch, & Schuler, 1999). Yet, as these policies are considered as guidelines and local managers have the ultimate responsibility and decision power in terms of benefit offerings, divergence is taking place on the HR practice level. The theoretical HRM model that Alfa Laval has therefore

adopted is referred to as cross-vergence⁴⁰ (Child & Faulkner, 1998).

HR policy transfer and local adaptation in the case of Alfa Laval depends on the local entities and whether they see a local need for adopting the recommendations made by HQ⁴¹. Arguably the financial independence in terms of local managers having their own budget and full responsibility to manage their businesses (including benefit offerings) has created the institutional distance which allowed for the flexibility around adapting HRM policies and practices locally (Kostova & Roth, 2002).

A commonly used approach by MNCs to close the institutional distance – and hence to centralise and ensure global supervision in local entities – has been to influence the local approach and perception of HRM by deploying strong home-national presence in the host countries; hence Swedish nationals managing local entities. Under this arrangement, organisational cultures and home country policies would be more easily and systematically transferred (Rosenzweig & Nohria, 1994). Yet, this trend to have so called home country expatriates managing local entities has been declining at Alfa Laval – mainly due to the high costs of managing expat arrangements and the difficulties around succession planning.

“It used to be like that about 20 years ago [to have Swedish managing directors at local entities]. But it’s very difficult with succession planning if you only have Swedish MDs and it is expensive. Most MDs are local, and if you have expatriates they are not Swedish, they can be from all over the world. We have quite a global expat programme.” (Global Compensation and Benefit Manager Alfa Laval, interviewee G.)

Cultural transfer within HRM at Alfa Laval is therefore taking place mainly through global policies and practices, and the overlying intra-organisational culture around benefits management (Edwards, Colling, & Ferner, 2007). As outlined earlier, the Global Compensation and Benefit Manager described the intra-organisational culture of Alfa Laval as a culture that encourages ownership among MDs in terms of managing benefits and total compensation. As such, in the case of Alfa Laval, global benefit and pension management from a cultural theoretical perspective, which is subject to

⁴⁰More information on convergence/divergence and cross-vergence can be found in Chapter three.

⁴¹An analysis on the local influences impacting the adherence to global guidelines can be found in Chapter six.

extra-organisational and intra-organisational culture impacting managers' perceptions (Edwards, Colling, & Ferner, 2007; Ferner & Tempel, 2006), is largely focused around the host-national culture and related values. While a top-down approach to the LEB policy development (including pension) and monitoring exists, local flexibility and autonomy and the global firm's goal to ensure business success, outweigh the global HR influence. As the local MD is not from Mexico (further explained below), the host-national cultural influences may be diffused with the wider Latin American cultural perception of benefit management at Alfa Laval.

To sum up, Alfa Laval has thorough global guidelines on how to manage LEB, which local companies need to follow. Global HR managers act as support and sounding board to local managers. While the ultimate decision can be taken by local country managers (with the help of their regional managers), certain decisions need to be in line with the global guidelines and hence require global sign-off (but even in these cases a certain flexibility exists bearing in mind the overall business needs, as further described below). Within this framework, however, country managers can act relatively independently. Their main aim is to meet centrally and regionally dictated business goals.

5.1.1.4 Global pension policies

The overarching pension philosophy of Alfa Laval is that while the company may generally support pension savings – it is the employees' responsibility to ensure sufficient savings are accumulated during working years to provide adequate retirement income (Alfa Laval, 2011, LEB policy). Pensions are considered a TR component, which should follow local market practice. Alfa Laval does not consider pensions to be a key organisational business driver and instead has experienced that employees have not valued the benefit as much. From an intra-organisational culture perspective, Alfa Laval's pension philosophy may disincentivise local managers to view supplementary workplace pensions as an important stand-alone benefit, and to focus instead on total remuneration arrangements and business results.

“I think [compensation and benefits] play a role, but I don't think it plays a very big role [in terms of meeting organisational/business aims]. . . . I would say [that workplace pensions play an even less role]. In certain

countries it's more like a hygiene factor, like here in Sweden since it is a collectively agreed thing. As an employee you don't focus on it too much. But in other countries you might. Also the social security system in Sweden for example is quite ok, so you don't need to think so much about pensions in Sweden as you might need to do in other countries.”
(Global Compensation and Benefit Manager Alfa Laval, interviewee G.)

Alfa Laval's Global Compensation and Benefit Manager expects, however, that the role of workplace pensions will become more important in the future, as it will increasingly be made visible in the TR statements.

“If you have only seen the base salary and bonuses in the past, and now see the total compensation structure and package it will be evident that we also have to focus on other things as well. And there has also been a lot of press coverage about pensions in certain countries. So I think it will increase.” (Global Compensation and Benefit Manager Alfa Laval, interviewee G.)

There may be an evolving perception to pension provision as part of the intra-organisational HRM culture with time at Alfa Laval.

The global LEB policy (as outlined in the previous section) also includes a section on how supplementary pension provision should be managed locally (as outlined in Table 5.2 below).

1	Defined contribution should be the main set-up for new company pension plans/benefits.
2	If an Alfa Laval entity already has a defined benefit plan this should be converted to a defined contribution plan when the opportunity arises and it is defensible from a cost/liquidity perspective.
3	The benefit should be on average competitive level compared to the market; i.e. a benchmark together with Alfa Laval's current market data suppliers should always be done before a benefit/plan is defined, and there after every 10 th year.
4	One company pension plan per country is optimal. If today there are different pension plans for different legal entities in a country they should be combined/co-ordinated when possible. This will create better efficiency and cost control regarding the administration and also give cost savings on the insurance if there is a larger critical mass.
5	Employee contributions should be stimulated if legally allowed and it is the competitive practice in the country.
6	If there is a choice between funded and unfunded plans Alfa Laval's preference is to go for funded plans, since this normally involves less administration, lower costs and less exposure for actuarial risks.
7	External advisors, Alfa Laval preferred suppliers, should be used for drafting and/or changing the plan.
8	Alfa Laval Company pension plans should be in compliance with applicable country legislation and regulations as well as existing collective agreements.
9	Alfa Laval Company pension plans are to be managed by external parties or persons not part of the plan, except for where the plan requires member nominated parties.
10	Pensions must be accounted for according to Alfa Laval's IT rules
Source: Alfa Laval, 2011, LEB policy, pg. 3	

Table 5.2: Alfa Laval's pension policy

In comparison to other organisations, Alfa Laval's pension policy is relatively short and high level (for example compared with Ericsson below). This supports the underlying cross-vergence HRM model, whereby global guidelines are set, yet room for local flexibility in adapting the guidelines is provided (Child & Faulkner, 1998). Local entities can also file for exemption if there are good business reasons not to comply with the global pension rules. "For example, it would be possible [to set up a DB pension plan] if there are very good reasons for implementing a DB plan locally." (Global Compensation and Benefit Manager Alfa Laval, interviewee G.)

The global compensation and benefit team at Alfa Laval consists of 2.5 full time employees. Due to the limited resources as well as the intra-organisational culture that local countries should own the total compensation and benefit strategy, pension provision has not been monitored closely on a global level.

“We have sort of put things into place to make sure that people have at least a minimum standard of things. But we haven’t been going into details. . . . This also has to do with the culture in Alfa Laval that we want our MDs to own their company and their benefits and their total compensation. So, it’s really up to them how they want to divide their total compensation and what they want to focus on.” (Global Compensation and Benefit Manager Alfa Laval, interviewee G.)

The corporate team reviews local policies periodically to ensure these are in line with local market practice and follow the global pensions guidelines. Alfa Laval typically works with a global consulting firm on pension benefit changes and implementation. Several countries asked for support when implementing pension benefits in recent years.

“A couple of years before there have been a lot of changes when it comes to pensions due to legislative changes but also due to the fact that they want to introduce pension benefits where they did not have pension benefits before . . . We are introducing pension schemes also in countries where pension schemes have not been on the map before. But it is not a requirement from the centre.” (Global Compensation and Benefit Manager Alfa Laval, interviewee G.)

The central team reviews any new pension plans and design changes prior to introducing them in a local country. Among others, the key components for review are: is the new plan a DC plan, is it an insured arrangement, and does it encourage employee contributions (which can vary depending on the seniority of employee groups) (Alfa Laval, 2011, LEB policy).

“In countries where we have workplace pension schemes, either all employees have it and then there are different contribution rates depending on the group of employees; or there are top up plans for the executives. They may also have both.” (Global Compensation and Benefit Manager Alfa Laval, interviewee G.)

In addition to the pensions guidelines mentioned above, Alfa Laval has additional global guiding principles on how to handle expatriates’ pensions. The overall aim is to

keep employees on short or long-term assignments in their home pension arrangements for as long as possible. For employees who cannot remain in their home plans, Alfa Laval offers a global expatriate pension plan.

“Our main principle in terms of expat management is if we are sending somebody abroad they should remain in the home country pension plan where possible. If that is not possible, then the second principle is to put them into the host country pension scheme. And if that is not possible then we would put them into the international pension plan that we have with Zurich.” (Global Compensation and Benefit Manager Alfa Laval, interviewee G.)

Only a few expatriates were members of the Zurich international pension plan, when undertaking this study.

“We have very few [employees that cannot remain in their home plans]. It’s maximum 15 or 16 people in this scheme. So, home country scheme is most prevailing.” (Global Compensation and Benefit Manager Alfa Laval, interviewee G.)

Swedish expatriates are typically placed with ITP Utland, which is a Swedish pension arrangement for employees paying into the Swedish pension arrangement but residing outside of Sweden and working under an expatriate arrangement. The pension solution is offered by Alecta, one of Sweden’s largest pension scheme providers and managers.

“We had Benex before, but for Swedes we put them into ITP Utland. It’s just that there is a small compensation if you go to a country where there is no social security agreement. The ITP Utland will compensate for that difference between the social security systems.” (Global Compensation and Benefit Manager Alfa Laval, interviewee G.)

ITP Utland calculates the difference between what an employee would have gotten if he/she remained in the Swedish pension arrangement, versus what the social security arrangement in the host country offers. The difference is made up in form of additional contributions from Alfa Laval into ITP Utland.

Based on the experience of Alfa Laval, expatriates do not focus on the retirement benefit when negotiating and defining their expat packages. In some cases, expatriates have posed questions when they returned to the home country.

“Sometimes when they come back home they have a look at what has been accrued and especially if they have been with other schemes. So, there might be discrepancies between what they would have received if they had stayed at home or what they had received in a different scheme. . . . We have tried to explain the differences and why it was different. In some cases there may have been mistakes and then we corrected it. But we don’t compensate for shortfalls in that sense.” (Global Compensation and Benefit Manager Alfa Laval, interviewee G.)

To summarise, Alfa Laval’s pension policy provides guiding principles on the design, type and level of pension provision in a local country. While pension savings are generally seen as the responsibility of individuals, the company has increasingly implemented local schemes if the local business felt there was a need. The global compensation and management team provides support to the local managers in the process of getting any pension changes signed off. The following section describes how global guidelines and policies are perceived on a local level.

5.1.1.5 Local benefit practice in Mexico

Alfa Laval Mexico is a subsidiary of Alfa Laval in Mexico, servicing the Mexican business market. It is fully owned by the Alfa Laval Group and has an allocated budget to manage business operations locally. Business operations are mainly focused on sales and servicing, as well as maintaining and repairing equipment (in so called workshops). Manufacturing practices are not taking place; as such trade unions are not involved in Alfa Laval’s local business. In Mexico, trade unions for white collar workers do not exist.

The MD in Mexico (originally from Ecuador) has been working for Alfa Laval for 13 years. In his most recent role, based in Bogota, he had a regional responsibility for Central America, Ecuador, Colombia and Venezuela. His main responsibilities as the MD for Alfa Laval Mexico are to grow and develop the organisation.

“We have a very big potential in Mexico in several areas that we are not really succeeding in, and are not present in [yet]. ... When we talk about developing the organisation, we also talk about developing internal procedures and processes. This is my task during the time I was here to grow the business in a structured way.” (Managing Director Alfa Laval Mexico, interviewee E.)

From a business operations perspective, the MD reports into one of the three regional VPs, based in Sweden. In the absence of a local HR manager, the MD has been responsible for HR and the LEB plans⁴². He receives support from the regional HR support based in Chile and the Global Compensation and Benefit Manager from Sweden.

“Normally, we discuss benefits centrally. We say ‘we need this type of benefits, and these will be the advantages, because it’s a standard in the country’. Then we discuss this with the central HR team together with the regional benefit support and then a decision is being taken.” (Managing Director Alfa Laval Mexico, interviewee E.)

The relationship with the global team has been described as being positive, and so far inquiries in benefit changes have been supported by HQ. One of the reasons for being able to implement and/or increase benefits locally has been the positive financial and business performance of Alfa Laval Mexico, with the expectation to grow in the future.

“They are very positive all the time. It’s some sort of discussion and to convince them that it is standard and then they don’t have any problems generally. Of course, it also depends on the results of the company and the potentials in that market and many other factors. It’s not only just to be there. But Mexico has very good potential and we also have very good results.” (Managing Director Alfa Laval Mexico, interviewee E.)

Alfa Laval’s global policy is to meet statutory requirements and to be in line with market practice. Alfa Laval purchases market benchmarking data centrally from one

⁴²A HR manager was expected to be hired, but had not started when undertaking this study.

provider in Sweden and then distributes this information to the local markets, requiring that market practices as outlined in these benchmarking reports are met. The four largest global compensation and benefit data providers are Mercer, Aon Hewitt, Willis Towers Watson and Hays. All firms follow the same methodology, whereby their benchmarking data is based on local companies' input on their respective local compensation and benefit provision. Survey submissions vary among countries in terms of quantity and type of companies (size and industry) submitting data – as such survey findings can differ and the quality of benchmarking data in some countries may be less representative or relevant.

Alfa Laval's MD in Mexico noticed during his recruitment efforts that there had been a gap between the compensation and benefit packages offered by Alfa Laval and the market. In recent years the practices have been reviewed and adjusted accordingly.

“Until now here in Mexico we have had a lot of changes in terms of benefits because I found that the position was below the market [for other TR components], now we are arriving at the right position. But also what is important is the information that comes from Mercer. There was a gap from the payments in the market that people said and what Mercer said. There was a gap. Mercer said less.” (Managing Director Alfa Laval Mexico, interviewee E.)

In the case of Alfa Laval, the local office in Mexico found that there was a wide gap between the benchmarking data and what employees were actually expecting locally. The MD therefore undertook further inquiries through interviewing prospective hires and discussing practices with local headhunters. As part of this process, Alfa Laval Mexico found that it was necessary to rely on several sources, including several headhunters.

“We are working with several headhunters, depending on the position. We have 4 or 5 now. Then you can see that our compensation scale is not always the same. It also depends on the headhunter. The headhunter always wants more and more to make it easier for them.” (Managing Director Alfa Laval Mexico, interviewee E.)

As the MD has been able to provide good reasons for not following the market benchmark provided, and the global team allows for some local flexibility – the potential of conflict has been limited. Yet, when global guidelines are strictly policed and local entities are required to follow market benchmark, some tension can occur (especially where local managers do not feel that the benchmarking data provided by the consulting firms represent market practice).

Market practice has not been further defined on a global level at Alfa Laval. For some organisations market practice can for example refer to industry practice, as it is important to attract and retain employees with a specific skill-set that can only be found in a related industry. Typically, engineering or other specialised occupations are benchmarked against industry rather than the general market. In the case of Alfa Laval Mexico, the baseline for benchmarking administration and sales people's benefits represents general market practice, as they are often sourced from other industries. Benchmarking among other Swedish entities does not take place in practice. While a strong cooperation exists, conversations are typically held on a higher level and related to business operations.

“With most of the Swedish companies we get together once in a while to discuss many things. We don't go so deep [as to discuss HR and benefits]. But we could get a view, if we needed to.” (Managing Director Alfa Laval Mexico, interviewee E.)

In comparison to other MNCs operating in Mexico, the MD has described Alfa Laval as an “even more” caring company who supports their employees.

“Employees are very important for Alfa Laval. It's a group philosophy. The employees are very well treated and handled, with respect and social support. For me this is one of the most important things. Nobody gets rich in this company, but there is a lot of support. I think Alfa Laval takes even more care of the employees than the average multinational company. Human Resource is very important here, especially in terms of the development and everything else.” (Managing Director Alfa Laval Mexico, interviewee E.)

For the more immediate future, Alfa Laval Mexico is focusing on the development of employees to ensure that their skill-sets and capabilities meet the ever growing demands of the business market. Further investments in supplementary pension provisions are not in sight, unless required from a legislative perspective (in addition to AFORES) which is not expected. This includes offering pension provision to new hires. “[Our focus is to bring] people with better profiles here. That would mean many other benefits. Pensions is not part to attract them.” (Managing Director Alfa Laval Mexico, interviewee E.)

While Alfa Laval Mexico recognises the importance of pension provision as a benefit, the value-add to the existing TR strategy is considered to be limited. More focus on supplementary pensions may develop in the future, especially as there will be a change in communicating compensation in form of TR statements.

5.1.1.6 Adapted research framework for Alfa Laval

In order to be able to analyse the transfer of global pension policies and practices, the empirical findings of the previous sub-sections have been used when undertaking the analysis of the first two levels of the research framework.

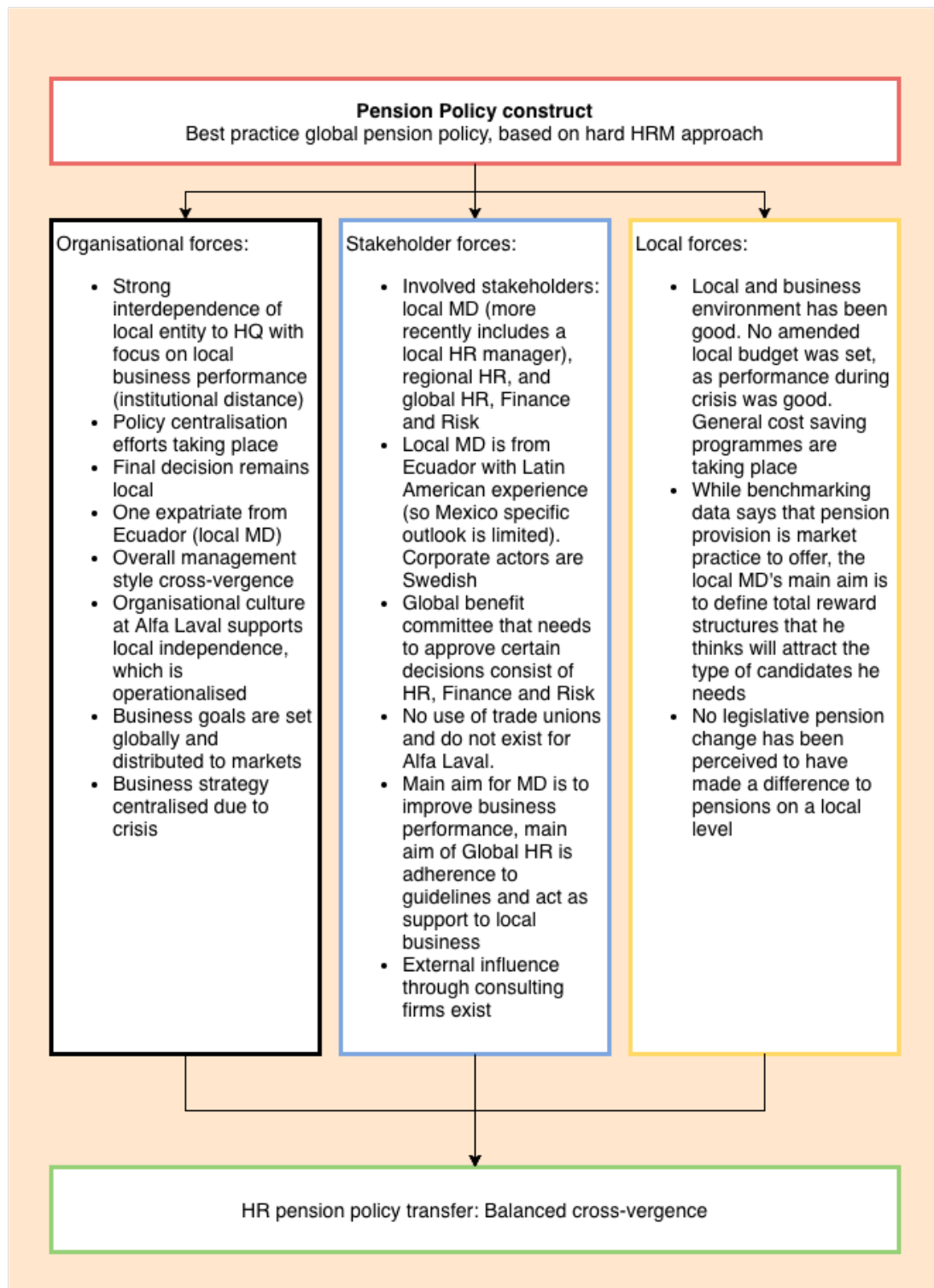


Figure 5.3: Adapted research framework for Alfa Laval

Pension policy construct: The foundation of Alfa Laval's pension policy is based on a hard HRM approach, as Alfa Laval's aim has centred around meeting company goals (in terms of mitigating risks and costs), and not to increase employee satisfaction or other human areas of management when centralising benefits. Yet, as Alfa Laval

has also allowed for local flexibility, a best practice HRM approach defines the HRM approach in terms of practical benefit management and governance more effectively. Therefore, Alfa Laval has implemented a best practice policy construct, which has been based on a hard HRM strategy in terms of centralising and managing pension and benefit policies (not wider HRM).

Organisational forces: Between HQ and the local entity is an institutional distance, created by local autonomy on how globally set business goals and budgets are managed. The local entity can choose independently how to invest their funds when managing pensions. Alfa Laval Mexico achieved good business performance, which has increased the autonomy and therefore the institutional distance. While pension decision-making is predominantly undertaken on a local level, when wanting to implement or amend pension provision global guidelines need to be followed. The implementation and tightening of these guidelines were spurred by the crisis. Within Alfa Laval, the importance of these guidelines is understood and stakeholders are taking the necessary steps to adhere to these pro-actively from local managers.

Globally, the adherence to the policies is not policed. Pension policies are relatively high-level and broadly framed. Overall, the organisational forces have had limited impact on the transfer of pension practices and policies. While local businesses enjoy autonomy and an institutional distance, they have chosen to follow global business aims and LEB guidelines.

Stakeholder forces: The interests of the key stakeholders responsible for the adherence to the global LEB and pension guidelines are overall aligned. Globally, Alfa Laval sees the global LEB and pension management as a tool to mitigate risks and costs. On a regional and local level, this interest may not be shared but understood and respected. Therefore, when new pension plans should be implemented or existing pension benefits be changed, knowledge sharing and communication “upwards” to headquarter is undertaken regularly and pro-actively. Stakeholder forces have had a positive influence on the transfer of global pension policies and practices.

Local forces: The local business environment for Alfa Laval has been positive, generating good business results and therefore increased autonomy. While, the role of supplementary pension provision in Mexico is important (as per the literature review in Chapter two), Alfa Laval Mexico’s main aim is to ensure good business performance

and to define TR structures that attract the right candidates. Workplace pension provision has not been considered the appropriate benefit to offer. Local forces are strong and therefore have influenced the transfer of pension policies and practices from HQ to local entities negatively.

To sum up, Alfa Laval has a best practice global pension policies and practices construct in place which is influenced largely by organisational and local forces (driven by business goals), and supported by the stakeholder forces. As long as goals and expectations are aligned with local entities, this organisational framework provides a good balance between global and local interdependence. Global pension policies and practices are transferred in line with a balanced cross-vergence HRM model.

The following section identifies the transfer of global pension policies and practices among the other case studies, starting with Ericsson and followed by AB Volvo.

5.1.2 Case study 2: Ericsson

5.1.2.1 Business profile

Ericsson is a world-leading telecommunication technology and services provider. Over the last 15 years, Ericsson transformed the majority of its business from hardware to software and services. In recent years, 70 per cent of sales derived from software and services (Ericsson, 2015).

Ericsson discontinued its Modem business segment, and therefore reported three business segments in 2015, each responsible for the development and maintenance of its portfolio. The Networks segment delivers products and solutions that are needed for mobile and fixed communication, several generations of radio networks, IP and transmission networks, core networks and cloud. This segment represented almost 50 per cent of net sales in 2016, and its largest markets are North America, followed by North East Asia. Another segment – Global Services – delivers network rollout services and professional services (i.e. managed services, consulting and systems integration (CSI), customer support as well as network design and optimization services). This segment represented 46 per cent of net sales in 2016. Its largest market is the North American region, followed by the Mediterranean and Western and Central European regions. The third segment is the so called “Support Solutions” which is the smallest

segment of the three. It represented almost 6 per cent of net sales in 2016, and its largest market is also the North American region. Support Solutions develops and delivers software-based solutions for OSS and BSS, TV and media solutions, as well as solutions and services for the emerging m-commerce ecosystem.

Ericsson made almost SEK 222bn (USD 25bn) in revenue in 2016. The company witnessed several challenging business situations in 2016, including the absence of CEO leadership for several months (the former CEO departed in mid-2016 and the new CEO was announced at the end of 2016), executive remuneration scandals, and dropping share prices to their lowest point since 2008.

Business strategy and operational changes are expected to take place in light of the testing business environment as well as the new leadership. The global cost and efficiency programme which initiated in 2014 is expected to be at the midst of this strategy. The programme's major elements include service delivery related activities such as centralisation, automation and standardisation, and production related activities such as improved supply chain efficiency, as well as outsourcing and site consolidation. Actions taken in 2016 as part of the savings programme include headcount reductions in Sweden, the US, Finland, Spain and the UK. Further short-term actions to reduce cost of sales are in sight.

Ericsson has over 110,000 employees spread over 11 regions⁴³.

⁴³Regions were in the process of being revised during 2017, but had not been finalised by the time this thesis was written up. The Latin America region was not expected to be impacted by the re-organisation.

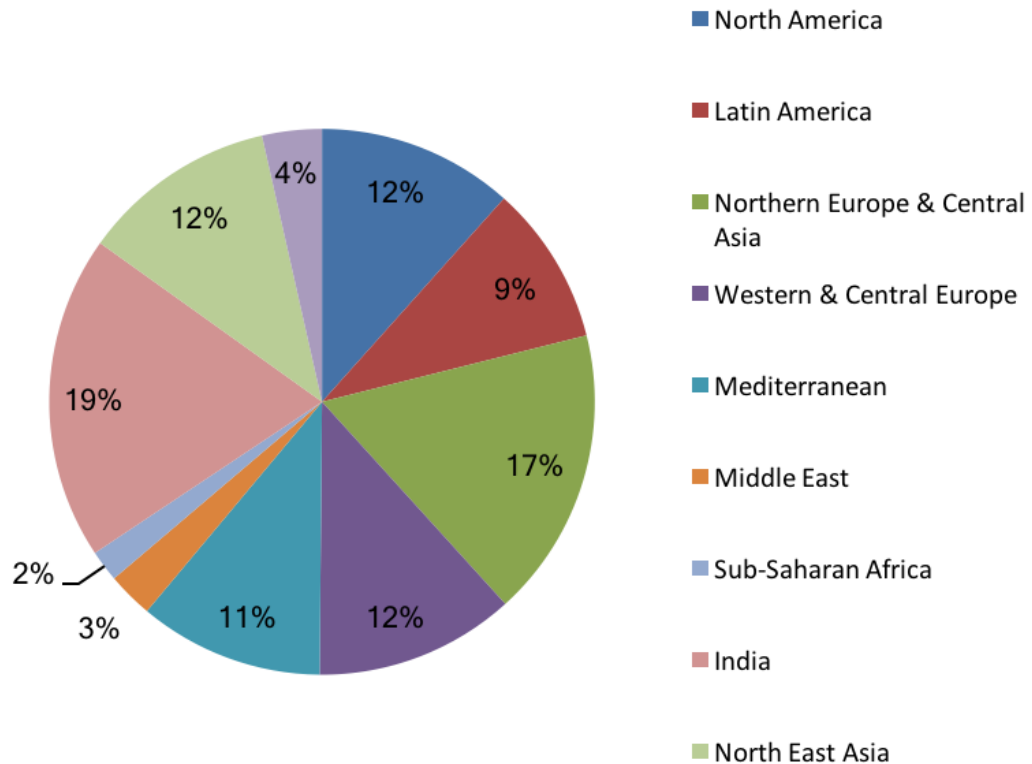


Figure 5.4: Headcount split by region Ericsson

5.1.2.2 GFC impact on the business

The GFC has had moderate implications for the business. References to the crisis in annual reports (from 2008 to 2016) were scarce. Stakeholders perceived the impact of the GFC differently. From a global perspective, comments on the business impact caused by the GFC were vague. Yet, it became apparent that the overall HRM approach to managing benefits started to be more tightly managed since the crisis. For further information on how the crisis has impacted the management of pensions in Mexico, please see Chapter six. The regional manager for Latin America has had a slightly different experience of the GFC. He emphasised that the GFC was not the most difficult crisis he had to deal with and referred instead to the 2002 crisis in South American countries that caused the management to take business decisions related to reducing significant headcount.

5.1.2.3 Centralising policies

Centralisation has played an important role at Ericsson. Two strategic decisions in terms of centralising the management of compensation and benefits were taken during recent years:

- In 2013, Ericsson implemented a global broker, with the aim of increasing global oversight and ensuring local compliance of their global insured benefits (including insured pensions). Cost savings were not a priority when implementing the solution, but Ericsson benefitted from it nevertheless due to centralising the management of insured benefits.
- In 2013, Ericsson also re-organised the TR department, with the aim of centrally managing all aspects of compensation and benefits (insured benefits and pensions).

“We have a total rewards head for each region and they used to report into the HR Regional [manager]/the region, but since 2013 they report into the global rewards team, which is headed by [the global Head of Total Rewards] who reports into the Global HR Vice President. So, we have 10 regional TR Heads and then we have three group functions, which are Base & Variable pay, Executive remuneration, and the last one is Pensions and Benefits.” (Global Pension and Benefit Specialist, interviewee F.)

Ericsson centralised their processes and aimed to manage these from top-down in order to be able to achieve company goals and to align these with the organisational strategy. As such, the underlying foundation and intended strategy for the centralised benefit management lies on a “hard” HRM approach (Legge, 1995; Storey, 1989, 1992). Again – it is important to note that the hard HRM approach in this case only refers to the benefit policy management – not wider HR. The hard HRM approach for benefit management has also been reflected by HQ issuing detailed global governance policies at Ericsson, which support the centralised structure of the TR department. When defining the policy as guiding principle, it has been done with the help of benchmarking and wider consulting services, as well as input from several

stakeholders within Ericsson (including cross departmental). Ericsson entities globally need to comply with the rules. The expectation is that if adopted and implemented together, productivity and performance in Ericsson's organisational set-up will be improved, and hence the overall competitiveness as an employer of choice will increase. As such, in practical terms – Ericsson has also implemented a best practice HRM approach, whereby the focus here lies on ensuring that policies are aligned and consistent internally with organisational and business goals, the benefit practices need to be jointly developed, adopted and implemented (Taylor, Beechler, & Napier, 1996). The underlying HRM strategy in terms of benefit management – therefore, the hard HRM approach – becomes more visible in form of the detailed governance structure and policy (for example, when compared to Alfa Laval). Ericsson's detailed global governance structure on employee benefits can be found further below.

Benefits are considered an essential part of the TR strategy. Programmes need to be in line with legislative requirements (with local law, tax regulations, collective agreements and other mandatory regulations) and market competitive. From a governance perspective, local and regional HR and TR managers are expected to reach out to the global benefit managers (or even the TR head, CFO or other functions) for several changes they may want to undertake in terms of pension and benefits.

The table 5.3 below provides an overview of the stakeholders involved and the decision taking authority. At time of writing this thesis, the governance structure has still been work in progress. Rigid internal sign-off processes on global policies has been delaying the finalisation of the structure. While the governance process has not been finalised, those functions that have been agreed upon (as noted below) have been strictly monitored by several internal and external stakeholders. In this case, the external stakeholders are represented by the consultants, who are responsible to highlight and notify any functional changes (as per the first column).

Function	Global Pension Committee	CFO	CHRO	VP Head of TR	Head Pension/ Benefits	TR Region Heads	Country TR/ HR Head
Global Benefits Philosophy and Governance guidelines				Approves	Owns		
New plan implementation						Owns	
Material plan design change							
Non-material plan design change							
Plan provider management (insurers, brokers, administrators)							
Multinational Pool management				Monitors	Owns	Informed	
Plan administration - contribution process					Monitors	Owns	
Plan administration - benefits calculation and payments						Monitors	Owns
Plan administration - provider payment (premiums, fees)							
Expatriate/ IME benefit plans							
Investment Policy	Informed			Monitors	Monitors	Owns	
Asset allocation	Informed			Monitors	Monitors	Owns	
Investment managers and performance						Owns	
M&A due diligence	Informed			Monitors	Monitors	Owns	
M&A plan harmonization	Informed			Monitors	Monitors	Owns	
M&A integration						Owns	
Member education and communications (e.g., account balances, investment education, open enrollment, new hires, plan changes, etc.)							Owns
Source: Ericsson, global benefit governance processes - working document							

Table 5.3: Global benefit governance structure Ericsson

The scope of the benefit governance policy is relatively detailed and extensive, encompassing several components of benefit management. The overall benefit governance policy is generally supported within the organisation.

“There is a good balance. With those benefits where we can get scale, global is present (like pensions and life insurance). But benefits which are aligned to local conditions are managed locally.” (Regional Total Rewards Manager Latin America, interviewee A.)

The types of benefits which are managed locally, for example, include holidays, gym memberships, food and child-care vouchers and other perks.

The implementation of the global benefit governance policy (especially for insured benefits, encompassing insured pensions) had been challenging. The initial challenges have been attributed largely to the previous lack of awareness of the guidelines among local HR managers. It was found that the larger regions had been more familiar with the guidelines from the start and hence had been applying these more quickly and stringently.

“The pension policy [for DB pensions] was implemented first and therefore has been working well. We had some challenges with implementing the global policy for insured benefits [including insured pensions], because we had to raise awareness first⁴⁴. For bigger countries it worked better initially, because we had more people who were aware of these rules, for example Sweden or the USA.” (Global Pension and Benefit Specialist, interviewee F.)

On a regional level, however, some of the challenges of following these guidelines were raised. For example, it can be difficult to maintain the global guideline to meet market practice, due to the varying make-up of Ericsson’s employee groups even on a local level. Therefore, aligning with global guidelines can be difficult due to varying local business needs (Dowling, Welch, & Schuler, 1999; Pudelko, 2006).

“The challenge we have today is that we have to see different segments in the market because we have different operations. ... For example in Mexico we have a managed-service operation, it is a type of administrative service and quite different to the traditional Ericsson business. At the same time, we are trying to be more of an IT company. So the competitors we are seeing today are very different to the competitors we were seeing in the past. So, we are trying to capture different segments. Managed services is a segment where it is totally different than the rest of the companies. So we need to look at what type of benefits we are offering in the different segments.” (Regional Total Rewards Manager Latin America, interviewee A.)

⁴⁴Detailed pension policies and practices for DB and DC arrangements are outlined in section 5.1.2.4.

In order to define market practice and when proposing benefit changes, Ericsson works with survey findings of consulting firms and bases their internal recommendations on the advice of their consultants.

“In my area every time we propose a change it is based on the surveys we get from the market and the support and advice we get from our suppliers. . . . I think we are very impacted by the information and advice by the consulting companies.” (Regional Total Rewards Manager Latin America, interviewee A.)

The impact and influence of external providers on Ericsson's TR strategy and local offerings has also been questioned on a global level. It was recognised that for example, the global broker guides Ericsson – yet the extent of influence may be unbalanced.

“Since we have the global broker, I think they help us a lot e.g. with the sourcing work, and in general guiding us. . . . I guess the broker can drive us more than we would like to in some cases – and in other cases less so.” (Global Pension and Benefit Specialist, interviewee F.)

Regionalising compensation and benefits has been a growing trend at Ericsson, in addition to the global alignment. Regional managers play an important role as part of the global strategy, representing trust and common identity to global as well as local managers (Kostova & Roth, 2002). Some of the key challenges when managing benefits on a regional level are local legislations.

“Sometimes, you want to implement something in one country or in the region. But it's very difficult to align in all 35 countries. . . . Sometimes it happens that because of protection in some countries – employee protection – it is not that easy to change something.” (Regional Total Rewards Manager Latin America, interviewee A.)

Ericsson has local HR generalists in each country who ensure that local legislative requirements are met. They work closely with the regional manager and support the overarching philosophy to align and regionalise benefit offerings where possible. The local and regional managers' support of the global philosophy supports the transfer of HR policy (Ferner & Tempel, 2006; Warner, 2012).

“The main challenge was in the beginning of the regionalisation. I don’t know about 5 years ago. When we started the region, we came from 4 sub-regions (Mexico, Brazil, South and Central America and Caribbean). . . . There were four regions, working with different processes, and directives, benefits and so on. It was a challenge; because we had to align some benefits e.g. company cars – which were absolutely different among these regions. Now we are pretty much aligned. And of course, in five years we had to enforce our team work. We understand each other, our scope and responsibility and how we need to work together with HR generalists in order to reach agreement and to increase the team work – and to understand what the pain-points of each other are.” (Regional Total Rewards Manager Latin America, interviewee A.)

The local HR manager in Mexico appreciates the regional and the global support and considers the relationship as positive.

“All interactions between regional and global managers are in a networking and team environment, with professionalism and respect. The opinions are always listened and taken into consideration. . . . The communication is open, respectful and we have a trusting relationship.” (Local Head of HR Generalist Mexico, interviewee A.)

More focus on the implementation and application of the global benefit governance process is expected in the future, as the global pension and benefit team is planning to get more involved in local benefit management. This development is in line with the regional perception.

“I foresee that the number of benefits that will be governed by corporate will increase. At this stage it is mainly pensions, life and medical insurance.” (Regional Total Rewards Manager Latin America, interviewee A.)

Ericsson adopted a cross-vergence benefit transfer policy, whereby global guidelines were set, yet authority and some decision taking was kept on a local level taking

account of local differences. Expectations that centralisation and corporate governance around benefit provision will be increasing, indicates that while Ericsson has a cross-vergence approach in place – the overall tendency leans stronger towards convergence. As outlined in Chapter three, the notion of the convergence theory is based on applying best practices (as defined by an organisation's headquarter) in different countries/subsidiaries, irrespective of cultural and institutional differences (Dowling, Welch, & Schuler, 1999). There have been several reasons for the development, accelerations and embeddedness of the convergence approach, including the globalisation of businesses with focus on economic rationality and beating international competition (with focus on cost-saving and efficiency), as well as the spread and modernisation of technology (Kerr, Dunlop, Harbison, & Myers, 1960; Levitt, 1983). In light of the recent business and organisational developments within Ericsson as well as the uncertain future outlook of the organisation, more stringent actions towards a convergence business approach for the reasons mentioned above would be viable. For the purpose of this thesis, however, speculations of future pension and benefit policy transfer methods as well as business operational models are out of scope. While it is important to raise and be aware of the underlying evolutionary shift, the pension and benefit policy transfer set-up at the time of writing this thesis will be taken into account for further analysis.

An additional important component to take note when analysing the transfer of HR policies (including benefits) is access to budget. As previously outlined, budget availability provides immediate autonomy and increases the institutional distance (Kostova & Roth, 2002). In Ericsson's case, limited budget for local changes is available on a global and regional level. As such, in order to ensure local benefits are aligned with global policies, the regional and global TR managers need to work closely with the local HR manager. This set-up increases the institutional distance between the local HR manager towards the regional and global TR managers – which spurs the difficulty to transferring globally set principles (Hickson, Hinings, Lee, Schneck, & Pennings, 1971). Local budget availability could cause difficulties when global guidelines and local market expertise and preferences are not aligned. Especially in the case of Ericsson – where the expectations have been that global guidelines are stringently managed and adhered to, local modifications could make it difficult to

come to an agreement. In some cases, the local decisions/preferences may prevail due to the ability to locally finance benefits⁴⁵. The role regional TR managers have been performing has therefore been essential. They are policing and guiding local and global TR managers, which in itself embodies a top-down HRM approach aiming to strengthen the transfer of global policies (which is further addressed below).

Centrally governed benefit practices can be further enhanced by deploying home-nationals (Swedes) in the host countries in order to close the institutional distance and transfer organisational cultures and home country policies (Rosenzweig & Nohria, 1994). Expatriation has overall been decreasing at Ericsson with the aim to minimising related costs and due to increased local expertise. In addition, expatriation is performed on a global level and is not limited to home nationals. For example in Mexico, Ericsson has 22 expatriates of which four are from Sweden.

Pension and benefit management from a cultural theoretical perspective at Ericsson is subject to intra-organisational culture (therefore the global guidelines which were created with the help of external but also internal support from different stakeholders), and extra-organisational culture (i.e. the local needs determined by local HR and the local business) (Edwards, Colling, & Ferner, 2007; Ferner & Tempel, 2006).

To recap, Ericsson has detailed and implemented thorough pension and benefit guidelines and processes which dictate the management of pensions and benefits. Ericsson also partners with an external provider who manages their insured pension and other employee benefits globally, and hence are largely contributing to the centralisation, global governance and transparency. Depending on the change to be implemented certain reporting and approval steps need to be taken. As a rule of thumb, changes on insured benefits that have a financial implication or large impact on employee cover need to be approved regionally and in some instances globally. This also applies to the implementation of new benefits. The centralisation of benefit management has been developing over time and is expected to increase in the future.

⁴⁵Further information on how local decisions have impacted global pensions guidelines can be found in Chapter six.

5.1.2.4 Global pension policies

Ericsson's overall pension philosophy is to provide workplace pensions locally to be in line with market practice, legislative requirements or other agreements. Exceptions can be made. This also extends to executive pension arrangements and blue collar arrangements. "[We offer workplace pensions] [b]ecause it's market practice in many countries and we want to be in line with market; and of course for historical reasons e.g. collective agreements." (Global Pension and Benefit Specialist, interviewee F.)

In addition to the more broadly-framed global philosophy, Ericsson has pension guidelines which are managed rigorously throughout the organisation. Several guidelines support the global structure aiming to mitigate risks, liabilities and overall costs – while still providing compliant and benchmarked pension benefits. The table below lists Ericsson's global pension guidelines, applicable to DB and DC arrangements.

Table 5.4: Global pension guidelines Ericsson

Focus area	Guideline
Defined Benefit	Defined Benefit plans should only be offered if they are mandatory by law, collective agreement or other regulations.
Defined Contribution	Ericsson pension plans should be designed as Defined Contribution plans, meaning that it is the contributions from Ericsson and not the pension levels/benefits that should be defined
Segregation of Duties	When pension plans are funded via a trust, company actuaries and trust actuaries should be engaged from different companies. If this is not possible, Ericsson shall insist that they work independent from each other.
Indexation	Indexation in pension plans should not be included unless required by local law, collective agreements or other regulations. Conditions for indexation should be related to inflation for Defined Benefit plans. Return above inflation should be used to reduce pension costs for Ericsson. For Defined Contribution plans the value should be limited to contributions and actual return on the investments.
Funding	An old age pension agreement with an employee should be funded, via a trust or premiums to an insurance company. Book reserves or other internal non-funded pension promises (e.g., to executives) should be avoided and must always be approved at Global level.
Vested Accrued Benefits	When a plan participant leaves Ericsson, he/she should be entitled to the vested, accrued value as of the date when he/she left the company. Vesting rights should follow competitive market practice in each country.
Pensionable salary	Pensionable salary should be based on the annual fixed salary unless regulations/competitive local practice dictate that variable pay/other payments should be included
Stand-alone basis	All design should be made on a stand-alone basis, meaning that Ericsson benefits should not increase or decrease automatically when other plans (e.g. social security) are modified.
Employee contributions	Employee contributions to pension plans should be encouraged. Employee contributions not only increase employee pension values and employee awareness of the benefit, they are also likely to reduce/control pension costs for Ericsson.
Employee contributions	Employee contributions should be set at reasonable levels and follow local market practice and applicable tax regulations.

Focus area	Guideline
Ericsson contributions	Contributions from Ericsson, regardless of employee contributions, should only be to the extent that they are required by law, collective agreements, or are consistent with competitive market practice.
Retirement age	Retirement age should follow local market practice, social security retirement age, and rules in existing local directives.
Early retirement	Early retirement should be cost neutral for Ericsson and only be available if it is in accordance with local market practice and existing local directives. Early retirement for long-term assignees must always be approved by the home country organization
Partial or late retirement	Partial or late retirement may be offered in case it is supported by local law, collective agreement or other applicable regulations. The design should be made in the most cost efficient way available and should offer flexibility to Ericsson as employer in determining who should be eligible for partial or late retirement.
Expatriates	Expatriates should, if possible, remain in the home country retirement solution during an assignment abroad. If that is not possible or very unfavorable, e.g. due to local tax/legal regulations, International Mobility will determine if the employee can enroll in the host country pension plan or another retirement solution
Investments and IAS 19 calculations	Asset allocation and funds management (asset and liability management) shall be based on a reasonable matching of the aggregate pension obligation.
	Funds management shall use reasonable return assumptions/objectives and strive towards limiting volatility in both the return on the assets portfolio as well as in the relationship of assets relative to the liabilities.
	For Defined Contribution pension plans, a cost effective plan securing the highest possible return on assets and minimize vendor costs will be the responsibility of Ericsson as plan owner. If possible, member selected investment funds should be made available. Ericsson as an employer should not give investment advice to members and avoid direct employer selected investment solutions, if possible.
Source: Ericsson, Pension & Benefit Group Instructions, pg. 3-5	

Ericsson's global benefit and pension team is small with 1.5 full time employees. As such, it is expected that regionally and locally HR and TR professionals follow the guidelines and pension principles, and to approach the global department proactively with any questions. Other departments, including Procurement and Treasury

support the benefit and pension team with pension changes locally and globally. DB pensions require the involvement of Treasury who is represented in the global pension and benefit committee. Investigations about the impact of pension changes are undertaken locally and reported to the global committee. In practice, the global benefit and pension team may not be part of each DB pension change, as it could be led by Treasury who regularly receive financial reporting on the liabilities of the largest DB countries.

As listed in the above Table 5.4, Ericsson's pension policy around expatriates is to keep expatriates in the same home country retirement plan during an assignment as they have been contributing to during their home country stay. If that is not possible or very unfavorable the International Mobility team will determine if the employee can enroll in the host country pension plan or the globally managed international pension plan. The overall aim is to keep employees on short or long-term assignments in their home pension arrangements for as long as possible. Swedish expatriates remain in the home country plan.

“If [the expatriates] have a pension plan in Sweden, we will keep the pension plan in Sweden. In case where the employee cannot stay in the home country pension plan, then the company offers a private pension plan. This pension plan is defined globally.” (Regional Total Rewards Manager Latin America, interviewee A.)

Ericsson's perception of the future of workplace pensions is mixed. On a global level, workplace pensions are not expected to become more important – especially not in Western countries. “I'm not sure whether pensions will become more important, maybe in more emerging markets.” (Global Pension and Benefit Specialist, interviewee F.)

Regionally, there is a hope for pension provision to increase in importance due to its current deficiency in terms of replacement rate – especially for executives. However, the cost implications for the company could be a challenge in changing status quo.

“Ideally, it should - because the benefit provided by government is really, really poor. . . . From a cost perspective it will be very difficult to change the current situation because the cost for implementing a pension

plan is high. Especially in countries where we don't have too many people, where we don't have a scale. . . . I see a huge gap in most of the countries, because of the pension provided by the state is far from the salary. Of course the situation is worse for executives, as the gap is bigger.” (Regional Total Rewards Manager Latin America, interviewee A.)

The local HR manager in Mexico believes that the importance of workplace pensions will increase in the next five to ten years. A potential transition to a DC arrangement with employee contributions, as well as a flexible benefit scheme may become the future pension set up of Ericsson Mexico⁴⁶.

To summarise, Ericsson's pension policy provides detailed guiding principles on all aspects of pension provision in a local country as well as for expatriates. Workplace pensions are expected to be offered in countries where it is a legal requirement or market practice to do so – with the intention of mitigating risks, liabilities and overall costs for the company. Local HR managers receive the support from the regional and global managers when wanting to undertake changes. A rigorous sign-off process for certain pension changes need to be followed. In the case of DB pensions, the Treasury department is typically involved. The next section outlines how global guidelines and policies are perceived and operationalised on a local level at Ericsson Mexico.

5.1.2.5 Local benefit practice in Mexico

Ericsson Telecom S.A. de C.V. consists of five entities in Mexico, which are subsidiaries the mother company Ericsson in Sweden. Three of the entities are based within the Distrito Federal of Mexico, one entity is located in Queretaro and the Ericsson Supply Site is in Guadalajara (on the West side of the country). The entities are fully owned by Ericsson. A country-wide business budget is allocated to manage business operations locally. Trade unions are not involved as part of Ericsson's operations. At the time of writing this thesis, Mexico is the biggest country in the Latin America region in terms of headcount.

“[Mexico] has two organisations – the regional organization and a

⁴⁶More information on pension provision at Ericsson Mexico, can be found in Chapter six.

huge hosted organisation (those that are part of the global organisation which are located in our region. They employ almost 3,600 employees in Mexico the hosted organisation – four times the regional organization). The hosted organisations provide support and work to very important customers in Latin America, like America Moviles, Telefónica and AT&T. Another interesting aspect of Mexico is the diversity that we have there. A lot of people come from different countries and different cultures.” (Regional Total Rewards Manager Latin America, interviewee A.)

The HR manager has been working for Ericsson since 1985. She previously worked in the financial area for about 23 years, and then became responsible for HR in 2009. She reports into the regional head of HR, who works alongside the regional TR manager to implement the regional strategic initiatives. The local HR manager has limited exposure to HQ, and is mainly liaising with both regional functions (TR and HR).

“HQ defines policies, processes, directives and even some vendors to be used. This information is sent to the regions for implementation. This is done also with the support of every country in the region as there may be local considerations.” (Local Head of HR Generalist Mexico, interviewee A.)

The regional functions are involved in the benefit decision-taking process for Mexico, as well as setting the strategy.

“We work together and think about what we can do in terms of providing benefits. ... We try to understand better and deeper the benefits we are providing in Mexico. ... Try to capture the different needs of different segments. The first thing I did was to get in touch with HR in Mexico. ... Everything and every time we have to think about a change on a local level, we try to work together with a generalist on the local level.” (Regional Total Rewards Manager Latin America, interviewee A.)

As mentioned earlier, the relationship with the regional team has been described as being positive and supportive. The regional TR manager is acting as the transferrer of the global policies.

Ericsson's global policy is to meet statutory requirements and to be in line with market practice. Where possible, Ericsson Mexico tries to meet the industry benchmark instead of the market benchmark, and reviews its competitiveness annually. Benchmarking information is made available in form of survey findings from consulting firms, direct advice from the pension consultant Mercer, as well as through networking initiatives. In addition to meeting market practice, Ericsson provides workplace pensions in order to attract and retain talent. "In some cases we are able to retain critical competences, expertise and senior positions [due to providing workplace pensions]." (Local Head of HR Generalist Mexico, interviewee A.)

Workplace pensions are particularly valued among employees who have been with the organisation for several years. Pension plan developments are discussed and reviewed annually by several stakeholders, including the Country Lead, the HR manager, and representatives from the finance and legal departments.

5.1.2.6 Adapted research framework for Ericsson

In order to be able to compare Ericsson to the other case studies and to understand the multi-layered, multi-dimensional context of policy transfer, the findings of the previous sub-sections have been categorised and summarised in the research framework.

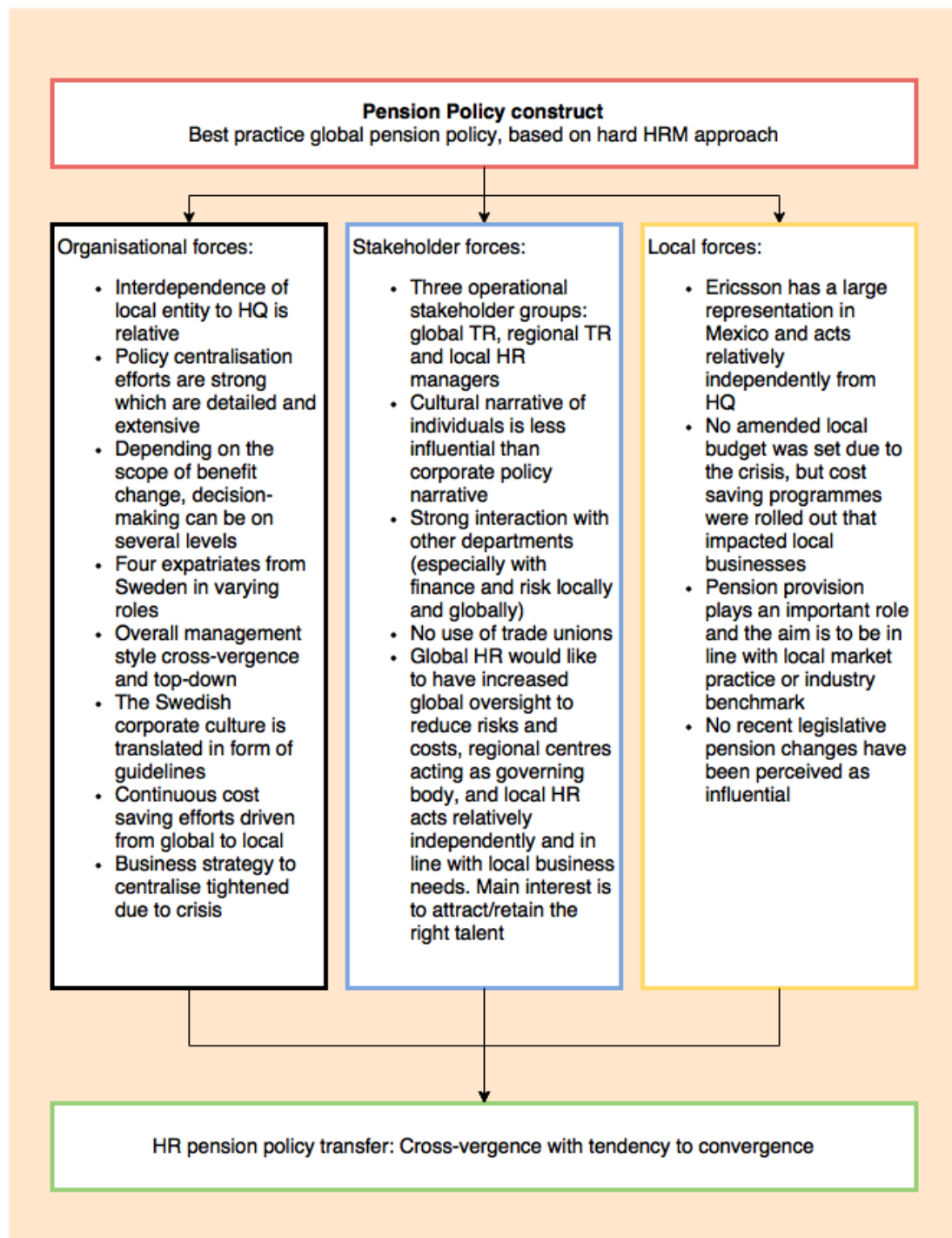


Figure 5.5: Adapted research framework for Ericsson

Pension policy construct: The foundation of Ericsson's benefit and pension policy is based on a hard HRM approach, aiming to meet company goals and aligning these with the organisational strategy. Simultaneously, Ericsson has focused on jointly developing benefit policies (with external providers and internal stakeholders) which are also expected to be jointly adopted and implemented globally. As such, Ericsson

has implemented a best practice policy construct, which has been based on a hard HRM strategy.

Organisational forces: While there is an institutional distance between HQ and local entities mostly due to local budget autonomy - the detailed and extensive policies in place, as well as the pro-active policing of these guidelines by HQ and the regional TR - indicate the strong organisational influence on the transfer of global pension policies and practices. The regional TR manager ensures that the institutional gap is narrowed, by working closely with HQ and local HR managers. Globally set guidelines are monitored quite profoundly within Ericsson and have relatively strong impact on a local level. Exemptions do exist if there are good local business reasons. The corporate culture is translated in form of guidelines and top-down management approach. The Swedish corporate culture has not necessarily been transferred to all entities and as strongly as for other case studies. The global pension policies and practices are transferred within the corporate top-down culture and are expected to be managed more rigorously in future.

Stakeholder forces: Overall the three main stakeholder groups have aligned pension goals. HQ and regional TR would like to ensure that global policies are adhered to. Pensions are considered also an overall important benefit also on a local level, aiming to attract and retain employees. Global guidelines are also in line with local expectations. Good and respectful relationships especially between the regional and local stakeholder groups have had a positive influence on the HR transfer. The regional TR manager has been the link between the local and global stakeholders (communicating “up- and down-wards”). Supporting the strong internal governance mechanism, external stakeholders in form of consultants have supported the globalisation and hence transfer of global pension policies and practices. The global agreement with a consulting firm has enabled Ericsson to more rigorously globalise and centralise the management of their benefits. The stakeholder forces influence the HR transfer of benefits and pensions positively.

Local forces: Ericsson has five entities in Mexico, and has been acting relatively independently from HQ. Due to the local budget autonomy and institutional distance (as previously explained), local forces have a strong impact on transfer. As local expectations are in line with global guidelines and goals (for example in terms of

meeting market practice and to regularly review pension provision) local market forces are positively influencing the transfer of global pension policies and practices.

To sum up, Ericsson has a best practice pension construct in place, which is influenced by all forces of influences. The stakeholder and local influences are supported by the aligned goals between HQ and the local entities. If the organisation becomes more centralised the organisational influence would also increase. The existing structure and benefit management already reveals the sentiment of top-down benefit management. Ericsson adopted a cross-vergence HRM model in terms of transferring global pension policies and practices, which is leaning more towards convergence.

The following section outlines the qualitative research findings of the third case study: AB Volvo.

5.1.3 Case study 3: AB Volvo

5.1.3.1 Business profile

The Volvo Group is one of the world's leading manufacturers of trucks, buses, construction equipment, drive systems for marine and industrial applications. The Volvo Group also provides solutions for financing and service. In 2012, AB Volvo divested Volvo Aero, the business unit that developed and serviced aircraft engines and gas turbines, to the British company GKN. The decision to divest Volvo Aero was partly marked by the GFC, which had a significant impact on the overall business performance of Volvo Group. The divestment was expected to reduce the Group's net debt by approximately SEK 5 billion (USD 430m), and be an additional step towards the group's overall aim to streamline the Volvo Group towards commercial vehicles (which was initiated in 2011).

“One of the prerequisites for a transaction being implemented is that a divestment could enable Volvo Aero to enter into a structure that would enhance the company's opportunities for further development in its sector.” Volvo's former CEO Olof Persson, (AB Volvo, press release 21st November 2011)

AB Volvo made SEK 302bn (USD 34bn) in 2016. Pressure to streamline AB Volvo's operations and to boost margins (most notably from Cevian Capital AB – the second

largest owner of AB Volvo's voting rights) led to a change in executive leadership. Martin Lundstedt from rival truckmaker Scania AB took over from the former CEO in October 2015. In early 2016 the group announced severe structural changes to AB Volvo's business operations, including the creation of units including UD Trucks, Renault Trucks and Mack Trucks. Each of the units would have their profit and loss responsibility for their respective business. The changes became effective as of 1st March 2016.

"This is an important change in how we conduct our truck business, with an expanded mandate for our sales organizations to control and develop their businesses with an explicit responsibility for profitability and organic growth," says Martin Lundstedt, President and CEO of Volvo. "We will gain a simpler organization in which decisions are made more quickly and in closer cooperation with the customer, while each truck brand will be represented on the Group Executive Board with shared responsibility for optimizing Volvo Group's overall truck business." (AB Volvo, press release 27th January 2016)

Analysis and review on how the organisational efforts to decentralise AB Volvo's operations by providing more business autonomy to the business units has impacted HR policies and HR policy transfer is further illustrated below.

Almost 85,000 employees work for Volvo Group, as well as almost 11,000 temporary employees and consultants in over 66 production units in 18 countries (AB Volvo, 2016a).

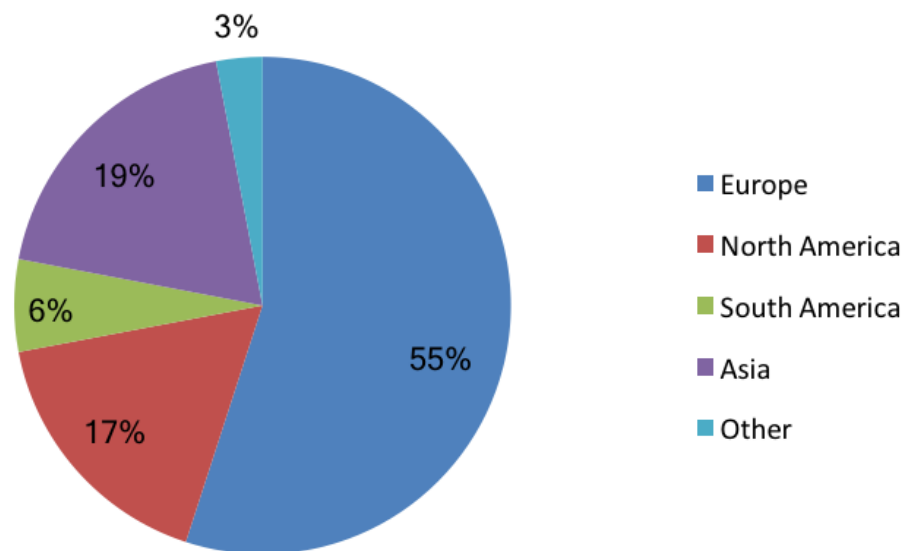


Figure 5.6: Headcount split by region AB Volvo

The headcount numbers have been fluctuating significantly at AB Volvo, mainly due to the group-wide structural cost reduction programme which was announced in 2013 and finalised in 2015. The largest countries in the North America region are the United States, Canada and Mexico.

5.1.3.2 GFC impact on the business

The GFC has impacted AB Volvo significantly on a global level. References to the GFC are made throughout the annual reports starting in 2008 to 2016. The 2009 annual report described how severely the crisis had impacted the organisation: “After the substantial drop in demand during the second half of 2008, weak conditions continued to characterise most of the Volvo Group’s markets in 2009. Never before in the Group’s history had so many markets simultaneously been so severely affected by the downturn, which is evident in the fact that the Group’s sales in a single year declined by as much as 28 per cent to SEK 218 billion.”

Consequently, AB Volvo started several initiatives to mitigate risks and save costs:

- The implementation of financial targets also for post-retirement benefits in 2008
 - Net debt including provisions for post-employment benefits in the industrial operations should be a maximum of 40 per cent of shareholders’

equity. (AB Volvo, 2008)

- Workforce cutbacks, write-downs on inventories and increased provisions for residual value commitments and expected credit losses in 2009 (AB Volvo, 2009)
- Decision at the Annual Meeting 2010 not to pay dividends for 2009 (AB Volvo, 2010)
- Review of regional sales and business management strategies due to continuous impact due to the GFC AB Volvo (2011b)
- Divesting of Volvo Aero (AB Volvo, 2012)
- Introduction of further cost savings programmes, including workforce cuts and increased efficiency solutions AB Volvo (2013)

The global benefit manager at AB Volvo acted as a consultant and advisor during the time of the GFC to AB Volvo. He remembers that the economic turmoil caused AB Volvo to take some drastic steps in terms benefit management, including the introduction of a more stringent governance model around pensions. As he joined the organisation in 2012, he was not aware of any specific budget cut backs during the time but confirmed the austere redundancy programme that was initiated due to the crisis – particularly impacting Sweden.

“The governance started to be more interesting from a HQ perspective. They wanted to have more governance around pensions. This escalated after the crisis. . . . I have a feeling that they really looked into the DB plan after 2008 and 2009, and said that we will reduce DB plans where possible and instead offer less risky and costly DC plans. The GFC was the ingredient for taking this decision.” (Global Pensions and Benefit Manager AB Volvo, interviewee T.)

The local HR manager in Mexico, who also performs the regional HR role, noted that the GFC had increased the focus on cost reduction significantly, which also translated in reduced budgets for HR and other support services.

“[Since the GFC there were] changes in IT, Finance and HR globally. When it comes to cost reduction there is a lot of focus on this in different areas. HR budget has been cut, also all the other support services. AB Volvo is looking for efficiencies.” (Regional and local HR Manager AB Volvo, interviewee L.)

5.1.3.3 Centralising policies

The centralisation of policies and practices at AB Volvo has not been as stringent as in many other companies, including the other two case studies in this research. The compensation management and salary projections have been centralised regionally. The global expectation with regard to benefit provision is to meet local legislative requirements and market practice. While AB Volvo’s overall aim has been to align global benefit policies with organisational goals – to minimise costs and risks, it would be too stretched to define the company’s underlying HRM approach for centralising policies a “hard” approach. At the same time, human areas of management have become apparent as part of centralising the policies and practices. The aim of providing benefits is to attract and retain the best employees, taking account of local differences. “I think the global requirements are to attract and retain the best people, affected by the culture. We have surveys and we have regular comparisons.” (Regional and local HR Manager AB Volvo, interviewee L.) As such, for AB Volvo – unlike the two other case studies – a more soft approach to the underlying HRM strategy in terms of managing benefit and pension policies (not wider HR) can be noted. Local HR managers are responsible to meet these expectations.

Market practice information is provided through survey findings from two global benefit consultants (Willis Towers Watson and Mercer). HR managers at times also reach out to other organisations to discuss challenges and share experiences. Decisions are typically guided by three factors: internal management expectations, advice from consultants and benchmarking information from surveys.

By having set global expectations around TR management, the HRM model that AB Volvo has adopted can be best described as a “best practice” model whereby a particular set of HR policies and practices have been defined – with the help of benchmarking and wider consulting practices of international consultancy firms as well

as learning networks with other organisations – addressing any inconsistent managerial competencies and practices across entities (Coller, 1996; Edwards, Colling, & Ferner, 2007; Kipping & Wright, 2012; Pudelko, 2006).

From an operational perspective, AB Volvo has so-called centres of expertise in each region which are responsible for coordinating global requests and escalating certain local changes to HQ that require formal sign off; and act as sounding boards for local HR managers. These centres of expertise typically have a compensation expert as well as a pension benefit expert represented. In some cases, this may be the same person. Communication between HQ and the regional centres is generally perceived as good and cooperative but not regular and formalised. Yet, HQ sees the communication between the centres and the local HR managers not to be as strong as it should be.

“If I need some information on a region or a country, I contact [the centres]. And if they need help with something, they will contact me. We don’t have a strong network where we discuss different topics. It’s more ad hoc. . . . [The communication between the regions and the local countries] is good – but it could be better. But the reason is because we have been very decentralised and haven’t had a global governance structure yet.” (Global Pensions and Benefit Manager AB Volvo, interviewee T.)

The regional and local HR manager appreciates the information that is provided by the centres of excellence but has highlighted that their involvement is mainly focused around compensation (therefore base and variable pay) – and not pension and benefits, which is handled on a local basis.

“We are using the centres for compensation questions, when it is about evaluating positions in order to compare globally. But benefits are local. We [for Latin America] cooperate mostly with [the centre of expertise in the] US, especially when it comes to questions around IPE [the Mercer tool for evaluating employee positions]. We get the needed training and support and guidance from the regional centres and global. That is good. I cannot say that we are particularly close, but there is interaction.” (Regional and local HR Manager AB Volvo, interviewee L.)

A relationship between the regional centres of expertise exists, mainly based on guiding and supporting the regional and local HR managers.

In order to analyse the HR policy transfer within the context of AB Volvo, one needs to combine the HR policy model with the operational HR policy standards adopted. As stated earlier in this Chapter, AB Volvo has implemented “best practices” around HR policies and practices across entities irrespective of cultural and institutional differences and has therefore adopted the notion of the convergence theory on the HR policy level. As outlined by earlier literature, there have been several reasons for the development, accelerations and embeddedness of the convergence approach. Those that apply to AB Volvo include: the globalisation and streamlining of businesses to achieve economic rationality and beating international competition, with overall focus on cost-saving and efficiency (Kerr, Dunlop, Harbison, & Myers, 1960; Levitt, 1983). At AB Volvo, however, these policies are not managed and policed on a global level. Instead, the regional centres of expertise act as the governing body for local managers – especially in terms of compensation management. Local managers have the ultimate decision power in terms of pension and benefit offerings (and for some instances for compensation decision-making depending on whether a good local business case can be made).

As such, the implementation and governing expectations of following the global guidelines are not very strict at AB Volvo. Locally, exceptions to the global guidelines can be employed, as long as there are valid business reasons.

“We would need to build a business case [for not following the global guidelines]. We have our local governance and we understand the global market and governance. We would do a specific business case to analyse [whether the global guidelines should be followed] and for that there is a special governance process.” (Regional and local HR Manager AB Volvo, interviewee L.)

The main aim of the regional centres of expertise has been to guide and support the local HR managers to ensure that global guidelines are met. Yet, as the relationships between the regional centres to headquarter as well as the regional and local HR managers (in the case of Latin America and Mexico) has not been perceived as

strong, the overall governing influence of the regional centres of expertise has also been respectively limited. This rather soft governance set-up allows for the ultimate decision taking flexibility on the local level and therefore less influence on a global level.

As global guidelines exist, yet the responsibility of adherence to the global policy is spread across the regions and increasingly locally, the theoretical HRM model that AB Volvo has adopted is referred to as cross-vergence (Child & Faulkner, 1998). The additional notion of divergence becomes apparent, as AB Volvo emphasises through their set-up the local variations based on the cultural and institutional context (Pudelko, 2006). Policy transfer and local adaptation in the case of AB Volvo therefore depends on the regional centres of excellence and local entities and whether they see a local need for adopting the recommendations made by Corporate. Within the paradigm of cross-vergence AB Volvo leans strongly towards divergence (particularly in terms of global pension and benefit management). This analysis is based on two main contextual HR management practices within AB Volvo: the broad definition of the global guidelines, as well as the strong local influence over benefit provision.

Global guidelines of local businesses having to be “in line with market practice and meet legislative requirements” is relatively broad, and limited in scope and impact on a regional and local level. Depending on the benchmarking information used and consultative advice taken, it would be possible for regional and local managers to steer “market practice” in line with their overall ambition for benefit management. There is no underlying global principle at AB Volvo on how legislative and market practice is measured. The flexibility around the interpretation of market practice as well as the financial independence and the ability to file for exemptions from the global guidelines has created the institutional distance which allowed for a less stringent transfer of global policies to local entities (Kostova & Roth, 2002).

Earlier in this Chapter the recent organisational changes were highlighted, whereby more decision-taking power will be issued to the individual business units and less global Group-wide rules and regulations are set. This development has raised some concerns from the Global Pensions and Benefit Manager that the business changes may also impact the centralisation and global governance efforts around pension and benefit management.

“Now we are going back to being more decentralised. Beforehand, in 2011 we started to become more centralised. We wanted to become more one company one Volvo. So they started in 2011, meaning that a lot of their functions were centralised to the HQ of AB Volvo. When things are centralised it’s easier.” (Global Pensions and Benefit Manager AB Volvo, interviewee T.)

From a regional and local HR perspective, the organisational changes were welcomed, yet their influence on the local benefit decision taking was relativised – as benefit decision-making had already been undertaken on a local level. “It is a good change because [the CEO] has decentralised a lot of the businesses. . . . [In terms of benefit management] I think that benefits are very local.” (Regional and local HR Manager AB Volvo, interviewee L.)

A commonly used approach to centralise and ensure global supervision in local entities has been the presence of home country nationals (i.e. Swedes) in the host country (i.e. Mexico). Like the other two case studies, Swedish expatriation to Mexico has been decreasing within AB Volvo. The main reasons identified by the regional and local HR manager have been the increasing independence in terms of knowledge and further learning.

“The more we have been able to network and learn for example in terms of the technology from Volvo we have been doing more locally. Since we have learnt a lot, we have had less expats.” (Regional and local HR Manager AB Volvo, interviewee L.)

Volvo Mexico’s increasingly independent business positioning (by a well performing local business, autonomy around budgets, growing knowledge around technology, and a decreasing number of expatriates), an institutional distance has been formed, which makes policy transfer and organisational practices more difficult to implement (Kostova & Roth, 2002)

Despite the institutional distance that the organisational and business contexts have created, the cultural influence within AB Volvo is strong.

“It feels like a Swedish company. The value, the culture and the leadership – as well as the communication, it’s more on the soft side. I

think a Swedish company is more inclusive, is worried about diversity, it's talking about people. It's a lot about communication and getting input from the people. It's not only about giving direction." (Regional and local HR Manager AB Volvo, interviewee L.)

Cultural transfer at AB Volvo is taking place increasingly within the wider business management. Managing the culture of an organisation to mobilise employee commitment towards organisational values and priorities is crucial when transferring HRM policies and management practices across borders, industries, and entities (Sisson, 1994). Organisational and corporate culture which is being exported from HQ in form of communication from the newly appointed CEO has a significant impact on local management (including HR), despite the institutional distance. The combined understanding of corporate culture unites AB Volvo stronger than HRM operational models and structures.

"[The new CEO] is also working with a different cultural approach. It's a lot about new values. So all in all the culture has become more powerful. People can really recognise and understand the values. The communication is talking a lot about the prosperity that Volvo wants to bring to the world. I think people can relate to wanting to give prosperity. So, it's working." (Regional and local HR Manager AB Volvo, interviewee L.)

To summarise, compensation policies have been globalised and regionalised at AB Volvo – and the centres of excellence play an important role. Pension and benefit management, however, is still managed locally. While there is a global ambition to centralise benefit management more in the future, decisions are taken locally currently and certain cases – including exemptions – may be escalated to HQ (further elaborated as part of the global pension policy section). In light of recent business changes – it is expected that HRM (including pension and benefit management) may become more decentralised.

5.1.3.4 Global pension policies

AB Volvo has no defined pension philosophy and workplace pensions have been offered in countries where it has been a mandatory requirement or market practice. The organisation has instead implemented some high level global pension guidelines. The below table lists AB Volvo's pensions guidelines:

Focus area	Guideline
New pension plan	Decision re new pension plans has to be escalated to Corporate HR. This escalation applies also to adjustments of existing plans with significant impact on cost, cash flow and/or level of the benefit.
Defined Contribution	The corporate policy for pension plans is Defined Contribution (DC) and we should consider moving to DC where we have Defined Benefit (DB) due to risk avoidance.
Pension decision-making	Cost/benefit analysis and risk analysis to be made before decision, covering areas such as effects on cash flow and result, tax consequences, legal issues, benchmark/peer analysis, union view & anticipated actions.
Changing pension arrangement	Change of pension plans should contain items such as reasons for change and/or specific reasons for exceptions, a plan for communication, risk mitigation, details regarding "grandfathering" (transfer rules for existing participants)
Vested interest	Governance and segregation of duties to be reviewed this means that pension plans/funds/trusts should be governed or at least controlled by people who do not have a vested interest in the plan itself. If you are an employee participating or being eligible for participation you would have a vested interest, since you are a beneficiary of the plan/fund/trust. This is to secure the segregation of duties in the decision-making.

Table 5.5: Global pension guidelines AB Volvo

AB Volvo's pension policy is the shortest and most high level global policy compared to the other two case studies. This supports the underlying cross-vergence HRM model with a strong tendency towards divergence. While high level global guidelines are set, the policy allows for local flexibility in adapting the guidelines.

The global benefit and pension manager emphasised the need to review the pension guidelines, as these have been quite high level.

“Today we don't have a global policy on pensions. But we have global guidelines. In the guidelines we say that the major changes need to be escalated to me. It's not that detailed. This is what we need to look into.” (Global Pensions and Benefit Manager AB Volvo, interviewee T.)

During the second interview which took place approximately one year later, he admitted that while some work was done on reviewing benefit provision in selected countries, the global pension guidelines have not been further reviewed and modified.

“We have not updated anything yet. In a way we are at the same stage as we were when we spoke before. But what we have done since is that we have done the benefit audit and we have talked about it with the different countries. We have only done it for the seven largest countries. Hopefully we will have changes next year.” (Global Pensions and Benefit Manager AB Volvo, interviewee T.)

In terms of centralising pension provision, there is some skepticism to be able to implement a more global approach to managing pension provision in the near future due to the organisational changes taking place.

“We have been very decentralised when it comes to pensions, but we wanted to become more centralised as we want to take advantage of the buying power of AB Volvo and so on. But now we will be more decentralised again.” (Global Pensions and Benefit Manager AB Volvo, interviewee T.)

Simultaneously there is a strong sentiment by the regional and local HR manager that benefits are subject to local decision-making and should be in line with local expectations and expert advice. The strong sentiments of decentralisation in terms of benefit management within AB Volvo may also explain why certain global guidelines around global pension management are more a theoretical endeavor rather than a practical reality within the Group. There are some operational global guidelines that would need to be adhered to. This includes for example, that the regional centres of excellence need to escalate any pension changes that have an impact on the overall financing or risk management of AB Volvo to the global pensions and benefit manager.

He needs to review the information and then report to the Executive VP HR, after having discussed any outstanding issues with his direct line manager – the Senior VP for Compensation and Benefits. The global reporting, however, has not been as efficient as it should be.

“Since we have been a very decentralised company, this is more the theoretical way of how we want it to be done. Sometimes I don’t get the information I should have.” (Global Pensions and Benefit Manager AB Volvo, interviewee T.)

Pension provisions for expatriates and executives have been largely managed centrally by HQ. The international pension plan arrangement, applicable for expatriates who are not able to remain in their home country plan or any host country pension arrangement is managed on a global level.

“Our general rule is that as an expat you would stay in your home country plan. Often this is not possible to do. And in this case, we try to put them into the host country pension scheme. If that is not possible then we have a pension plan that is called Volvo international pension plan. If the host country plan is not as good, then we try to compensate. We look at it as a whole package.” (Global Pensions and Benefit Manager AB Volvo, interviewee T.)

Executive pensions are offered mostly in Sweden and the US. HQ is involved in the management of these pension plans.

Overall, AB Volvo considers pensions to be an important benefit, valued by generally all employees globally. It is also expected to increase in importance in the future, especially in emerging markets in order to attract and retain the right talent.

“I think it’s important and in order to be competitive, that you have competitive pension schemes in your countries. This will become more important also to attract and retain the right talent. Right now people focus on the salary but in the future there will be more focus on the TR package and this includes pensions.” (Global Pensions and Benefit Manager AB Volvo, interviewee T.)

To summarise, AB Volvo provides high level guiding principles in regards to pension management. Decisions are taken locally and issues may be escalated to the global level. The governance structure, however, is not that stringent. Workplace pensions are offered if this is in line with local legislative requirements and market practice. Information from external providers is used to define market practice. The overall expectation is that pension provision will increase in the future. The following section describes how global guidelines and policies are perceived on a local level.

5.1.3.5 Local benefit practice in Mexico

Volvo Group Mexico is a wholly owned subsidiary of AB Volvo in Sweden, servicing the Mexican business market. AB Volvo expanded into Mexico by building the plants locally rather than through acquisitions. The local businesses have an allocated budget and operate relatively independently. Business operations are mainly focused on sales and servicing, as well as manufacturing products. The majority of AB Volvo's client base is in Mexico, and only a small part of the overall production is exported to the United States or Canada. "The main customers are Mexican customers. We export some coaches to the US and Canada, but about 90 per cent of our production is for the Mexican market." (Regional and local HR Manager AB Volvo, interviewee L.)

Volvo Mexico's independence in terms of financial and operational management, as well as client servicing base – has widened the institutional distance, discussed earlier in this Chapter. Therefore, the environment has been created for local HR managers to act relatively independently despite existing global guidelines.

In terms of the employee constellation, the number of blue collar employees is relatively high at Volvo in Mexico. This employee segment is represented by a union, which also reviews benefits regularly. "We have a union for blue collars. They review benefits every two years. Then go through the different aspects of it." (Regional and local HR Manager AB Volvo, interviewee L, July 2015) To date, proposals made by the unions have not been in conflict with the global guidelines; and overall the union has been perceived to be strongly linked and aligned with the organisations' business targets and aims.

"Unions are strong partners. There are many kinds of unions positions in Mexico. Our Union is more modern and looking for companies' growth.

Unfortunately not all are long term focused, mostly short term views.”

(Regional and local HR Manager AB Volvo, interviewee L.)

The actual influence of the union representatives versus global guidelines has been perceived as being “a combination”. As such, not one or the other stakeholder has been dominating the conversations – and unions have not been markedly influencing the intra-organisational culture by defending or promoting local HRs interests (Edwards, Colling, & Ferner, 2007). Yet, the organisational constellation and representation of the union may drive extra-organisational factors which will impact the intra-organisational cultures as it may empower local HR as well as local business interests within an organisation when the regional or global HRM view is not aligned (Ferner & Tempel, 2006). Under the current soft management and governance structure of global guidelines with AB Volvo, the interaction with unions has not created intra-organisational challenges. If the group decided to become more rigid and strict with the adherence to the global governance structure, however, more conflicting situations locally, regionally and globally could be expected – strongly influenced by the union representation and supported by the new decentralised operational business structure.

Benefits offerings in Mexico are targeted to be in line with industry practice. The regional and local HR manager uses industry benchmarking data and focuses on the heavy transport industry segment. Benefit offerings for this market segment is typically higher in Mexico than for other industries. In addition, she attends a forum for Labour Relations in order to share thoughts and experiences with her peers. Overall, there is a perception that external influences such as consulting firms influence the benefit decision taking of Volvo. “They steer/guide Volvo.” (Regional and local HR Manager AB Volvo, interviewee L.)

Benchmarking information is provided through the centre of excellence. Local benefit changes, processes and activities are discussed among the HR Country Committee and then brought forward to the Country Committee Team, represented by the business executives. Depending on the type of proposed change, other stakeholders may be part of the decision taking, including global representation or from other support functions (Procurement and Legal). Overall, the cooperation and collaboration is perceived as positive, as “expectations are shared”, “alignment is clear”, and “communication is

very frequent.” (Regional and local HR Manager AB Volvo, interviewee L.)

Volvo Group Mexico currently only offers the mandatory pension provision through the AFORES. While there has been interest to provide supplementary pension provision, the financial implications to the business have prevented the implementation.

“In Mexico we are aware of the importance of pension as a benefit on top of what we have by law with the AFORE. We haven’t moved in that direction due to economic situation of Volvo in Mexico, but this is something to explore further. Our employees are getting older and culturally there is not much awareness about the importance of getting prepared for the future both with the AFORE, individual savings and if we could have the pension, it could be a better support. But it is a high cost. We have to look at the full analysis and then see. There are no plans to implement a [supplementary] pension plan in the near future.”
(Regional and local HR Manager AB Volvo, interviewee L.)

The regional and local HR manager expects the AFORES pension provision to be insufficient in the future, and foresees that providing supplementary pension provision as a benefit will become an even more important key differentiator for companies from an HR and talent attraction perspective. Also, as Volvo has been in Mexico for more than 15 years, the employee group is starting to age – hence more focus on pension provision will be inevitable. The recent legislative changes to reduce the tax benefits for employers offering pension provision from 100 per cent to 53 per cent⁴⁷ has decentivised further considerations to implement a supplementary pension provision.

“Government took away the tax benefits for providing pension programmes, companies are looking for the best alternatives. Hopefully this will be further reviewed by tax authorities.” (Regional and local HR Manager AB Volvo, interviewee L.)

Volvo Mexico recently implemented a new initiative offering early retirement to some employees and incentivising employees close to the age of 60 to leave employment.

⁴⁷More information on the legislative change can be found in Chapter two and six.

"It's been positively received, we have had two cases and we are planning for [more] beginning of next year, we need to secure knowledge and experience transfer." (Regional and local HR Manager AB Volvo, interviewee L.)

Providing early retirement incentives is market practice in Mexico.

At the time of writing the thesis, two Swedish nationals work at Volvo Mexico. One employee is on an expatriate assignment (and in a senior management position), and one employee is on a local contract as he has been living in Mexico for many years. The Swedish national has remained in his home country pension arrangement: BenEX a pension provision managed by the Swedish Insurance company SPP which has been designed for employees in Swedish ITP plans who are receiving salaries abroad, while being enrolled in the AFORES pension arrangement as well, as it is a mandatory arrangement in Mexico.

"If expats are from Sweden, then they would be in the home country pension plan. We use the plan called BenEx for our expatriates. It mirrors the ITP plans. The insurance company SPP is the provider." (Global Pensions and Benefit Manager AB Volvo, interviewee T.)

Interestingly, the other Swedish national working at Volvo Mexico has an individual supplementary pension provision, which was negotiated as part of the employee's contract terms and condition.

"The Swedish expatriates have their home arrangement. And by law we have to have them also in the AFORES. ... This is negotiated and given prior to coming to Mexico. It's not anything that the local HR managers get involved in. The one Swedish person on a local contract negotiated a local contract with a pension. This is supplementary in addition to the AFORES." (Regional and local HR Manager AB Volvo, interviewee L.)

Further investigation into the reasons as to why this individual has negotiated the additional pension arrangement, taking account of the socio-economic as well as cultural influences would have been interesting to pursue, yet is outside of the scope of this research.

5.1.3.6 Adapted research framework for AB Volvo

In order to be able to compare AB Volvo to the previous two case studies, the conclusive remarks of the previous sub-sections have been categorised and summarised in the research framework constructed.

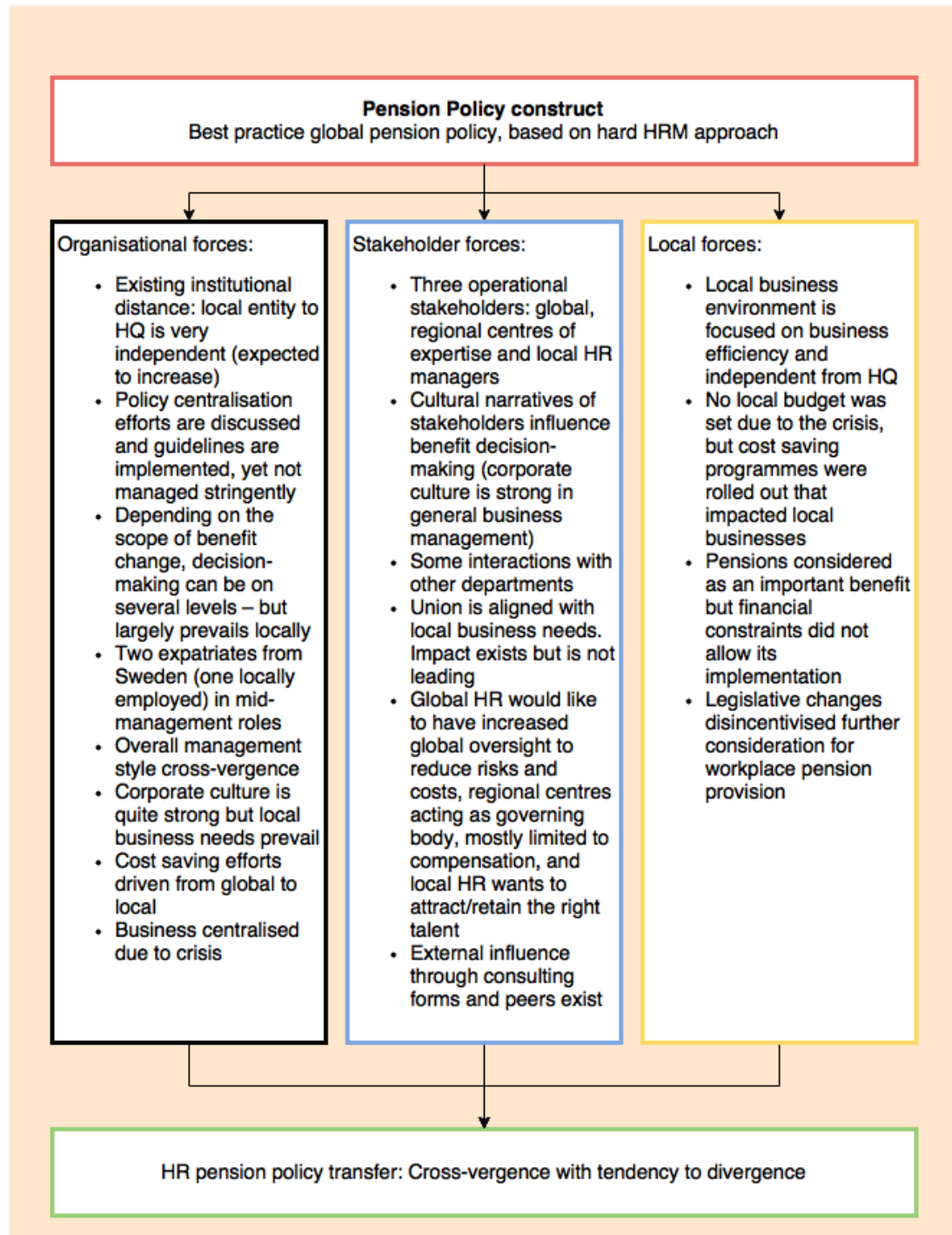


Figure 5.7: Adapted research framework to AB Volvo

Pension policy construct: The foundation of AB Volvo's benefit and pension policy

is based on a soft HRM approach, with increased focus on human areas of management when centralising benefits. AB Volvo is at the same time aiming to address any inconsistent managerial competencies and practices across entities, by having a particular set of HR policies and practices – defined with the help of benchmarking and wider consulting practices of international consultancy firms as well as learning networks with other organisations. Therefore, AB Volvo has implemented a best practice policy construct, which has been based on a soft HRM strategy.

Organisational forces: Institutional dependence is fairly low between host and home countries, due to increasing knowledge and business autonomy on a local level. Pension decision-making is predominantly undertaken on a local level, and aligned with local business needs. AB Volvo has been undergoing recent organisational restructures and changes, decentralising autonomy and decision-making authority, which is expected to provide increasingly less support to the already broad benefit and pension guidelines set. The Swedish corporate culture within AB Volvo is strong and transfers to local entities. Pension management, however, is not impacted by the transfer of corporate culture, and communication mostly centres around corporate values. As such, the level of organisational influence on the benefit and pension HR transfer has been low, or rather contributing negatively.

Stakeholder forces: The expectations of the three key stakeholders responsible for the adherence of the global guidelines are not aligned, which makes it difficult to operationally succeed with guidelines that have been broadly set. While there is an interest to increase central control over pension management, there is a strong sentiment that related decision should be taken locally as expertise and knowledge on market practice and legislative requirements are located in the host country. Sharing knowledge and communicating “upwards” has not been as stringently performed, as the local HR management perceives pension decisions to be a local responsibility. Regional centres of excellence have had more a focus on compensation. Trade union involvement is perceived as a potential mechanism for local HR to use additional resources to make a business case for exemptions for global guidelines, as the trade union is aligned with local business needs. To date, the institutional resource and influence of trade unions has not been applied as global guidelines have been managed loosely. External influences in form of consultants and peers exist only on the local

level (further reviewed in Chapter six), yet their influence on all internal stakeholders is limited. Therefore, the stakeholder forces have not influenced the transfer of benefit and pension policies positively.

Local forces: The local business environment is relatively independent from HQ and other main markets (such as the US). Strong focus on costs and improved business results exist. While the overall guideline has been that pension provision should be in line with local market practice and legislations, local business needs have taken prominence in the pension decision-making which points to the strong (but negative) influence the local market forces have on the transfer of global pension policies – if they are not aligned with local business needs.

To summarise, AB Volvo has a best practice pension construct influenced negatively by the local forces (in terms of not supporting the transfer of global pension policies and practices), and little or no influence from the other two factors of influence. AB Volvo has implemented a cross-vergence HRM model, with a strong tendency towards divergence.

The following section summarises the key findings of the qualitative analysis and ends with a conclusion.

5.2 Summary and conclusion

The aim of this Chapter is to understand to what extent MNCs' HQs from developed markets transfer their global pension policies and practices to their host countries in emerging markets by analysing the factors influencing this transfer. In order to be able to analyse and perform a comparison, three levels of influence have been defined (organisational, stakeholder and local forces)⁴⁸. They are used as factors in order to be able to make the construct measurable (further outlined in Table 5.6 below).

After having analysed the three case studies some commonalities became evident:

- All case studies had a global pension and benefit policy implemented which has been based on a best practice approach

⁴⁸For further information on the development of the research framework, please see Chapter three.

- While local decision-making prevailed in terms of pension provision, some degree of influence from HQ was confirmed
- Local pension decision-making is strongly linked to local business needs, including access to country-wide budgets

The combination of having global policies, while still allowing local flexibility and autonomy, has shown that all three case studies had applied a cross-vergence approach to global pension management. The scale of “cross-vergence” varied. Some MNCs leaned towards “convergence” (Ericsson), and others had more divergence traits (AB Volvo), which ultimately depended on the impact of the three levels of influence. Alfa Laval remained relatively balanced in comparison to Ericsson and AB Volvo.

The below table provides an overview of how the three levels of influence have impacted the transfer of global pension policies and practices within the MNCs. It outlines whether they have supported (+), discouraged (-), or have been neutral (0) towards the transfer.

	Organisational	Stakeholder	Market-based
Alfa Laval	0	+	-
Ericsson	+	+	+
AB Volvo	-	-	-

Table 5.6: Influences on case studies’ pension policies transfer

Among the three case studies, Ericsson had the most rigid transfer of pension policies and practices, followed by Alfa Laval and ultimately AB Volvo. Reviewing the above table, it becomes apparent that the scope of impact of the three forces of influence on the case studies correlated with the overall findings. As such, the more the impact has been positive and spread across the three forces of influence, the more systematically global pension policies and practices have been transferred within the MNCs. Reviewing each influence independently or to investigate whether the different underlying HRM strategy in terms of managing pensions and benefits globally (“hard” for Alfa Laval and Ericsson, and “soft” for AB Volvo) has impacted the transfer, do not reveal enough founding evidence for further conclusions. It is important to bear in mind that the components defined in this thesis as “HRM strategy” refer only to benefit management – not wider HR. Therefore, further investigation in terms of HR would be necessary to reach conclusive findings in terms of the underlying HRM

strategy and its impact of transfer. Also the approaches to benefit management – here underlying HRM strategy – have varied largely among the three case studies (and also among the “hard” strategies). For example, while Alfa Laval and Ericsson have implemented global benefit policies intended to be managed from top down, the scopes and management rigorousness have varied. Further investigation would be required to understand how and to what extent these variances have impacted the transfer.

Referring back to the hypothesis and the findings in Table 5.6, it can be stated that the first hypothesis posed in Chapter three is supported. The hypothesis assumed that due to an increasing centralised approach to benefit management, MNCs would influence workplace pension provision in the host country, and that the extent of MNCs’ influence would depend on each company, relative to the HRM model that underlines the construct of the HR benefit and pension policy and the forces affecting the pension policy transfer. Having proven the hypothesis also enables the researcher to answer the research question. Overall, HQs have been found to typically only play a light/high-level influencing role and generous home pension practices have not been wholly transferred to their local subsidiaries.

Chapter five contributed to the wider understanding of the transfer of global pension and benefit policies and practices within MNCs. While it shows that HQ has some influence on local pension provision, it does not fully address the overall aim of the thesis, which is to understand the full decision-making process, including to analyse whether (and to what extent) global pension policies and practices influence local decision-making. It is therefore essential to go through a second filter of analysis and to review whether local conditions have impacted the adoption of the transferred pension policies and practices in Mexico.

The next Chapter reviews how the GFC has impacted local decision-making – in form of changing global policies and practices and amended local legislative changes. By applying a second filter of analysis and setting it within a commercially stress-testing boundary (i.e. the GFC), more insights can be provided on conditions that may have impacted the case studies’ local attitude towards adopting global pension policies and practices.

Chapter 6

Local pension decision-making within the context of the GFC

The aim of this Chapter is to investigate how the case studies' local entities followed global guidelines when taking pension decisions; and how their pension plans developed. The analysis is set within the context of the GFC. By setting an additional conceptual boundary⁴⁹, here the GFC, the analysis can be performed in more depth. The second research question posed in Chapter three will be answered and its hypothesis will be tested. The below Figure 6.1 illustrates the level of analysis this Chapter addresses as part of the research framework.

⁴⁹Further information can be found in Chapter three.

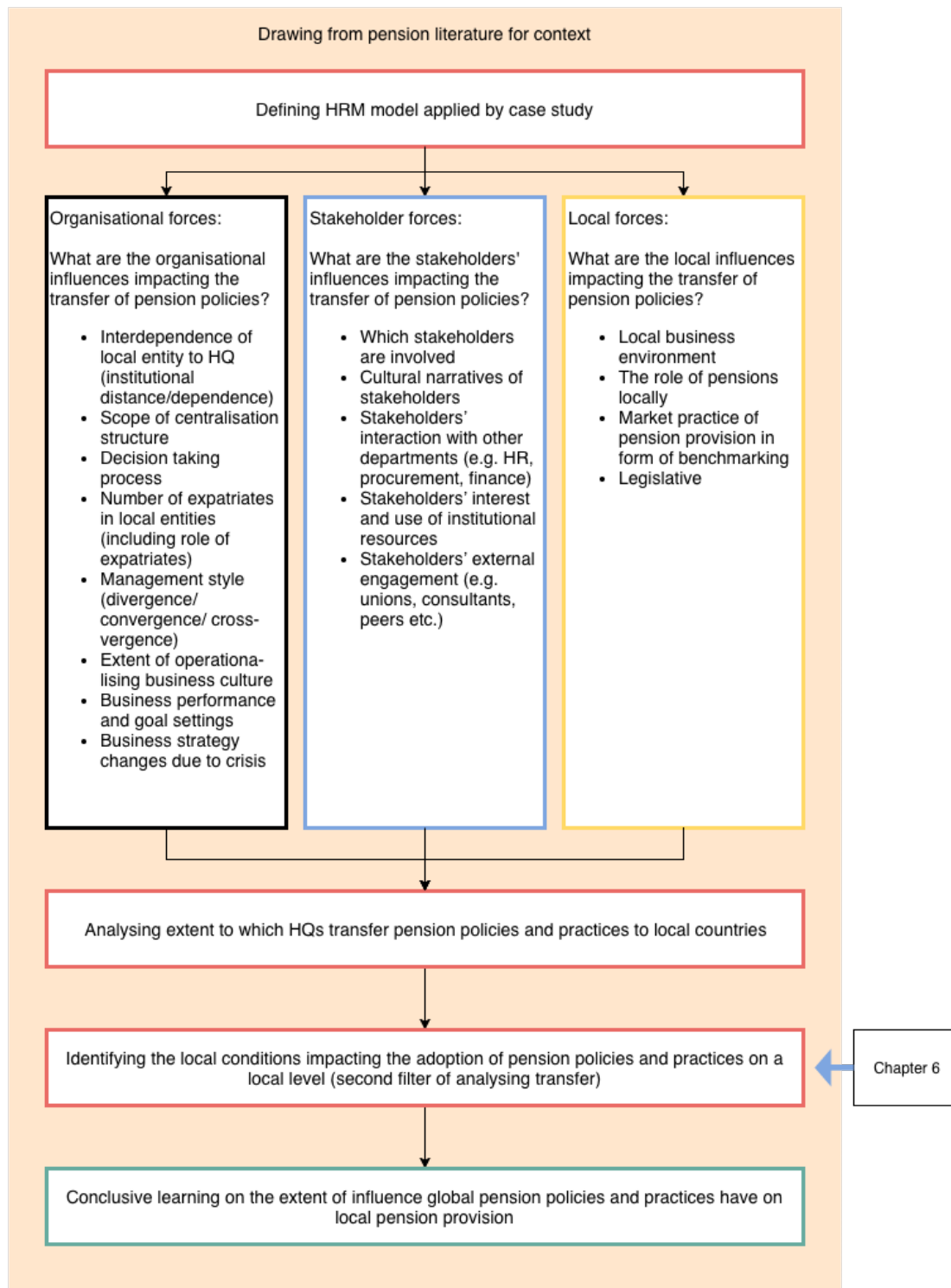


Figure 6.1: Level four in research framework to be analysed in Chapter six

Chapter six firstly analyses how the GFC has impacted the management and provision of workplace pensions in Mexico. It investigates whether legislative changes have been implemented that have incentivised employers to provide or increase workplace pension provision, and reviews whether employers in Mexico have amended existing workplace

pension designs to decrease their cost/risk exposure. Secondly, it analyses whether the local entities of the case studies have been developing their pension provisions the same way, and what the factors have been that influenced the scope and timing of pension decision-making.

This Chapter draws from chapters two and five, and uses empirical data to examine the influence the GFC has had on the development of the Mexican pension system, and on workplace pension provision of companies operating in Mexico. The GFC impact on the Mexican pension system creates the context, within which the Swedish case studies are analysed. Case study findings are linked with the first section of this Chapter in order to be able to review whether the case studies' workplace pension provisions have developed in the same way, and how local company decision-making was impacted by local market changes/trends. A more detailed review on how pension provision has changed globally within each MNC, sets local pension decision making into context, and provides deeper analysis on why/how local entities have adopted global pension policies and practices.

6.1 GFC impact on Mexican pensions

6.1.1 Overview of developments and changes since 2008

Chapter two outlines in detail the development of the Mexican pension system in terms of its design, legislative changes, as well as market and socio-economic developments since 2008. The below table summarises from the literature discussed in Chapter two the key legislative and market developments made in Mexico since 2008.

Table 6.1: Mexican pension changes since 2008

Change/ development	Date of Change/ development	Scope of change/ development	Assumed impact by GFC
Legislative changes			
Amending minimum age for pension pillar 0 pension regime	2008	Reducing the minimum age from 70 to 68 in the federal district of Mexico City	No

Amending eligibility requirements for pension pillar 0	2012 and 2013	New eligibility requirements for the “70 and over” (“70 y Más”) programme.	No
Changing commission charges for AFOREs under pension pillar 1	2009	AFOREs are only allowed to charge commission on the account balance.	No
Widening default pension schemes under pension pillar 1	2008, 2012 and 2014	In 2008 the number of Siefores was extended to five and revised to four in 2012. In 2014 a new pension fund for those above the age of 63 was created.	Partly
Amending risk measures for pension pillar 1	2010 and 2012	The VaR methodology was redefined in 2010 and introduced to funds with long-term investment horizons in 2012.	Yes
Amending methodology to measure Siefores’ performance by AFOREs for pension pillar 1	2008	Amendments on calculating the INR to make it more robust and comparisons among AFOREs more viable.	Yes
Amending tax deductions as part of pension pillar 3	2014	Benefit deductions for employers were reduced from 100 per cent to 53 per cent, impacting pension provision.	No
Market trends			
Increased influence of sales people for AFOREs on individual selection	Increasingly since 2008	Influence of sales people on individuals to change AFOREs has been increasing, especially since the GFC.	Yes

Changing investment performance and need for increased investment rules flexibility	Ongoing	Changing investment performance and impact of market vulnerability (e.g. since the GFC) require increased flexibility around investment rules.	Yes
Increased supervision by implementing supervisory committees	Since 2008	AFOREs are required to manage investment and financial risks through different bodies.	Yes
Increasing awareness of Pensions	Since 2008	While pension knowledge and financial literacy are low, research has found that knowledge is increasing.	Yes
Companies increasingly set up workplace pension provision	Ongoing	There has been a slight increase in companies setting up private pension provision.	Yes
Decreasing DB pensions and increasing DC pensions	Ongoing	DB pensions have been declining (yet still most prevalent) and DC alternatives increasing.	No

The aim of section 6.1 is not to provide a detailed historical analysis on how each component of pension provision has changed, and whether these changes are subject to the GFC. In order to do that, a more narrow review of each development would be necessary with a longer-term historical institutional path analysis. Instead, the aim is to identify trends on how the GFC had steered and influenced the development of some aspects of the Mexican pension system and workplace pensions, by connecting empirical data to findings in the literature review in order to provide the analytical context for section 6.2. Not all of the above changes can be attributed to the GFC (as the literature review in Chapter two has indicated), as pension systems have been evolving in both advanced and emerging economies over time (Cottarelli, 2011). Yet, for this thesis it is important to understand what the general trends have been since and due to the GFC – especially in terms of workplace pensions – and whether the role of supplementary pensions has changed.

In order to verify the impact the GFC has had, empirical data from interviews are

reviewed. Conclusive findings from the literature review (as per Table 6.1) are linked with the insights from local pension stakeholders. The interviewees who have been selected to provide in-depth insights into the Mexican pension system and socio-economic developments⁵⁰ were asked to comment on the identified key changes/developments during the second field-research and provide comments on whether they believe these changes can be attributed to the GFC.

6.1.2 Changing pensions environment due to GFC

This section focuses on the empirical findings related to pension system changes for which the GFC has been made accountable for by interviewees. It focuses on the most relevant (in terms of this research) and commonly shared insights and opinions to increase the applicability and validity of the empirical findings. It is important to comprehend the pension system changes in order to understand the (changing) role of workplace pensions⁵¹, which is further discussed in section 6.1.2. Combining subsections in 6.1 provides the analytical context for 6.2.

Chapter two has outlined that one of the most important impacts the GFC has had on the Mexican pension system has been the loss in pension assets due to lowering investment returns. Siefores experienced their lowest return of investment since their foundation and the total pension assets in Mexico declined by 10 per cent relative to December 2007 (Sidaoui, Ramos-Francia, & Cuadra, 2010). The overall loss of total pension assets varied among AFOREs. Some were impacted more than others (Banco de Mexico, 2009), influencing the public perception of the specific AFOREs. The empirical responses on the actual impact the GFC has had on AFOREs have been mixed. Some have argued that it caused a reduction in their overall membership numbers, whereas others perceived that the mid-to long-term impact was low. For example, the Director at Pension ISSSTE believes that the GFC has had a severe impact on the AFORE:

“There was lack of confidence in the AFOREs. What happened was that sales people went to the people and told them that they were losing

⁵⁰See Chapter four for further information on the selection of interviewees.

⁵¹For further information on how workplace pensions relate to pension systems, please see Chapter two.

because they were in a certain AFORE. . . . It was not because of the AFORE – it was because the markets and the portfolios were like that in general. . . . The people felt that they were being robbed.” (Director Pension ISSSTE, interviewee B.)

Interviewees from other AFOREs such as Sura and Profuturo have seen less of a longer term impact: “It didn’t really affect us. Profuturo is one of the AFOREs that performed best.” (Director Pensions AFORE Profuturo, interviewee R.) “2008 was difficult for everybody in the investment world. We had ok returns because we were in Mexican fixed income.” (Deputy Directory Pensions AFORE Sura, interviewee R.) While there have been some variances in perceptions on how the GFC has impacted a specific AFORE, the general consensus is that overall pension assets declined (which has also been illustrated by quantitative data findings outlined in Chapter two). As a response the government increased its efforts to mitigate risks for individuals’ pension savings. Interviewees confirmed that the three main initiatives which were caused by the GFC include: changes made to the INR and adapting the methodology of measuring market risk (i.e. VaR)⁵², as well as implementing default funds.

The introduction of the default funds was partly attributed to the GFC. The number of Siefores was amended in 2008 and 2012 (discussed in Chapter two). As a government official explained: “The employee understands little about the system. So, we had to create a default option, because it is so complicated.” (Government official).

Interviewees highlighted throughout that while default options had been discussed and planned prior to the crisis, the timing of the crisis has helped the government to implement the default options in the manner and under the terms and conditions it had been done.

“It was the crisis that helped them to implement [the default funds]. It’s also about the AFOREs – that they need to be at the right place to implement [change]. AFOREs execute suggestions and initiatives from CONSAR when there is an actual need or when there is a big change in the current situation.” (Director Pension ISSSTE, interviewee B.)

⁵²Further information on the changes made to the INR and VaR can be found in Chapter two.

The default funds have therefore been in planning for some time. Yet, the implementation of default funds can be attributed back to the GFC as it provided the environment for a drastic change. The implementation of default funds is an important undertaking within pension systems. As the majority of Mexican pension savings are with AFORES and invested in the default funds, their performance and ongoing management determine the adequateness of pension provision and therefore also by extent the role/importance of supplementary workplace pension savings. Any implications of implementing and defining the default funds will become observable in the mid to long-term. Yet, early conclusions would be careless to make.

Overall, there is a widely-spread consent among pension stakeholders that in addition to investment regulations further supervision and governance requirements have been implemented since the GFC. This includes: new committees established by the CON-SAR to guide AFORES with their investment management, and the introduction of the Financial Stability Board ⁵³ to strengthen the regulation and supervision of the financial system. There is an underlying understanding among pension stakeholders that governance and legislative requirements are more likely to increase further in Mexico, than to be reduced. In addition to regulatory developments (in terms of legislative and guiding principles), the GFC has had wider impacts on the management of pension savings from a market and socio-economic perspective. Particularly two market developments have consistently been raised by interviewees as being a consequence of the crisis:

- Adjusting the commercial and sales process of AFORES towards members, and
- Addressing the wider lack of financial illiteracy among the Mexican population.

In addition to individuals switching their AFORES because members were looking for better investment returns, it also became apparent that sales people had started to move accounts without the knowledge and prior approval of members in order to receive commissions: “[Sales currently takes place] to the extent where individuals are just being transferred even without their knowledge.” (Deputy Directory Pensions

⁵³Some of Mexico’s financial institutions (Banco de Mexico – Bank of Mexico, and Secretaría de Hacienda y Crédito Público de México - The Ministry of Finance and Public Credit) are also members of the international Financial Stability Board established in April 2009, among other financial institutions and ministries from countries such as Argentina, Australia, Germany, the Netherlands, Canada, Russia and others.

AFORE Sura, interviewee R.) “The sales people are often not subject to a code of conduct – so they try to get individuals to change accounts so that they get more money. It’s a big problem.” (President CONAC, interviewee C.)

The questionable actions undertaken by sales persons are important to highlight in this thesis, as it illustrates two main aspects of the Mexican pension system within which workplace pensions operate in:

- A simple financial infrastructure of pension provision is still in place which impacts public trust.
- The success of the sales persons’ approach indicates the low pension awareness and financial literacy among the population.

Interviewees agreed that the general level of trust of the public in the system and more generally in the AFOREs is low:

“[Trust] is low. And this is mainly due to lack of knowledge. The people in Mexico don’t trust the government. They think AFORES are part of the government, and hence don’t trust in it.” (Director Pensions AFORE Profuturo, interviewee R.)

Pensions and financial knowledge of the Mexican population has widely been debated and raised as a serious concern. Research has shown that knowledge and financial literacy increased as a result of the GFC (Choi, Hastings, & Shrestha, 2012). While some interviewees agreed, others have stated that the research indication had not really been the case in practice:

“Yes, that is true. I focus a lot on the public knowledge of pensions – especially from 2006 and 2007. Before there was a big knowledge gap among the population what an AFORE is or what Siefores are. But now, when you say AFORE, people say ‘ah – now I know what is an AFORE’.” (Director Pension ISSSTE, interviewee B.)

“I don’t think that due to the crisis people spend more time caring about their AFORE. It only went as far that the people realised that there was an event and that their money reduced. I don’t think it had a positive

educational long-term effect. We didn't see suddenly an increase in voluntary pensions." (Deputy Directory Pensions AFORE Sura, interviewee R.)

"The general financial knowledge is [still] very low. If you ask any professional worker (even doctors and lawyers etc.), the majority will not even know in which AFORE they are paying into. And they will know even less how much saving they are accumulating. Most don't even know what an AFORE is, and how the system works." (Professor UNAM, interviewee Dr. A.R.)

The overall opinion of the majority of pension stakeholders remains that awareness and knowledge is low among people in Mexico and that efforts by the CONSAR to increase pension literacy has been essential. Research has shown that low level of financial literacy correlates with lacking savings habits (Beshears, Choi, & Laibson, 2008). All interviewees agreed that one of the core problems of the Mexican pension system has been the lack of knowledge and hence population's unwillingness/unknowingness to save: "Our provisional culture on savings is poor. [The people] are looking for the short term. Mexicans are not accustomed to save. That is the reality." (Former President National Association of Actuaries, interviewee J.)

"There is not this feeling of the people that they really need to start saving. And they don't know that if you start younger it really makes a difference." (Deputy Directory Pensions AFORE Sura, interviewee R.)

Having reviewed some of the legislative and socio-market developments since the GFC, it becomes apparent that the crisis has not only increased the awareness of the system's shortcomings but has also initiated actions and created change. Developments centred around risk mitigation and transparency as well as increasing the understanding of pensions among the population. Yet, despite all of these efforts – one of the core components, the savings habit, has been resilient to change.

The literature review and the empirical findings have illustrated that the crisis has provoked positive change for pillar one. Yet, bearing in mind the predicted low replacement rate that an individual can expect under the reformed pension system

(20-30 per cent), evidentially pillar two (voluntary savings) and three (workplace pensions) have become essential components within the system - as individuals need to save in advance in order to be able to qualify for appropriate private/workplace pensions. Especially in light of the lacking savings culture and related difficulties to promote voluntary savings, workplace pensions are fundamental within the overall system. Therefore, from an employer perspective the role of workplace pensions has been developing to be increasingly important and subject to an essential need and wider socio-economic pressure. The following section provides some insights into the development of workplace pensions since the GFC, including its market development and companies' decision-taking process. It reviews whether pillar three has also enjoyed positive developments since the crisis, as its role within the system has been marked as essential (as per the previous analysis on the pension system). Section 6.1.3 provides the context for the analysis of the case studies to understand whether they have development comparatively to the market.

6.1.3 Impact of the GFC on workplace pensions

There is a general consensus among interviewees that the importance of workplace pensions is rising in Mexico, and that supplementary pension provision play a core role in providing adequate pension provision: "The government cannot provide enough pension income. Companies providing workplace pension plans are important." (President CONAC, interviewee C.)

Workplace pension provision (i.e. pension provision in addition to the AFORES arrangements) is not widely spread across Mexico. Yet, according to 2016 figures by CONSAR supplementary employer sponsored pensions have been increasing over time. Interviewees have cautioned to treat the quantitative report findings with care, as some of these new plans are not pensions in the traditional sense (i.e. providing old-age income), but instead a conversion of the mandatory severance indemnity payment which just provides a one off payment at time of leaving the organisation:

"It could seem that we have more plans in the market. [Because companies] used what they have for severance and just changed the label and called it retirement programme. But at the end it is the same benefit.

It doesn't work really as a pension should work. It should be a way to replace part of your income (in addition to social security and personal savings) at retirement. With all three programmes you should have at least the same level of income that you had before retirement or close to it. The trend that we have seen now of having more plans is just a change of what many companies have is what companies already have – which is the indemnity accrual (or severance pay).” (Head of Pension Consulting Mercer Mexico, interviewee E.)

Severance indemnity payments are treated as DB arrangements typically financed on a book reserve basis. The cost of the indemnity severance payment needs to be accounted for in the profit and loss account of an organisation and hence represents an overall liability. Investigating smarter options for financing benefits at a time of crisis is emblematic and is often the underlying driver for decision-making. In Mexico, organisations have been reviewing their pension liabilities due to the crisis and transferred them to lower risk vehicles:

“I think what happened was that for companies that were not funding it had a major impact. They were increasing their book account. So they explored alternatives for example to instead have an [external fund] or use an insurance company.” (Senior Pension Consultant Mercer Mexico, interviewee R.)

Companies have therefore increasingly converted their termination indemnity arrangements into DB plans (i.e. just “changing the label”) or investigated simultaneously the immediate conversion to a DC arrangement. This overall trend would also explain the increasing number of DC arrangements according to the 2016 figures issued by the CONSAR. From the literature review it was not clear whether this trend was due to the crisis or the general trend to convert pension plans from DB to DC. Yet, with further empirical data and knowledge of the Mexican pension system it would be appropriate to state that while there has been a general trend in Mexico to open up DC plans (instead of DB arrangements) prior to the crisis, the GFC has spurred this trend – including companies’ decision taking to convert their existing pension arrangements to DC plans, as it has been the trend also in other countries.

“There [have been] some [common] changes in terms of pensions by MNCs, including the move from DB to DC. They wanted to do these changes before, but due to the GFC they have accelerated these changes. We know that there is a global trend from DB to DC.” (Head of Pension Consulting Mercer Mexico, interviewee E.)

It is important to note, that while the terminology “DC” is used throughout this Chapter, the underlying notion of DC plans offered in Mexico have a hybrid component, as the legal requirement to provide a termination indemnity payment is addressed also by the DC arrangements:

“In Mexico we don’t have pure DC plans, because of the regulations. Due to the labour law, you have to pay termination indemnity if a company decides to dismiss somebody. Older employees are typically dismissed from an organization, as they don’t leave voluntarily. And then they have to pay this termination indemnity. So, what is happening that companies that have a pension plan have started to have a minimum benefit equivalent to the termination indemnity. So, on top of that we have created DC portions.” (Head of Pension Consulting Mercer Mexico, interviewee E.)

The increasing trend to offer workplace pension arrangements since the crisis (either through DB or DC plans) has also some roots within HR management. Interviewees agreed that the HR component of pension decision-making has been crucial throughout and since the crisis. The most common HR trends since the GFC in terms of workplace pensions are:

- Companies needed more flexibility in terms of their workforce management.
- There has been an increasing focus by employers (MNCs and locals) to ensure that their value proposition in terms of pensions benefits is adequate.

Organisations witnessed the flexibility workplace pension plans allowed them in terms of workforce planning and have been using them as a form of severance payment when negotiating early exits for employees that have reached a certain age (typically

around 60 years of age and above), as it offers tax advantages to the individual and overall increases the willingness of the employee to accept the severance pay:

“Having workplace pension plans as a tool to dismiss people have become more popular. To pay the termination indemnity through a pension plan is tax effective because around 2.5 million pesos are tax exempt as lump sum.” (Head of Pension Consulting Mercer Mexico, interviewee E.)

Flexibility around workforce planning is essential for organisations during a global crisis. Companies are not only ensuring whether they have a lean organisation (in terms of headcount), but also whether they have the right talent employed to keep the organisation agile and respond to changing business requirements. Providing workplace pension provision has increasingly been seen as a competitive employee benefit as part of the total remuneration by employees and head-office companies outside of Mexico. Providing pension provision in Mexico has largely been based on two influential factors:

- Consulting advice provided by external consulting firms, and
- The influence by the mother company.

In order to ensure that the right reward package is offered to the right talent, companies typically ask consulting companies to provide benchmarking data which will set the basis for remuneration conversation. Benchmarks for Mexico offered by international consulting firms to MNCs operating in Mexico confirm that providing workplace pensions is market practice. The same advice is provided on a local level (directly to HR) as well as globally (to the mother company). Depending on the HR governance set-up and policy transfer (as further discussed in Chapter three, and below in this section), the mother company may get involved in ensuring that local market practice is met. Research by the (CONSAR, 2016) found that 50.7 per cent of local entities stemming from companies in the US – that have registered pension plans and have responded to the CONSAR survey – have implemented pension plans due to corporate guidance. The same study found that 9.9 per cent of German entities in Mexico with registered pension plans also implemented workplace pensions due to global guidelines, and so did 3.1 per cent of entities from companies headquarter in

the UK, and 2.5 per cent of Dutch entities in Mexico with registered pension plans⁵⁴. Nordic and in particular Swedish companies have not been listed in this research.

“We have seen [that the conversion to DB plans and hence offering workplace pensions becomes more common] because it solves two of the questions multinationals have: 1) do they have a pension plan in Mexico (pressure from the corporate company to offer local pension arrangements); and 2) are the plans in line with market practice.” (Senior Pension Consultant Mercer Mexico, interviewee R.)

Pensions experts in Mexico agreed that pressure from MNCs has resulted in local entities setting up workplace pensions and that the crisis has supported the implementation efforts. Senior management in Mexico and abroad has found it increasingly easier to introduce this change at a time of crisis:

“Companies around the world, especially those from the United States that have subsidiaries in Mexico had to make [pension] changes in the subsidiaries. Due to the GFC they could implement these changes easier.” (Head of Pension Consulting Mercer Mexico, interviewee E.)

Yet, pension experts have also highlighted that the underlying pressure points in terms of deciding whether to provide workplace pensions have changed over the years. Local employees have increasingly been demanding pension benefits, and local managers who need to manage the local workforce more flexibly and provide adequate benefits to employees have advocated for pension provision:

“I would say that MNCs were pushing the subsidiaries to implement pension plans 15 to 20 years ago. So they started this trend. The larger Mexican companies followed them. I think at this moment, we are seeing the pressure of people with a lot of years in a company and at retirement age. [Also] companies ask themselves, I have employees with 50 plus age, and with several years of service. What shall I do with them? There is an internal pressure among companies to think about what to do with them. So the pressure doesn't come from MNCs [only] anymore. It's

⁵⁴A more complete list of countries can be found in Chapter two.

more about their internal situation.” (Head of Pension Consulting Mercer Mexico, interviewee E.)

In cases where the initial pressure has not come from the mother company and a local entity operating in Mexico has been looking to implement workplace pensions, there has still been a need for adhering to global guidelines and in some cases even funding requirements. The more a MNC follows a convergence HRM approach, the more likely it is for local entities to follow stricter and more detailed governance guidelines (Dowling, Welch, & Schuler, 1999; Kerr, Dunlop, Harbison, & Myers, 1960)⁵⁵. Some of the challenges for local entities when approaching HQ to get an approval to implement workplace pensions include:

- Convincing HQ that implementing a DB plan in Mexico is not a long-term liability risk as it is presumed in many other countries; and
- Making local budget available to implement a pension arrangement.

Consulting firms often support local entities during the approval process:

“[When we support local entities to position a local workplace pension arrangement] we try to present options of what is the optimum pension plan – where you have to invest approx. 8 per cent of your payroll so that people have enough for their retirement, and then another option where the mandatory termination indemnity is only covered. To cover the termination indemnity it costs 3 per cent of the payroll. Often we say, let’s start with 3 per cent but then let’s look how much money this would give to the employee in terms of pension. And if you have some room for improvement, then let’s start moving up the contributions.” (Senior Pension Consultant Mercer Mexico, interviewee R.)

After having implemented a workplace pension that meets the criteria of the termination indemnity payment, companies often review the arrangement after a few years. Increasing the pension contribution, however, can be a complex inter-political endeavor as several stakeholders, for example employers and employee representatives are part of the decision making - further influenced by legislative changes (Beer,

⁵⁵Please see Chapter 2.2. for more information on convergence and divergence.

Spector, Lawrence, Mills, & Walton, 1984; Edwards, Colling, & Ferner, 2007; Ferner & Tempel, 2006). Different stakeholders need to be taken into consideration (depending on an organisation's international governance process as outlined in Chapter five). Also, locally different internal stakeholders need to be consulted, typically including HR, Finance and Procurement:

"Most of the time it's HR who sees the value of having the benefit. But also Finance has a say in the approval [when implementing a pension plan or increasing contributions]. I think that's the most challenging part of the implementation. Finance is always one of the stakeholders that is more against the pension plans. Not because of the benefit, but because of the cost that it represents." (Senior Pension Consultant Mercer Mexico, interviewee R.)

HQ and local entities operating in Mexico have had different approaches and focus areas around workplace pension provision, and have therefore not been fully aligned – creating an institutional distance Kostova and Roth (2002). For HQ the overall cost of implementing a pension plan plays a key role as well as the use of benchmarking information. As HQ can be considered the "policing" agent of the governance process⁵⁶, existing benchmarking reports are used as a basis for communication and review. Local Mexican companies, however, have been found to be more focused on the replacement rate and the overall contribution towards and value of the total remuneration package. Local HR managers need to defend the business' benefit decision-making locally and often directly to the local employees as well as trade unions (and other third parties with decision power). As such, the "softer" HR components of ensuring that employees get an adequate pension provision and salary are of higher importance for local HR than for HQ.

"When the decision is taken here, then it's more about the replacement and how it is part of the overall compensation package. But if it is a MNC then it is more in terms of costs. I think that also MNCs lean more towards seeing benchmarks. They want to see what the trend is in the country." (Senior Pension Consultant Mercer Mexico, interviewee R.)

⁵⁶Please see Chapter five for more illustrative comparisons through the use of case studies.

Depending on the institutional distance between the entity and HQ, it is either easier or more challenging to implement local needs if they are not fully aligned with the expectations of HQ (Kostova & Roth, 2002).

Throughout this section the use of external market advice and benchmarking information has been noted, which is in line with the findings in Chapter five, whereby MNCs often centrally purchase benchmarking information and share these with their local entities to ensure that market practice is followed. In the case of Mexico, however, and after having reviewed the empirical data and research findings in the literature review it can be argued that the statement made by consulting firms that providing workplace pension provision in Mexico is a self-fulfilling prophecy, largely impacted by MNCs operating in the local markets. As described above, MNCs had initially put pressure on local entities to implement workplace pensions to ensure global consistency and alignment with their internal global governance requirements. As part of the crisis new financing methods were investigated firstly in financing the DB risk exposure and secondly to manage workforce planning. The government's provision of allowing tax advantages for pension arrangements supported the overall trend and most likely sped up the overall development of converting termination indemnities to DB plans – and then MNCs' influence to convert these further into DC plans. Local companies have followed that trend – and ultimately it has become market practice to offer workplace pensions in Mexico.

Ironically, while international consulting firms say that workplace pension offerings are market practice and would advise companies to follow this market standard – it still covers only a small part of the overall working population (1.4m out of 81m (CONSAR, 2016) as further illustrated in Chapter two). Throughout all interviews, the importance of workplace pensions and the need to offer pension benefit has been highlighted.

This subsection has been insightful in understanding how workplace pensions have developed since the crisis and whether the GFC has attributed to the development. As a summary, the table below highlights the developments of workplace pensions.

Type of change	Cause and impact	GFC influence
Decreasing DB and increasing DC pension provision	New financing methods to reduce risks and financial exposure	Trend existed before – but due to GFC, companies could take the structural decision
Converting termination indemnity payments to DB pensions	Benefitting from tax advantages and meeting benefit packages	The crisis has increased the focus on workforce flexibility and being able to more easily undertake redundancies
Increasingly providing workplace pensions due to local demands	Local entities have taken more ownership, wanting to meet local employees' demands	This trend has become apparent after the GFC. Yet, it is expected that converting termination indemnity payments to DB pensions has created the basis for the increasing local demands for workplace pension provision
Providing workplace pensions is market practice	Companies have been implementing workplace pensions and adjusted contribution rates to meet market practice	Limited influence

Table 6.2: Market development of workplace pension plans and GFC influence

While legislative incentives by the government towards workplace pensions have not been apparent, companies and in particular MNCs had been taking steps towards pension benefit implementation or to open new DC plans since and due to the crisis. The acceleration of opening DC plans instead of offering more risky DB arrangements has been in line with the global trend (Casey, 2012). Employer actions around workplace pension provision have often been based on the understanding to mitigate risks and improve workforce flexibility, as well as provide competitive TR packages locally, which have also been global trends prior and in some cases accelerated further by the crisis (Bridgen & Meyer, 2009; G. L. Clark & Monk, 2006; Lee, Hsu, & Lien, 2006; Lepak & Snell, 2002; Roberts, 2004). Therefore, local market and business conditions have mostly been driving pension decisions – rather than global policies and practices. The role of benchmarking has been critically reviewed in this section, which is further addressed in this thesis.

6.1.4 Summary

The GFC impact on the Mexican pension system has been in line with some of the general global trends and most notably the low investment returns and dipping values of pension assets (as outlined earlier in this Chapter). The crisis highlighted the shortcomings of the system and provoked change. With the aim to mitigate risks, increase transparency and general understanding of pensions among the population, the government started awareness campaigns and undertook several legislative amendments. These efforts centred around the pillar zero (none-contributory) – changes to the none-contributory pension regime (Lomeli, Rodriguez, & Weber, 2012) and pillar one – such as the introduction and amendments to the mandatory default pension funds and pension risk measurement changes (Acuña, Palomino, Villar, Villagómez, & Valero, 2015). Companies also undertook actions to mitigate risks (managing pension liabilities and increase the business' agility in terms of workforce) as well as reviewing the competitiveness of their TR packages.

The first part of Chapter six found that there have also been market pressures impacting decisions around mitigating risks and other pension benefit changes – and implies that decision-making from local entities (in the case of MNCs) has not solely followed global policies and practices. The next section narrows down the general findings and focuses on how the three case studies have taken local decision around pension provision within the context of the crisis.

6.2 GFC impact on company case studies' Mexican pension provision

The company case studies were introduced in Chapter five. This section analyses the impact the GFC has had on the selected MNCs' pension provision in Mexico, in order to understand the impact market conditions have had on local entities adopting global pension policies and practices. Each company case study starts with a short summary of the key business influences the GFC has had (referencing to Chapter five), followed by a more narrow investigation on how the GFC has impacted pension provision globally within the MNC. It is important to understand the context, local

pension decision have been taken in.

6.2.1 Impact of the GFC on Alfa Laval's pension provision

The GFC has had a significant business impact on Alfa Laval. With sales and order intakes declining, business efficiency and cost reduction programmes were introduced (Alfa Laval Annual Reports 2008 - 2016). Global HR made amendments to their mobility and expat offerings joining the business' risk and cost savings efforts. In addition, policies and processes were centralised aiming to mitigate risks and financial volatility and to ensure a stable cost structure as well as to reduce overall costs.

Workplace pension provisions offered globally by Alfa Laval also got impacted by the GFC. Several pension trends became apparent to the global compensation and benefit manager as a result of the GFC. The table below lists the key global trends of workplace pension changes that companies undertook as a consequence to the crisis⁵⁷; and reviews its applicability to Alfa Laval globally.

Trend	Took place at Alfa Laval
Closed DB scheme for new entrants	Yes
Closed DB scheme to future accrual	In some countries
Reduced DB accrual	No
Changed indexation	In some countries
Increased normal retirement age	No, only if it was a legal requirement
Opened DC scheme	Yes
Changed employer contributions into DC schemes	No
Changed employee contributions into DC schemes	Yes – or employee contributions were introduced as this may have not been the case prior
Amended early retirement terms	No, not as a trend
Established a flexible benefits package/salary sacrifice arrangements	Yes, in some countries

Table 6.3: Global workplace pension trends caused by the GFC at Alfa Laval

It is important to note that the changes illustrated in the table above were not initiated and managed globally. Instead, local entities decided to undertake these changes in light of the GFC to mitigate risks and costs. HQ was, however, involved steering and guiding the local entities after they had taken the decision. Further information on the

⁵⁷More information can be found in the pension literature review in Chapter two.

benefit and pension governance structure can be found in Chapter five. In the case of Mexico, Alfa Laval provides only the statutory pension provision through AFORES, and no supplementary arrangement. As such, the GFC has had no implications on their pension provision.

Some of the typical market changes caused by the GFC in Mexico as outlined in Chapter 6.1.2 have not been applicable to Alfa Laval in Mexico, due to three main reasons which are further illustrated in this sub-section:

- No business need.
- Some lack of pensions knowledge.
- Pensions not considered a benefit to attract talent.

As the table below illustrates, the Mexico business unit performed relatively well while Alfa Laval's businesses globally and Latin America were impacted by the GFC.

Year	Number of employees in Latin America	Sales performance in Latin America (million SEK)	Business developments of Alfa Laval Latin America
2008	451	1,711	Strong period in the second quarter, driven by order growth in Chile, Argentina and Mexico. In the third quarter Latin America continued to make good progress – especially Mexico.
2009	450	1,432	Order intake in Latin America showed a major decline. Except Mexico which saw a strong development.
2010	454	1,531	Alfa Laval focuses on improving health, safety and working conditions in developing economies (including Mexico).
2011	762	1,981	Countries with particularly strong growth include Brazil, Mexico and Chile.
2012	776	1,950	Mexico, Chile and Peru all developed well.
2013	783	1,797	The best performance was reported in Brazil and Mexico.
2014	749	2,205	Mexico, Colombia, Venezuela and Panama reported strong growth.
2015	665	1,826	Mexico reported a record strong quarter.
2016	589	1,788	Mexico reported a strong quarter, supported by good growth.
Source: Alfa Laval annual reports from 2008 to 2016			

Table 6.4: Review of Alfa Laval's business activities in Latin America since the GFC

Cost saving expectations that were passed on from HQ depended on the local entity's business opportunities and growth. When the local entity had been performing well, less financial requirements were distributed to the local management.

“Alfa Laval in Mexico has such a great potential and such a great need to develop people and the business in Mexico. We didn't see a direct impact in our numbers [and i.e. savings expectations from HQ]. But of course, many projects have been delayed [due to] the crisis in 2008. It was impacted first in the US and the Europe, and then we saw it.” (Managing Director Alfa Laval Mexico, interviewee E.)

As global pressure to save costs was not as rigid for Alfa Laval Mexico and business

overall was doing well, the need to reduce risks, costs and the ability to flexibly manage workforce has been less evident. This could explain why workplace pension were not amended to meet business needs.

Adopting any trend outlined in section 6.1 would have required time, knowledge and interest in pension provision. For example, the tax advantages that could be enjoyed when converting severance indemnity payments into DB plans were unknown to the Managing Director. Overall, workplace pension provision has also not been considered as a tool to attract the talent needed. While it may be market practice to offer supplementary pension provision, Alfa Laval Mexico's Managing Director is not intending to implement the benefit in the near future: "We will keep the same as by law. We will not make any changes. It is not in our focus right now." (Managing Director Alfa Laval Mexico, interviewee E.)

Other influences, such as external consulting firms or HQ has also been limited, as the use of international consulting firms on a local basis has not existed (reward information is provided through headhunters), and HQ has not been enforcing the global guidelines on meeting market practice. Chapter five found that Alfa Laval has been adopting a cross-vergence HRM model under which global guidelines are set which need to be adhered to, yet these are not proactively managed through corporate and local entities can ask for exemptions. Having applied a second filter of analysis confirmed the findings from Chapter five, and highlighted that other local influences have been more influential in the local decision not to provide workplace pensions locally and hence, not to follow global pension policies and practices for Alfa Laval.

6.2.2 Impact of the GFC on Ericsson's pension provision

Public information on the GFC impact on the business has been moderate. References to the crisis in annual reports (from 2008 to 2016) were scarce. TR changes that took place due to the crisis were largely focused on senior management, related to salary increases and share-based plans. Interviewees, however, confirmed that the pension management started to be more tightly managed due to the crisis. According to the Global Pension and Benefit Specialist at Ericsson most of the global pension trends also applied to Ericsson, as illustrated by the below table. While he assumed initially that all trends were applicable to Ericsson, he preferred to state for certain trends

that he was not sure whether the change occurred on a global level within Ericsson (as part of the second interview).

Trends	Took place at Ericsson
Closed DB scheme for new entrants	Yes
Closed DB scheme to future accrual	Yes
Reduced DB accrual	Not certain whether change occurred
Changed indexation	Not certain whether change occurred
Increased normal retirement age	Not certain whether change occurred
Opened DC scheme	Yes
Changed employer contributions into DC schemes	Yes – generally increased employer contributions
Changed employee contributions into DC schemes	Yes – generally increased employee contributions
Amended early retirement terms	Yes
Established a flexible benefits package/salary sacrifice arrangements	Yes

Table 6.5: Global workplace pension trends caused by the GFC at Ericsson

Among all of these changes, the trend to close DB plans and instead to open DC plans was argued to only be partially due to the GFC.

“A lot of changes have taken place – but I don’t think it’s only connected to the GFC. We have closed DB plans, and opened DC plans. ... For the DB plans, I don’t think the GFC was the trigger for that. That was an approach we had before the GFC that we wanted to offer DC plans.” (Global Pension and Benefit Specialist Ericsson, interviewee F.)

Local HR also saw the GFC having an impact on its budget and general financial situation. Changes that were undertaken on a local level to combat the crisis were mainly related to the stock purchase plan and payroll, and not the pension plan per se. Ericsson Mexico offers a supplementary DB pension arrangement which is available to employees that have been working for the company for more than 10 years. Ericsson converted its severance indemnity payment prior to 2008, and has been discussing the implementation of a DC arrangement (including employee contribution) with regional TR and external consultants.

During the and post crisis, Ericsson Latin America (including Mexico) experienced some downward and overall fluctuating sales performance (as illustrated by the table

below based on annual reports), as well as the impact of M&A transactions that took place during 2009 (and later).

Year	Number of Employees in Latin America	Sales performance in bn SEK in Latin America	Latin America's business development of Ericsson
2008	7,486	23	Latin American sales increased by 25 per cent. Mexico and Brazil showed especially strong development.
2009	7,130	20.1	Latin American sales decreased by –13 per cent (including Mexico), reflecting lower demand across the region.
2010	6,654	17.9	The Latin America region was characterised by major mergers between regional operators (in 2009).*
2011	9,750	22	New sales opportunities have become apparent in Latin America. No significant changes occurred for Mexico.
2012	11,367	22	No significant developments occurred in Mexico. Some good developments in the region.
2013	11,778	22	Macroeconomic development in mainly Brazil and Mexico continued to slow down during the year.
2014	12,686	22.6	Latin America sales increased.
2015	12,395	21.3	Latin America sales decreased mainly due to lower activities in Brazil.
2016	11,015	17.6	Latin America sales decreased again following reduced mobile broadband investments due to a weak macroeconomic environment and due to devaluation of local currencies.
* Ericsson also undertook several divestments and acquisitions during this time which impacted Mexico, as part of its efforts to reposition the company as a service provider. Analysis on these business activities will not be further elaborated.			

Table 6.6: Review of Ericsson's business activities in Latin America since the GFC

Linking the regional business developments with the HR management approach of Ericsson can explain why some of the typical workplace pension market changes in Mexico caused by the GFC have not been applied by Ericsson. The below bullet points indicate Ericsson's organisational situation which may have impacted the timing of

workplace pension change, i.e. not necessarily correlated with the crisis:

- M&A transactions during the crisis have caused wider business needs than just cost/risk mitigation.
- Pension considered an important benefit and Ericsson's early financial and pension sophistication meant that some changes were already done prior to the need spurred by the crisis.

The lack of additional pension activities during the GFC could be explained by the M&A transactions that Ericsson had been undergoing at that time which had forced the business (including HR) to focus on wider business needs rather than only cost and risk mitigation related to workplace pensions.

Pension has been considered an important benefit within Ericsson (please also see Chapter five). At the same time, Ericsson has had a sophisticated internal financial and risk review structure (also on a local level), which enabled the organisation to be one of the earlier adopters converting severance payments to a workplace pension. The knowledge, visibility and capacity were available internally – while being supported by market benchmark and external stakeholders (consultants). “In terms of pension plan provision Ericsson is advised by Mercer. We have a quarterly board [meeting] where figures are analysed and decisions are taken.” (Local Head of HR Generalist Ericsson Mexico, interviewee A.)

Throughout the interviews it had become apparent that consultants and peers have been playing an important role for Ericsson. Considerations around implementing a DC plan including employee contribution have been based on the ambition to save costs – mainly spurred by the challenged business situation Ericsson is in (at the time of writing). Consultants and regional TR (with reporting requirements to HQ) have been participating in the conversations around DC provision, using benchmarking data and local pension expertise as a basis for discussion. Chapter five found that Ericsson has been adopting a cross-vergence HRM model with a strong inclination towards convergence only (especially since the crisis) which means that the top-down approach around benefit management is relatively strongly embedded. This would explain the regional TR manager's close involvement in the conversations around DC,

guiding and supporting local HR while ensuring that decisions that are taken locally are in line with global guidelines.

6.2.3 Impact of the GFC on AB Volvo's pension provision

The GFC has impacted AB Volvo significantly which led to several initiatives to mitigate risks and save costs, including implementing financial targets for post-retirement benefits, workforce cutbacks, and divestments. In terms of benefits, AB Volvo implemented a more stringent governance model around pensions (see Chapter five for more information). Some consequential changes have been in line with the global trends of workplace pension developments since the crisis, as the table below outlines.

Trend	Took place at AB Volvo
Closed DB scheme for new entrants	Yes
Closed DB scheme to future accrual	Yes
Reduced DB accrual	No comment
Changed indexation	No comment
Increased normal retirement age	Yes – but not caused by the GFC
Opened DC scheme	Yes
Changes in employer contributions into DC schemes	No comment
Changes in employee contributions into DC schemes	No comment
Amended early retirement terms	No comment
Established a flexible benefits package/salary sacrifice arrangements	No comment

Table 6.7: Global workplace pension trends caused by the GFC at AB Volvo

The trend to close DB plans and open new DC plans was marked as a global pension trend within AB Volvo caused by the GFC. Previously, the focus of the executive management did not lie on pensions. AB Volvo's business decision to review their global pension provision is in line with evidential research that showed that employers started to renegotiate and change DB plan rules as well as close DB plans to replace them with DC plans due to the crisis (Casey, 2012). The normal retirement age was also increased, but as the Global Pensions and Benefit Manager explains: "This change was mainly due to align pension provision with new legislative changes rather than the crisis per se." (Global Pensions and Benefit Manager AB Volvo, interviewee T.)

The global manager was not able to comment on several other global workplace pension trends (referring to fields marked “no comment”). The missing commentary ability indicates that AB Volvo’s top-down approach to managing pension provision is limited in scope⁵⁸. Within AB Volvo a lot of focus has lied on closing DB plans due to the crisis, which was managed globally. Yet, more detailed plan design changes to mitigate risks were not a focus on the global level. Further information on the governance structure around pension provision changes can be found in Chapter five. AB Volvo in Mexico provides the statutory pension provision through AFORES, and therefore no supplementary arrangement. As such, the GFC has had no implications on their local pension provision. Several reasons could be brought forth when explaining why AB Volvo did not follow the market developments during and post the GFC in Mexico to convert its severance payment into a DB arrangement, including:

- Strong focus on business results and less importance given to pension provision as a benefit.
- Less focus on pension provision from unions.
- Some lack of pensions knowledge.

One of the reasons for not providing a workplace pension has been the need to focus on business operations and overall profitability:

“In Mexico we are aware of the importance of pension as a benefit on top of what we have by law with the AFORE, we haven’t moved in that direction due to economic situation of Volvo in Mexico, but this is something to explore further.”(Regional and local HR Manager AB Volvo, interviewee L.)

Therefore, while the business environment may have not allowed implementing workplace pension yet, the intention is to consider it in the future:

“There is interest to have something. But the situation of the company has not allowed to offer [private pension provision] yet. We would

⁵⁸It is also important to note that the Global Pensions and Management Manager was acting as a consultant to AB Volvo during the crisis. While he has some insights into the organisations, it may not reflect the full scope of activities caused by the GFC.

like to offer [it] in the long term, but [we need to] focus now on the business being more competitive.” (Regional and local HR Manager AB Volvo, interviewee L.)

As mentioned earlier in this subsection, AB Volvo's business has been impacted significantly by the crisis. The below table illustrates the business performance of North America (including Mexico). Data on Latin America only was unfortunately not available. The financial data and headcount number provided to the North America region, and the section on business developments is specific to Mexico.

Year	Number of employees in NA	Sales performance in bn SEK in North America	Development in Mexico
2008	14,200	48.6bn	Volvo Construction Equipment decided to transfer production for the North American market from Poland to Mexico.
2009	12,640	40.2bn	No significant developments in Mexico.
2010	12,844	47.9bn	No significant developments in Mexico.
2011	15,427	60.6bn	No significant developments in Mexico.
2012	16,569	71.1bn	In January 2013, Volvo Construction Equipment decided to consolidate its production capacity in the Americas to Brazil from Mexico.
2013	16,397	63.1bn	Continuous efforts to move production capacity from Mexico to Brazil.
2014	15,217	76.2bn	No significant developments in Mexico.
2015	15,534	101.9bn	Volvo Buses enjoyed a number of sales successes during 2015, including 191 Volvo buses for Mexico City and the unveiling of the new Volvo 9800 coach model for the Mexican market.
2016	14,245	80.7bn	No significant developments in Mexico. In wider North America, the heavy-duty truck market declined, impacting manufacturing operations in Mexico.
Source: AB Volvo annual reports from 2008 to 2016			

Table 6.8: Review of AB Volvo's business activities in Mexico and North America since the GFC

As the table illustrates, several key structural decisions had been taken since 2008, including moving some of the production to Mexico (from Poland), as well as consolidating some production capacity in Brazil a few years later (from Mexico). High fluctuations in headcount are expected to have occurred at AB Volvo Mexico during these years, which have put significant pressure on the business and HR department. Pension provision has also not been considered a crucial talent retention and attraction tool within AB Volvo Mexico. This could be due to the fact that a vast majority of employees are blue collar workers whose priority may be more focused on shorter-term benefits such as salary compensation and medical provision. Union representatives have also not focused on pension provision when negotiating working conditions for its members (which could be because its members did not see pension as a key topic during negotiations). HR and the business have therefore primarily focused on priorities put forward by the unions.

Lastly, taking the decision to convert severance indemnity payments to DB pensions would also need a level of tax and pension awareness by the business and HR department. Yet, the tax consequences had not been evident to the HR department.

AB Volvo has been adopting a cross-vergence HRM model with a strong tendency towards divergence (see Chapter five). Having applied a second filter of analysis confirmed the findings from Chapter five, and highlighted that other local influences have been more influential in the local decision not to offer pension provisions locally and therefore not to follow global pension policies and practices.

6.2.4 Summary

The above analysis on the impact of the GFC on all three case studies has shown that local decision-making on pension development have differed among the selected Swedish MNCs. While on a global level, all case studies strengthened their global pension governance model (specifically the requirement to move from DB to DC pensions); other factors have impacted local pension decision-making.

The table below compares the four key changes caused by the GFC in Mexico (as outlined in 6.1.2) to the developments that occurred among the case studies. This analysis illustrates how closely the general Mexican market developments are linked

with the case studies specific experiences, and whether the MNCs' pension provisions have developed the same way.

Case study	Further decreasing DB and increasing DC pension provision	Converting termination severance pay to DB pensions	Providing workplace pensions due to local demands and to certain employee groups	Providing workplace pensions as is market practice
Alfa Laval	N/A as typically no pension offered to local employees	N/A as typically no pension offered to local employees	N/A as typically no pension offered to local employees	N/A as typically no pension offered to local employees
Ericsson	Yes	No	Local demands have less influence	Yes
AB Volvo	N/A as typically no pension offered to local employees	N/A as typically no pension offered to local employees	N/A as typically no pension offered to local employees – not if specifically demanded (e.g. foreign worker)	N/A as typically no pension offered to local employees

Table 6.9: Case studies' pension developments vs market practice

To illustrate holistically why MNCs have not followed local market practices, findings from Chapter five and new empirical findings from this Chapter are combined. Alfa Laval and AB Volvo do not provide supplementary workplace pensions (in addition to the mandatory AFOREs pensions and indemnity payments) to its general employee groups in Mexico. As such, the two first market trends do not apply to both case studies. It is not surprising that both organisations have not provided local workplace pensions by 2017 (the time-period of undertaking this analysis), but for different reasons.

At Alfa Laval there have been several reasons identified, which led the organisation not to offer workplace pensions in Mexico. They include: lacking business needs to mitigate costs and risks as well as workforce management (in terms of providing pension provision to undertake redundancies) – as the Mexican entity has been performing relatively well; less knowledge around pensions and the different forms of financing (including related tax advantages); and not considering pensions a strategic benefit to retain and attract talent. Alfa Laval has a centralised approach to man-

aging benefits and their global governance principle is to follow local market practice – so technically pension provision should be implemented in Mexico (based on the recommendation from international consultants)⁵⁹. Yet, workplace pension decisions are taken locally by the MD, who is also responsible for the budget. The global team does not pro-actively follow up on whether local entities adhere to global pension policies and practices, and offer benefits that are in line with market practice. Due to the high institutional distance and cross-vergent HRM approach, the MD would need to drive the implementation of workplace pensions in Mexico. However, he has had no intention to change the compensation structure and to implement a workplace pension benefit was made on the global or local level.

In the case of AB Volvo the local HR Manager would have liked to implement workplace pensions. She wanted to implement workplace pensions, as she has been aware of the low replacement rate the Mexican pension system offers, and in order to be in line with market practice. Yet business and other reasons have stopped her to implement pensions. These reasons include: strong focus on business results and less importance given to pension provision as a benefit; less focus on pension provision from unions; and some lack of knowledge around tax advantages applicable under workplace pensions. While there has been some interest in implementing workplace pensions, cost consciousness and other business priorities have not enabled AB Volvo Mexico to pursue. AB Volvo has been adopting a cross-vergence HRM model with a strong tendency towards divergence. Global influence on local benefit decision taking is limited. The use of benchmarking information is taken into account, yet the overall driver for decision taking is the local business. Therefore, reasons agreeable with the business for workplace pension provision would need to be identified in order to offer supplementary pension provision. Improved business performance, increased understanding around tax incentives, and pressure from the union could induce offering pension benefits.

Ericsson is the only case study that offers local pension arrangements. Termination indemnity plans have been converted into DB arrangements prior to the crisis. Pensions have been considered an important benefit within the organisation and Ericsson's financial and pension sophistication meant that it had been feasible to be one

⁵⁹Alfa Laval in the home country, Sweden, follows industry and market practice and offers pension provision under collective agreement.

of the earlier adopters in terms of converting severance payments into DB pension plans. The GFC had not enticed Ericsson to implement a DC arrangement which could be due to the M&A transactions that took place at that time, requiring HR and the business to address wider business needs. At time of writing Ericsson considered implementing a DC plan with employee contributions, strongly supported by the regional TR manager and external consultants. Ericsson follows a strong global guideline ensuring that local benefits are in line with market practice, and it is the HR managers' responsibility (on a global, regional and local level) that countries are proactively identified if they are not in line with local market practice. Therefore in the case of Ericsson, the pressure on implementing a workplace pension (if there had not been one already) would have come from HQ, supported by Ericsson's cross-vergence HRM model with a strong inclination towards convergence.

6.3 Conclusion

This Chapter aims to answer the second research question on the extent to which local entities' pension provision followed global guidelines, and on how their local pension plans have developed. This Chapter also tests the respective hypothesis which has been that local entities are expected to have followed global guidelines when undertaking substantial pension changes (e.g. when implementing a new pension plan or amending the pension design of existing arrangements). Yet, MNCs' local subsidiaries are expected to have managed pension provision in line with local market trends. The GFC is expected to have impacted MNCs' local pension provision in two ways. Firstly, local entities considered and implemented cost/risk-mitigation pension vehicles (e.g. moving from DB to DC); and secondly local entities amended pension provision in line with new legislative changes which were passed due to the crisis (aiming to incentivise employers to provide/increase workplace pension provision). The table below compares the different components of the hypothesis to the findings of this Chapter.

Components of hypothesis	Findings of analysis	Outcome
Global guidelines are followed when undertaking substantial pension changes	Awareness of global guidelines exist among case studies and are followed when pension changes are substantial. Yet, local preferences prevail	Hypothesis component cannot be supported
Local subsidiaries manage pension provision subject to local market trends	Case studies have not developed in line with local market practice. Workplace pension decisions are driven by local business needs	Hypothesis component cannot be supported
Local entities considered and implemented cost/risk-mitigation pension vehicles due to GFC	It was found that companies took some cost/risk-mitigation steps as part of their pension changes.* The analysis of case studies showed that other factors impacted pension-decision-making (including risk/cost mitigation) more than the GFC	Hypothesis component cannot be supported
Local entities amended pension provision in line with new legislative changes which were passed due to the crisis (incentivising workplace pension provision)	Legislative changes in Mexico did not incentivise workplace pension provision, and therefore did not encourage the provision of workplace pensions	Hypothesis component cannot be supported
* Notably, the role of DB pensions has played a more strategic HR role in Mexico (due to its connection to the mandatory termination indemnity provision and the need for being able to more flexibly manage the workforce). As such, the workplace pension changes cannot solely be linked to financial and risk mitigation efforts.		

Table 6.10: Components of hypothesis versus study findings

Findings from this Chapter cannot support the hypothesis made earlier in this thesis. Workplace pension decisions have been found to be largely driven by local factors and shaped by local business needs. The factors in the hypothesis were drawn from the literature review, yet were not sufficiently focused on local influences. The findings of this thesis cannot support the global focus that has typically been presented in the literature review. It would be fair to say that the crisis in itself has had less impact on the decision-making than initially assumed. Instead, three other factors have been discovered to be more influential:

- True understanding of pension vehicles and considering pensions as an employee benefit also locally.

- Interruptive business needs (e.g. M&As) and overall business performance during a crisis.
- Strong advocates with local influence (e.g. unions).

As such, several initially assumed influences on local pension decision-making, posed earlier in this thesis, have been overstated (e.g. the influence of the GFC, the role of external stakeholders such as consultants, as well as the policing and decision-making authority of HQ). It is important to highlight that the empirical findings have been in line with the theory introduced in Chapter two on convergence and divergence. The theoretical debate emphasises that the more an MNC has implemented a convergence approach to HR management, local benefit practices would have been highlighted and supervised (e.g. in the case of Ericsson), yet not necessarily forced to follow market practice (Ferner & Tempel, 2006; Kostova & Roth, 2002; Rosenzweig & Nohria, 1994).

Findings in this Chapter need to be treated with certain care – especially when intending to generalise. Arguably, a larger sample size may have shed more light when drafting conclusive remarks. However, the real difficulty for analysis has been that two of the three case studies have not been offering workplace pensions locally, therefore the impact the GFC has had on the benefit is limited in scope. Also, it is important to note – that while the case studies globally share many similarities (see Chapter four), the local operating entities in Mexico differ largely in size (headcount and sales efforts) and type of employees (blue/white collar workers), which has arguably impacted the decision-making process around workplace pensions more than the location of HQ. In order to be able to make meaningful and significant statements, local influences need to be taken into account. The following Chapter seven elaborates on limitations of this study and summarises the thesis' conclusive findings.

Chapter 7

Conclusion and recommendations

The aim of this Chapter is to discuss the key themes and issues that emerged from this thesis and place them in the context of existing literature and methodological philosophy. It reviews the research framework introduced in Chapter one and developed in Chapter three. (The research framework is outlined below in Figure 7.1). Chapter seven also highlights the key points on the extent of influence global pension policies and practices have on local pension provision. The aim of this thesis has been to understand the decision-making process of pension provision within MNCs, in order to gain some understanding whether the global pension policies and practices impact local pension provision. The thesis was set within two boundaries: the GFC and emerging markets.

The first section provides a summary of the thesis, including the general findings related to the two research questions and to their hypotheses, drawing from Chapter five and six. It also outlines the methodology applied. The second section outlines in more detail the empirical and theoretical, as well as conceptual contributions made. The third section discusses the limitations of this thesis (methodologically, conceptually and empirically), including the research method and conclusions made. Based on this critical review, further recommendations for research in the area of pensions and HRM/IHRM are made in the fourth section. Chapter seven ends with a summary.

The below Figure 7.1 outlines the research framework and illustrates the level of analysis this Chapter addresses.

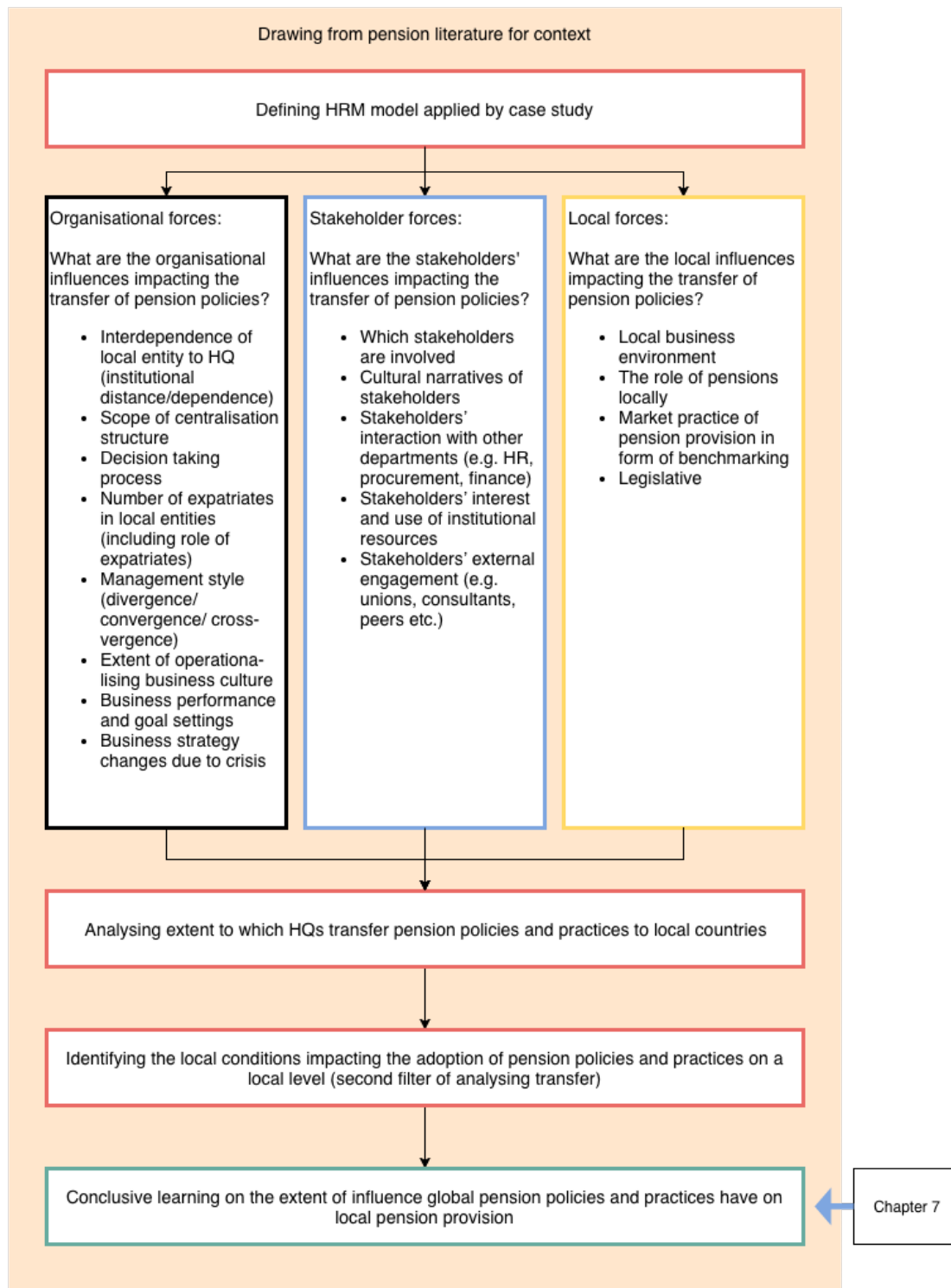


Figure 7.1: Research framework to be delivered in Chapter seven

7.1 Summary

7.1.1 Objective for having undertaken the thesis, aim and scope

The aim of this thesis has been to understand the decision-making process of pension provision within MNCs – in order to gain some understanding whether MNCs' global risk and cost-mitigation efforts have any impact on local workplace pension provision. This research topic is important to investigate, as two trends have become prominent, which may have been acting contradictory towards each other. At the time of population ageing countries (especially emerging markets) have been witnessing severe socio-economic implications caused by pension privatisation – which has increased the need to provide employer-sponsored workplace pension provision. Yet simultaneously, MNCs have been undergoing global pension reviews aiming to mitigate costs and risks (particularly spurred by crises) and have therefore either reduced the provision of employer-sponsored workplace provision around the world, or moved the pension responsibility to the employee. It is important to note that this study does not investigate whether the global pension pressure has been transferred to MNCs, nor does it evaluate the quality and the level of pension protection MNCs provide to their employees globally. Instead, it aims to understand the role of the MNC, and whether there is a practical connection between the increasingly risk-averse global MNCs' pension policies and practices – and the increasing local need for employer-sponsored pension provision. In regards to related future research, the more influential global policies and practices are on local decision taking, the more important MNCs become as a variable.

Existing literature did not provide answers to the research problematic. Further investigation in form of this thesis has therefore been required.

The research has been conducted as a case study analysis, set within conceptual boundaries (i.e. MNCs, emerging markets and the GFC), and variables have been applied (or here referred to as factors⁶⁰) in order to operationalise and measure the

⁶⁰The three forces of influence – organisational, stakeholder and local – represent the factors, and are outlined in Figure 7.1. Further information on developing the factors can be found in Chapter three.

transfer of pension policies and practices (as far as it is possible within the applied qualitative research method). This study was constructed in three main parts:

1. Identifying the research problematic by reviewing the pension, HRM and IHRM literatures, defining the gap in existing literature, and highlighting the need for a holistic research approach by combining the three literatures.
2. Developing a new research framework from the HRM/IHRM literature which sets the structure of analysis for this thesis – within the pension context.
3. Using empirical data to address more specifically the research problematic, and analysing the empirical data with the help of the new research framework in order to be able to conclude findings.

The thesis has seven chapters. The first Chapter introduced the research, the research problematic and research framework, and outlined its importance and purpose. Chapter two presented the pension literature, which underlined through the use of existing research that a global change of pensions has been taking place and that workplace pensions have become increasingly important. The Chapter also highlighted a gap in the pension literature, as there has been limited GFC specific research on workplace pensions (especially as a component within wider business management), and it seemed not to analyse workplace pension as a component of HR policy transfer from developed to emerging markets. Chapter two recognised the need for interdisciplinary research. Chapter three complemented the previous Chapter with the HR/IHRM literature review. It emphasised the different HRM concepts and frameworks and identified that there had been a gap in literature related to policy transfer from developed to emerging markets – with particular focus on employee benefits and workplace pensions. Chapter three created a new research framework, and set the structure of analysis for this thesis. The research framework helped to understand the multi-layered, multi-dimensional context of policy transfer and constructed a comparable research concept which was applied in Chapter five and six. Chapter three also raised the assumption that the case-studies aligned with Bartlett and Ghoshal (1998) definition of Multinational (European⁶¹) as all MNCs were headquartered in Sweden.

⁶¹The definition for “European” MNCs as per Bartlett & Ghoshal is: decentralised organisational control, subsidiaries operate independently, subsidiaries develop own local advantages and assets.

Yet – after conducting this thesis, the previous assumption could not be supported. There were several components that contributed to the definition of a MNC, and basing the assumption solely on the HR transfer of pension policies and practices (a small part of the overall HR and business structure) would have simplified its definition and applicability. MNCs for the purpose of this thesis should therefore continue to be defined (as outlined in Chapter three) in their traditional sense, being successful firms which operate across borders of nation states distinguishing themselves by having international business strategies to extend operations from a domestic base to other countries and by having varying degrees and practices of corporate control towards subsidiaries (Aggarwal, Berrill, Hutson, & Kearney, 2010). Chapter four discussed the research methods, including the choice for adopting a qualitative case study research over a quantitative research. It introduced the three case studies, including the chosen sector as well as countries. More information on the qualitative data collection (for example the interview type and process) was also outlined. The subsequent Chapter five introduced the case studies and analysed the extent to which the selected case studies transferred pension policies and practices to their host countries in emerging markets, by adopting the research framework. It showed that all case studies adopted a cross-vergence HRM model, while still allowing some local flexibility and autonomy. The vigour of policy transfer varied among the three case studies, depending on the impact of the three forces of influence. Chapter six investigated in more detail one of the key conceptual boundaries (which was found to be important at the outset of starting the research: the impact of the GFC). The Chapter reviewed how the GFC had impacted the role of workplace pensions in Mexico and in particular how MNCs had been managing workplace pensions. It applied these key findings to the company case studies in order to understand to what extent local entities followed global guidelines; and how their pension plans locally developed within the realm of the GFC and related market trends. The key points in this Chapter were that three major market changes became apparent that occurred as a consequence of the GFC: accelerated decrease in DB and increase in DC pensions, the use of pensions to manage workforce flexibility, and more awareness around inadequacy of pension income. These trends, however, were not in line with the findings made when analysing the case studies – where the GFC seemed to have played a much less influential role

than when reviewing the wider market trends. As such, the conclusion had been that among others, the influence of the GFC had been overstated, and that other influential components had been overlooked at the outset when starting this thesis. These findings were instrumental when reviewing the adequacy of the research framework in Chapter seven, which provided key learnings of this research, validity of the new research framework and limitations of study including recommendations for further research.

Overall, all chapters provided a unique contribution – each instrumental for the completion of this thesis. The next section outlines the key findings relevant to answering the research questions and to proving/disproving the hypotheses made in Chapter three. The section concludes by outlining whether the research questions have addressed the research problematic adequately.

7.1.2 Key findings relevant to the research questions and hypotheses

The first part of this sub-section answers the first research question and does/does not support its respective hypothesis, followed by a more detailed overview on the basis for the conclusion.

7.1.2.1 Research question and hypothesis one

Research question 1: How do MNCs' HQs from developed markets transfer their global pension policies to their host countries in emerging markets?

- a. What are the factors influencing this transfer?
- b. What influence, if any, has the GFC had on global pension policies transfer or otherwise from HQ?

Hypothesis: HQs influence workplace pension provision in the host country by transferring their global policies. The extent of HQs' influence depends on the HRM model and the forces affecting the pension policy and practices transfer. The GFC has had an influence when setting up the global pension policies and practices, and has increased the monitoring of its compliance from a HQ level.

Conclusion: Overall, HQs have been found to typically only play a light/high-level influencing role, whereby policies outlined by HQs were known on a regional and local level, yet the policing of the implementation and adaptation have been limited in scope by global stakeholders. As such, HQ has typically provided only a framework within which regional and local managers have been working. Global pension policies and practices, following the best-practice HRM model, have been set up to manage the risks and costs associated with workplace pension provision, as well as meeting other organisational goals. The extent of transfer of these policies and practices depends on the underlying HRM model that an organisation has implemented, and the extent of impact and influence the three forces of influence have: organisational, stakeholder, and local. The more the transfer of pension policies and practices are spread across the three forces of influence (therefore – whether the organisational, stakeholder and local forces support the transfer positively), the more stringent and top-down the policies are managed and transferred. If only one of the three forces support the transfer – then HQ influence is limited. The forces of influence can also negatively impact the transfer of pension policies and practices. In that case, more autonomy around decision-taking is held locally. *The hypothesis for research question one has therefore been supported.*

Approach to reaching conclusion: The literature review in Chapter three highlighted several key studies and theories around the transfer of HR policies and practices. The main theoretical arguments of those studies and theories relevant in the context of this thesis were clustered – including the theories around hard and soft HRM, best fit and best practice, defining MNCs, convergence/divergence/or cross-convergence, and culture; and a new research framework was created. This new research framework (as per Figure 7.1 above) sets the structure of analysis for this thesis, enabling the researcher to understand the different influences forming the pension policy and practices transfer within the complex, multi-dimensional organisational constructs of MNCs. Levels one to three of the research framework have focused on analysing the transfer of pension policies and practices from global to local, and have therefore constituted the first filter of analysis for this thesis⁶².

⁶²The second filter of analysis focuses on how local conditions have impacted the adoption of global policies and practices, which is further addressed as part of answering the second research question.

All the case studies selected for this study were Swedish MNCs in the engineering industry (Teknikföretagen) who had operations in Mexico. Some of the criteria applied when selecting the case studies included: large headcount to be able to illustrate the multi-layered structure within the organisation; the organisation needed to be headquartered in Sweden; and the researcher's ease of access to the organisations. Alfa Laval, Ericsson and AB Volvo were the case studies finally selected for this study. Within the context of the GFC, especially Alfa Laval and AB Volvo were impacted from a business perspective whereas in Ericsson's case wider market developments not attributed to the crisis had been causing declining sales figures and therefore business performance.

After having analysed the three case studies through qualitative research methods (semi-structured interviews) combined with applying the research framework, it became evident that certain actions around pension policies and practices had been taken by all three case studies, including:

- All case studies had implemented global pension and benefit policies.
- While local decision-making prevailed in terms of pension provision, influence from HQ was confirmed.
- Local benefit decision-making has been strongly linked to local business needs, including country-wide budgets.

All case studies confirmed that they had a global pension and benefit policy in place following a "best practice" HRM model, under which the global policies are defined and different stakeholders (global, regional and local HR managers) are expected to work together and adopt/implement the policies. In addition, policies and practices have in some instances been passed on and influenced by external stakeholders such as consulting firms, learning networks and wider benchmarking information (Becker & Gerhart, 1996; Kipping & Wright, 2012; Pudelko, 2006). The empirical data supported findings in the literature review related to best practice; for example, that MNCs typically implement this practice in order to address some inconsistent managerial competencies across its subsidiaries (Edwards, Colling, & Ferner, 2007; Pudelko, 2006), and that the best practice approach is generally easier to implement and navigate as it provides some sort of flexibility. The overall aim of the case studies for

adopting these policies had been to mitigate risks and costs. All companies experienced tighter governance around these policies due to the GFC (to varying extent). While HQ owned the policies and had some influence, in practice local decision-making prevailed especially when wanting to amend/implement workplace pensions. Setting priorities locally with regard to pensions (and also more widely HR) were strongly linked with the local business needs including accessibility to country-wide budgets. The combination of having a global policy while still allowing some local flexibility and autonomy has shown that all three case studies had applied a cross-vergence approach to global benefit management. Under this approach, HR policies of the case studies are largely convergent (meaning, policies have been developed globally and are managed from a global perspective), yet the practical aspect of HR benefit management is divergent as it allows for some local flexibility. The empirical finding supports research by Child and Faulkner (1998) who compared HRM research across cultures and found that convergence can occur at the HR policy level (typically through headquarters), while divergence can take place on the HR practice level according to different national contexts (typically on a local level). As outlined in related literature, the transfer of HR policy and local adaption depends typically on whether the local entities find the global approach acceptable or of need for local adaptation (Warner, 2012). This study found that some MNCs leaned more towards convergence (i.e. Ericsson), and others had more divergence traits (i.e. AB Volvo). Alfa Laval's approach was balanced. It became apparent that the scope of impact of the three forces of influence on the case studies correlated with the convergence/divergence tendency of the global benefit approach. As such, the more the influence has been positive and spread across the three forces, the more systematically pension policies and practices have been transferred within the MNCs.

7.1.2.2 Research question and hypothesis two

Research question 2: To what extent have MNCs' local entities followed global guidelines when taking pension decisions; and how have local entities' pension plans developed?

- a. To what extent have global policies and practices been moderated by local changes and trends?

- b. What influence, if any, has the GFC had any impact on workplace pension provision in the host country?

Hypothesis: Global guidelines are followed when undertaking substantial pension changes, such as when implementing a new pension plan or amending the pension design of existing arrangements. Yet, MNCs' local subsidiaries manage pension provision subject to local market trends. The GFC has influenced MNCs' local pension provision in two ways. Firstly, local entities considered and implemented cost/risk-mitigation pension vehicles (e.g. moving from DB to DC); and secondly local entities amended pension provision in line with new legislative changes which were passed due to the crisis (aiming to incentivise employers to provide/increase workplace pension provision).

Conclusion: MNC's local entities have followed global guidelines only to some extent. Workplace pension decisions have been found to be largely shaped by local business needs and driven by local factors such as: understanding of pension vehicles and considering pensions as an employee benefit, interruptive business needs (e.g. M&As) and overall business performance, presence of strong advocates with local influence (e.g. unions). While awareness of global guidelines have existed among the case studies and have been considered (especially when implementing substantial pension changes); local preferences and business needs have prevailed. Also, case studies have not developed in line with local market practice, and instead workplace pension decisions have been driven by local business needs/requirements. The role of the GFC has also been found to be less significant, and other factors have impacted pension-decision-making (including risk/cost mitigation) instead – as mentioned above. Legislative changes in Mexico did not incentivise workplace pension provision, and therefore did not encourage the provision of workplace pensions. *The hypothesis for research question two has not been supported.*

Approach to reaching conclusion: In order to understand the extent to which local entities have followed global guidelines when taking pension decisions, a second filter of analysis was applied. Local factors were reviewed, aiming to understand their influence on the local adoption of MNCs' global policies and practices. The analysis was set within the context of the GFC – one of the three conceptual boundaries as introduced in Chapter two. In order to understand how the GFC has impacted pension

decision-making of the selected case studies, several analytical steps were taken. The research firstly focused on understanding the pension changes caused by the GFC on the wider pension market in Mexico – in order to be able to investigate whether the pension changes made by the local entities during and post the crisis were due to the local market changes, global guidelines from HQ, or other influences. Table 7.1 below illustrates the analytical steps taken to answer the second research question.

Steps	Analytical action taken by researcher	Key findings
1	Categorising global workplace pension changes caused by crisis (based on Chapter two).	Three main global workplace pension trends were caused by the GFC: increasing transparency of pension specific information, increasing knowledge about pension provision, and mitigating risks (accelerated move from DB to DC).
2	Summarising pension changes that took place in Mexico since 2008 (based on Chapter two), and applying empirical findings.	Seven changes were identified as being a consequence of the GFC. They are listed under “Type of Change” in Table 7.2 below.
3	Identifying whether these changes are in line with the global trends.	All seven changes were in line with global trends.
4	Applying empirical findings to understand how the role of workplace pension has changed since the GFC, and how market practice of managing workplace pensions has changed due to the crisis.	Workplace pensions have become more important due to the crisis. Four market trends were caused by the crisis: accelerated decrease in DB and increase in DC pension provision, converting termination severance pay to DB pensions, providing workplace pensions due to local demands, and wanting to meet market practice*.
5	Analysing whether/to what extent local entities of case studies adopted global policies and practices and/or followed local workplace pension trends caused by the GFC.	Local entities were aware about the global policies and practices. Only one case study (Ericsson) offered pension provision in Mexico, and had applied two out of the four market trends. Other local factors influenced local pension decision-taking++. The role of the GFC was relativised.
* More information on those four trends can be found below in this section. ++ Further outlined below in this section.		

Table 7.1: Five-level analysis on the GFC's impact on workplace pensions

The analytical review on how the GFC has impacted pension provision in Mexico and how the case studies have responded to the change, led to the conclusion that the hypothesis made could not be supported. Further information on the key findings

relevant for the research question, and additional contextual information is provided in the rest of this sub-section.

The table below outlines the Mexican pension system changes and relates them to the global workplace pension trends caused by the GFC drawn from developments outlined in Chapter two. It illustrates that each change could be linked to at least one of the global trends.

Pension system change	Type of change	Increasing transparency	Increasing knowledge	Mitigating risk
Legislative change	Increasing investment legislation	X		X
Legislative change	Increasing governance and supervision	X		X
Market and socio-economic change	Reviewing sales practices of AFOREs by implementing penalties and other legal requirements	X		X
Market and socio-economic change	Increasing pension information and general knowledge		X	
Workplace pensions market practice	Converting termination indemnity arrangements to DB		X	X
Workplace pensions market practice	Decreasing DB and increasing DC pension provision			X
Workplace pensions market practice	Follow market benchmark due to global and local pressure	X	X	X

Table 7.2: related to workplace pensions made due to the GFC

The changes around workplace pensions that took place in Mexico due to the crisis were in line with the global trends. The research found that legislative changes and government efforts that took place after the crisis in Mexico centred around risk mitigation and transparency of pillar zero and pillar one pension schemes (none-contributory and mandatory contributory schemes), as well as increasing the understanding of pensions among the population. The predicted low replacement rate that an individual can expect under the reformed pension system (20-30 per cent) has increased the necessity for workplace pensions⁶³ as individuals need to save in advance

⁶³Voluntary pensions are not further addressed in the conclusion, as the research found that pension awareness and the overall willingness to save among the Mexican population is very low.

in order to be able to ensure adequate pension income⁶⁴.

It is important to note that the trend to convert mandatory severance indemnity payments to workplace pensions (either under DB or increasingly DC arrangements) in Mexico has been due to three main market developments spurred by the crisis: organisations' needed to reduce risks and costs, the desire to have attractive TR packages for the right type of employees, as well as the flexibility and agility around workforce management (by being able to offer pensions as a form of severance payment when needing to downsize the number of employees due to changing business environments). Offering workplace pensions as a benefit to employees (especially senior management or talents) has become increasingly important (Kelly & Gennard, 2007; Lepak & Snell, 2002). Framing redundancies as retirement and offering pensions (with tax advantages) instead of severance payments has increased the willingness of individuals to accept their employment termination.

The development to follow market benchmark due to global and local pressure – as highlighted in Table 7.2 – deserves further commentary. Empirical findings indicate that the use of benchmarking information from consulting firms has been important for the MNCs in order to determine whether workplace pension provision should be offered, and which financial vehicle or design should be selected. As outlined in the previous section, HQ may monitor whether market practice is followed on the local level (depending on the HR governance set-up and policy transfer). Previous literature highlighted that especially US headquartered companies had pressured local entities operating in Mexico to implement workplace pensions to ensure global consistency and alignment with their internal global governance requirements (CONSAR, 2016). As part of the crisis, other trends (such as converting severance payments to DB plans, as well as increasing DC provision) supported the implementation of workplace pension arrangements. Local companies (not subsidiaries of MNCs) were following the new pension trends. Therefore, it can be argued that benchmarking has been a consequence of US MNCs operating in the local Mexican market and the need to be more flexible due to the crisis (further addressed in section 7.5). Yet, it is not clear

⁶⁴Overall coverage of workplace pensions only covers 2.5 per cent of the working-age population. As such, the findings of this research only narrate the developments of a small percentage of the whole Mexican population. Yet, the significance and need of supplementary pension provision and the gap the privatisation has left in terms of providing adequate pension income in old age refers to all Mexicans.

what the true reasons have been to provide workplace pensions – and whether it is market practice to offer in order to supplement state pension and therefore provide an employee benefit to employees.

In addition to the three global workplace pension developments identified globally and outlined earlier in this Chapter, there has been a fourth trend related to workplace pensions in Mexico: providing workplace pensions due to local demands and to certain employee types. Some research has found that the crisis has increased the understanding around workplace pensions and empirical data confirmed that local entities have increasingly been initiating amendments/implementation of workplace pensions due to local needs (especially for some employer groups, such as a foreign nationals operating in Mexico or blue-collar workers), rather than the pressure from HQ (for further information see Chapter two and Chapter six).

To sum up, the pension literature review combined with the empirical data revealed that from a legislative perspective no changes have become noticeable. In addition, risk mitigation targets were only part of the reasons for MNCs to undertake workplace pension changes during the crisis. The need for MNCs to be able to manage their workforce – having pensions as a tool to reduce headcount easier and quicker – was also an important reason, which allowed companies to respond to increasing business agility and financial needs caused by the crisis. As such, the role of DB pensions has played a more strategic HR role in Mexico as it has often been used as a form of managing workforce and redundancies. In light of the discussion and findings in this sub-section, four key pension market trends caused by the GFC in Mexico were identified as illustrated in Figure 7.2.

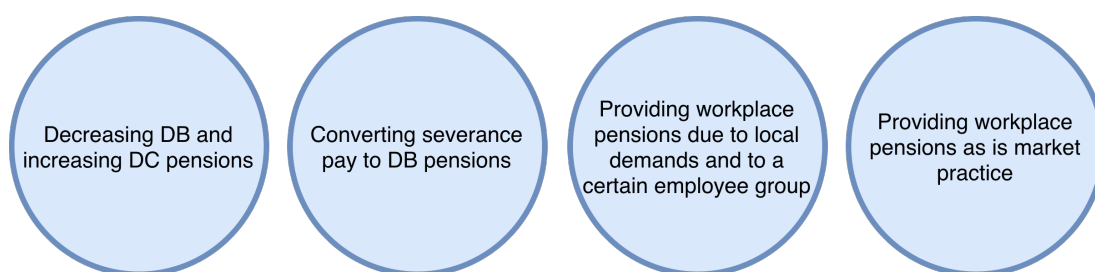


Figure 7.2: Key market trends caused by the GFC in Mexico

Taking the next step to fully address the second research question – the market trends (as outlined above) have been applied to the case studies. The research analysed

whether the local entities of the case studies have been developing their pension provisions the same way as market practice, and what the factors have been that influenced the scope and timing of pension decision-making.

Only one of the case studies had offered workplace pensions (Ericsson). It had converted severance indemnity payments into a DB arrangement, and at time of writing had been discussing implementing a DC arrangement with the aim to reduce costs. Decision-making around the implementation of a DC plan were closely supported by the regional and to an extent global HR managers, and external consultants. It is important to note that plan design changes (from severance payment to DB) took place prior to the GFC. Empirical findings have therefore revealed that the GFC in itself did not cause any of the case studies to make amendments to their pension provision.

Alfa Laval and AB Volvo do not provide supplementary workplace pensions (in addition to the mandatory AFOREs pensions and indemnity payments) to its general employee groups in Mexico. The research focused on trying to determine the decision taking around not providing a workplace pension in Mexico, despite it being market practice and therefore a “requirement” under the global pension guidelines all three case studies had in place. Three factors became apparent in terms of influencing the decision-making around not providing workplace pensions or not amending pension benefits as a consequence of the crisis:

- Lack of local understanding of the different pension vehicles and the benefits that they can offer; as well as not considering pensions as an employee benefit locally
- Facing interruptive business needs (e.g. M&As) which required to focus on other HR components than workplace pensions, and not having to make any changes (in terms of risk and cost mitigation) because the overall business performance during a crisis was good
- The lack of strong advocates with local influence (e.g. unions)

The local influences seem therefore to be crucial when taking pension decisions. This suggests that several influences initially assumed have been overstated (e.g. the

influence of the GFC, the role of external stakeholders such as consultants, and the decision-making authority of HQ). Interestingly, the empirical and theoretical findings have been in line on convergence and divergence. According to the theoretical debate the more a MNC has implemented a convergence approach under a cross-vergence HRM model, local practices would have been influenced by HQ. This is also the case for Ericsson that adopted a cross-vergence HRM model, leaning towards convergence. Yet, full decision taking is still not performed under a global mandate, and instead driven by local factors.

To sum up, the empirical findings indicate that the case studies have not developed in line with local market practice and that workplace pension decisions are driven by local business and organisational changes, as well as the influence of strong advocates, and the pension competencies/knowledge of local HR and other pension decision-makers. These changes, however, are largely shaped by local business needs and the GFC as well as the influence of consultants and MNCs' headquarters have been less influential. Some limitations to these findings need to be mentioned which are further addressed in section 7.4 (for example the same size and comparability of local entities operating in Mexico).

7.1.3 Adequacy of research questions to address research problematic

The research questions for this study were created in order to enhance knowledge and understanding related to the research focus. For this study, the research focus has centred around the decision-making process on pensions within MNCs. This research topic is important to investigate as there has been an increasing need for employer-sponsored workplace pensions (due to pension privatisation and socio-economic changes, especially in emerging markets), yet MNCs have also implemented global cost and risk mitigation efforts related to pensions (especially at a time of crisis). In order to address the research problematic and to understand whether both trends have been contradictory towards each other, it is essential to comprehend the influence global risk and cost-mitigating policies and practices have on local workplace pensions (if any), by investigating the pension decision-making process within MNCs.

It is important to highlight that this study has neither intended to investigate whether the global pressure of pension privatisation has been transferred to companies in emerging markets nor to evaluate the pension scheme quality and the level of pension protection MNCs offer their global workforce. However, it has aimed to analyse the pension decision-making process within MNCs, in order to gain an understanding on whether global pension policies and practices have any influence on local pension decision-making. Existing literature has not been able to address the research problematic, which founded the need for undertaking this study. The thesis analyses the pension decision-making process by adopting a three-level analytical research. It firstly reviews to which extent global pension policies and practices are transferred from HQ to local entities, secondly to which extent local entities have followed global guidelines, in order to finally gain conclusive learnings on the pension decision-making process and the extent of influence global pension policies and practices have on local pension provision.

This thesis has provided a case study analysis of the decision-making process of the Swedish MNCs' related to workplace pensions in the context of the GFC. It has investigated the transfer of these policies and practices within the context of pension privatisation, also aiming to understand whether the GFC has had any impact on workplace pension provision globally and locally.

From the research findings it can be concluded that while all Swedish MNCs have implemented global pension and benefit policies and practices, local pension decision-making prevailed – strongly linked to local business needs. Therefore, HQs have typically only played a light/high-level influencing role and generous home pension practices have not been wholly transferred to their local subsidiaries.

The research also made apparent that while there have been implications caused by the GFC on the pension system and specifically workplace pensions, other variables (such as the lack of local understanding of the different pension vehicles, interruptive business needs, and strong local advocates e.g. unions) have had more impact on local entities adopting global pension policies and practices.

While further recommendations for research have become apparent during the course of this study (see section 7.4 below), the research questions posed for this research have enabled the exploration of new empirical findings which have increased the

knowledge and understanding related to the research focus and addressing the research problematic. Therefore, the research questions posed in Chapter three have been found to be adequate for this study.

7.2 Contributions

This thesis makes empirical, theoretical and conceptual contributions.

7.2.1 Empirical contribution

7.2.1.1 Empirical contribution to HRM/IHRM literature

Workplace pension provision and HR transfer within the context of the decision-making process within MNCs has not previously been studied. A new idea of empirical investigation emerged when reviewing the existing pension and HRM/IHRM literature. Figure 7.3 below was introduced in Chapter one to outline the empirical aim of this thesis. As previously mentioned, this thesis aims to understand the decision-making process of pension within MNCs and to understand whether global policies and practices have any impact on local decisions. There are three potential outcomes as per Figure 7.3 below. The role and importance of HQ increases towards the top of the pyramid, and pension management is increasingly centralised – and MNC's HQs become increasingly important as a variable for related research the more influence they have on the transfer.

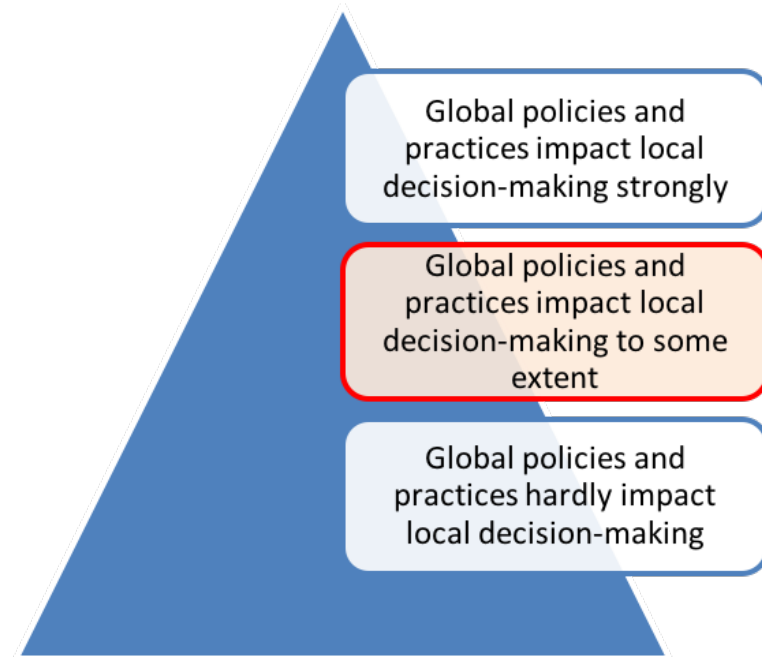


Figure 7.3: Identified transfer method for global pension policies and practices

In terms of empirical contribution, the first finding has been that that global pension policies and practices impact local decision-making to some extent; however the autonomy of local decision-making largely prevails. The role of headquarters as part of transferring HR policies and practices has widely been discussed in the HRM/IHRM literature. Literature around the hard and soft approach to HRM (Baird & Meshoulam, 1988; Hendry & Pettigrew, 1986), the best fit and best practice HRM practice (Coller, 1996; Kipping & Wright, 2012; Pudelko, 2006), convergence and divergence approach to HR transfer (Bartlett & Ghoshal, 1998; Dowling, Welch, & Schuler, 1999), as well as culture (Hedlund & Åman, 1984; Hendry, 1991; Hofstede, 1980; Müller, 1999) reviewed and debated the role of the headquarter when transferring HR policies and practices. One of the empirical contributions of this study is that within the context of pension privatisation and the transfer of pension policies and practices, HQ does play a role (albeit not a strong role – as discussed further below). Related studies should therefore consider using MNCs as a variable for further research.

Another key empirical contributions of this study to existing HRM/IHRM literature is its findings around the transfer of global pension policies and practices. It revealed that global pension policies and practices have been implemented and are managed top-down from HQ to local entities – yet, when transferred local autonomy and flexibility

has been applied. As such, it supports existing literature on cross-vergence (Tayeb, 1996; Warner, 2012). Child and Faulkner's (1998) perception of cross-vergence, which is that convergence can occur at the HR policy level (typically through HQ) and that divergence can take place on the HR practice level according to different national contexts (typically on a local level) has been supported with this thesis – also applying to global pension policies and practices.

The additional empirical contribution of this thesis is that while all case studies applied a cross-vergence approach to transferring their global pension policies and practices, the “scale of cross-vergence” varied. One of the case studies, Ericsson, for example leaned strongly towards convergence – whereas AB Volvo had more divergence traits. It showed (with the help of the newly created research framework as discussed in the following section) that the vigour of pension policy and practices transfer – and therefore the notion of convergence vs divergence within a cross-vergence approach – depends on the underlying HRM model, and the extent of impact and influence the three forces of influence have: organisational, stakeholder, and local. Existing research tried to understand the pursuit of convergence/divergence/or cross-vergence, and have argued that the scale depends on the interplay of interests and the empowerment of different actors to deploy power resources (Ferner & Tempel, 2006), and the institutional dependence (among others see Crookell & Morrison, 1990; Kostova & Roth, 2002; Rosenzweig & Nohria, 1994). This thesis found that the more positive and spread the influence has been across the three forces, the more stringent and top-down the policies are managed and transferred – and therefore lean towards convergence instead of divergence. It elaborated on the existing studies, combined their findings, created a research framework – and empirically proved its applicability to measuring the scale of cross-vergence tendency when transferring global pension policies and practices. As such, this thesis has been taking a further step from existing cross-vergence literature, and empirically contributed to existing knowledge by having identified the different influences that apply to the transfer of global pension provision (and arguably for other HR policies also).

This study revealed that local influences play an instrumental role as part of the debate centred around the transfer of global pension policies and practices (- potentially a more important role than for the transfer of other HR components). Based on the

HRM/IHRM literature review, HQs have been influential in implementing, managing and monitoring global HR policies and practices. In the case of pension policies and practices, however, other local factors have been domineering, including: the level of true understanding of pension vehicles and considering pensions as an employee benefit locally, facing interruptive business needs (e.g. M&As) and overall business performance, and whether there were strong advocates with local influence (such as trade unions). Existing literature highlighted that interruptive business needs as well as the strength of strong advocates are important influences when transferring and managing global HR policies (N. J. Adler & Ghadar, 1990; Beer, Spector, Lawrence, Mills, & Walton, 1984; Dowling, Welch, & Schuler, 1999; Sisson, 1994). Yet, the third influence that this thesis revealed has not been raised to the same extent in existing HRM/IHRM literature yet. The empirical contribution to existing HRM/IHRM literature is therefore that “understanding of pension vehicles and considering pensions as an employee benefit locally” is an additional influential factor that should be taken into consideration in related research.

7.2.1.2 Empirical contribution to pension literature

Empirical contribution to the existing literature around pension provision (particularly workplace pensions) made by this thesis centred around the employer perspective of pension provision, the geographical insights into the Mexican pension system, and the significance of the GFC in terms of pensions. The key contributions can be summarised as: providing an in-depth analysis on the Mexican pension system and the drivers for change in the context of the GFC, and the impact the crisis has had on workplace pensions from the employer’s perspective, and relativising the role of the GFC within the context of pensions⁶⁵. In addition, the thesis widens the existing pension debate – mostly by the disciplines of accountants, finance and economists – that pensions are a form of deferred pay (Blacker, 1980; Tepper, 1981). Yet, other pension literature has argued that by only seeing pensions as a form of deferred pay – other important labour-oriented components are missing. Workplace pensions for example incentivise employees to work harder and also increase employees’

⁶⁵More information on the empirical contribution to both – pension and HRM/IHRM literature by undertaking interdisciplinary research can be found in section 7.2.2.1.

willingness to remain in employment with the same company (Lazear, 1983). From an employer perspective, workplace pensions also affect employee turnover and the timing of retirement (Lazear & Moore, 1988; Lee, Hsu, & Lien, 2006; Lepak & Snell, 2002; Wolf & Levy, 1984). Empirical findings in this thesis have supported the employer perspective of workplace pensions (which was the view taken by this thesis) – and has therefore widened the pension debate that solely considers pensions as deferred pay.⁶⁶

There has been a gap in pension literature that highlighted the legislative, market and socio-economic pension changes the GFC has caused in Mexico. Empirical findings indicated that the pension changes in Mexico were aligned with the global changes identified in the literature review (please see Chapter two). It therefore supports related studies (among others see Barr & Diamond, 2008; Van Dalen, Henkens, & Hershey, 2010; Whitehouse, 2000).

This thesis also provides new empirical contribution on the impact the crisis has had on workplace pensions as it applies the employer's perspective (expanding from the existing pension studies). In addition to the global trends (i.e. decreasing DB and increasing DC pension provision) it found companies in Mexico took other steps as a consequence of the crisis. They converted termination severance pay to DB pensions, used pensions as a tool to more easily dismiss people, and decided to provide workplace pensions due to local demands and to certain employee groups. Existing pension literature seemed to have not addressed this important angle of workplace pension management to date.

Lastly, the thesis relativised the role of the GFC, which had formed the intellectual trigger at the outset when starting to undertake this research. Yet, when conducting the research, processes were already under the way and the influence of the GFC had been relativised. From the pension literature review the role of the GFC seemed to play a significant role in the development of workplace pensions (among others see Antolín & Stewart, 2009; Casey, 2012; Coates, 2001). Up until the analytical stage where market trends were applied to the case studies (see level five in Table 7.2 above), the role of the GFC seemed to be significant. Yet empirical findings

⁶⁶More information on workplace pension provision from an employer perspective can be found in Chapter two, under section 2.2.1.

in this thesis revealed that the GFC in itself did not cause any of the case studies to make amendments to their pension provision, and therefore has relativised the role of the crisis when analysing the transfer of global pension policies and practices. Reconsidering and questioning the importance of the crisis, based on the empirical findings of this study, contributes to the pension as well as the HRM/IHRM literature. Further research that builds on this thesis should also review the role of the GFC as a conceptual boundary.

7.2.2 Theoretical and conceptual contribution

7.2.2.1 Interdisciplinary research

The existing pension literature showed that there has been a pension change on the macro level. It highlighted that pension privatisation has caused severe socio-economic challenges to countries – especially emerging markets – at the time of population ageing. This trend has increased the need to provide employer-sponsored workplace pension provision on the firm level. Yet, MNCs have been undergoing global pension reviews aiming to mitigate costs and risks (particularly spurred by crises) and have therefore either reduced the provision of employer-sponsored workplace provision around the world, or moved the pension responsibility to the employee. Pension and HRM/IHRM literature was reviewed in order to address the research problematic, aiming to understand whether there is a practical connection between the increasingly risk-averse global MNCs' pension policies and practices – and the increasing local need for employer-sponsored pension provision, by reviewing the decision-making process within MNCs. Yet, as each set of literature could not provide answers to the research problematic, further investigation in form of interdisciplinary research was necessary.

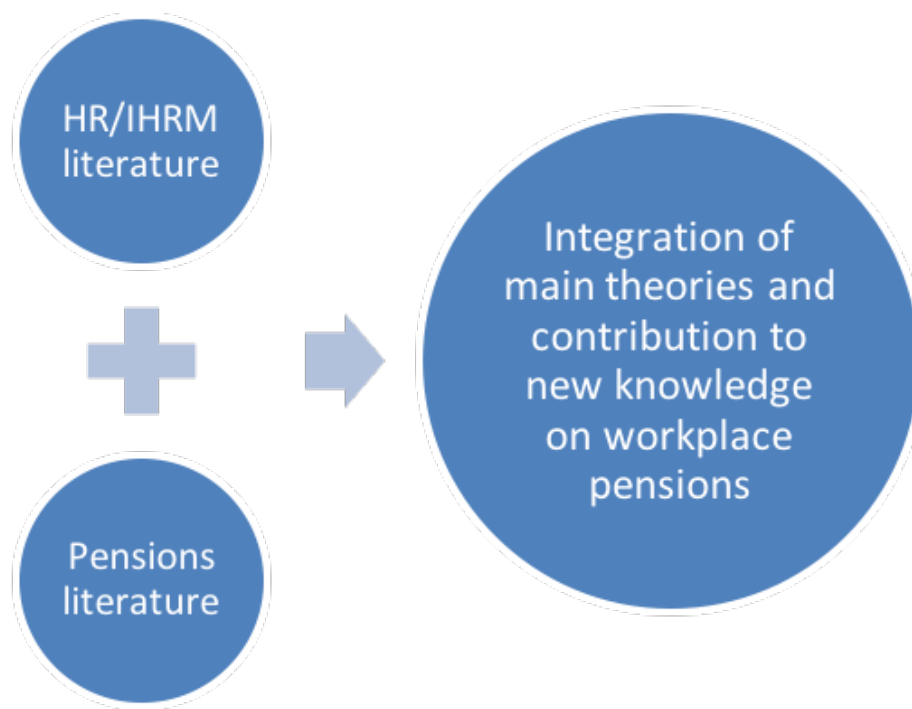


Figure 7.4: Empirical contribution to HRM/IHRM and pensions

Undertaking interdisciplinary research enabled the researcher to view workplace pensions as an HRM instrument. This approach contributed to existing pension literature which typically sees workplace pensions as a component of the wider pension system, representing one of the pension pillars as outlined in Chapter two. Existing HRM/IHRM literature has paid only limited attention on employee benefits and even less on workplace pensions. Therefore, by combining the disciplines, deeper understanding on the varying degrees of and influences on transfer of HR policies and practices – here specifically pensions – has been made.

7.2.2.2 New theoretical framework

For this thesis significant new theoretical and conceptual contribution was made in form of creating a new analytical research framework. A new framework was developed in order to be able to examine research questions. The three-level analytical framework – which provided the framework of investigating pension provision within MNCs – was created in order to be able to analyse the decision-making process of pension within MNCs, including the extent of influence from local market trends and/or global policies and practices on local decision-making. The new framework contributes with a new conceptual development and methodological enactment. The research framework

narrowed down and clustered the existing HRM and IHRM literature and streamlined the literature into three key forces of influence (organisational, stakeholder and local). It was used for three essential conceptual tasks in this thesis:

- All interview schedules for the field research were based on the three forces of influence (which were formed as part of building the framework in Chapter three) to collect relevant, in-depth and consistent empirical data for analysis.
- The framework provided a first filter of analysis, to understand the pension policy transfer from global to local entities (levels one to three). This filter of analysis was applied to all three case studies.
- The framework also provided a second filter of analysis, to understand whether the local adoption of global policies and practices have been influenced by local factors (level four). The second filter of analysis was applied to all three case studies.

The framework provides an analytical lens through which to study pension provision, which is part of the HR decision-making within MNCs.

The applicability of the research framework in terms of qualitative data collection during and after the field research was consistently reviewed, in order to ensure that the setting within which the questions have been developed does not impact the quality and scope of data findings.

The research framework demonstrated its utility, as it had ensured that the right level of information was received as well as it enabled consistency across the interviews that took place. Especially during the first field research the framework provided the necessary guidance for data collection. During the second field research more flexibility was applied, yet after reviewing the additional questions asked – they could have still been part of one of the clusters defined in the framework. Arguably, the research framework has provided an all-encompassing structure that can be used when undertaking interviews on the mechanisms around HR policy transfer within MNCs. In addition, the research framework was utilised during the research (notably in Chapter five and six) to analyse the pension policy and practices transfer from global to local, and identify factors that have influenced local decision-making. The empirical findings were applied to the research framework in order to undertake the analysis.

It is important to note, that the application of the research framework has allowed for flexibility to ensure that findings beyond the scope of the framework setting were taken into account (mostly when narrowing the research down to pension provision – as per Chapter six).

During the research one limitation of the research framework became apparent. Chapter six reveals that the pension knowledge and understanding of stakeholders play a crucial role in terms of pension decision-making. The recommendation would be to include this additional component under the “stakeholder” (knowledge and interest in pension provision of all stakeholders) and “local market” (knowledge of local stakeholders) forces to ensure that the influences covered in more depth. In order to be able to adequately review stakeholder’s knowledge and interest in pension provision, related literature on knowledge transfer (Björkman & Lervik, 2007; Minbaeva, 2007; Szulanski, 1996) should also be taken into consideration for the revised research framework. In Chapter three, a detailed review of the existing HRM/IHRM literature has highlighted the relevant literature when developing the research framework (most notably, literature on convergence, divergence and cross-convergence as well as culture⁶⁷). Yet, as knowledge plays an instrumental role when taking pension decision-making (as this thesis has found), related literature should be further developed and integrated for future research. The research framework integrates relevant HRM/IHRM literature and takes account of related (yet distinct) institutional literature. By integrating different literature, the research framework ensures that the analysis on the decision-making process is rich and in-depth and takes account of the multi-dimensional complexity of MNCs. Therefore, it tries to avoid subjectivity, simplicity, standardisation and over-generalisation, which are factors that critics have for example often highlighted when only one type of literature was applied to explain transfer (Crouch, Schröder, & Voelzkow, 2009; Ferner, Almond, & Coiling, 2005; Kostova, 1999; Lane & Wood, 2009; Streeck, 2009).

The research framework provides a good, analytical structure for research and can be used as a guiding tool for other researchers. Arguably, other HR components as part

⁶⁷Institutional research has been reviewed and has helped to build a deeper theoretical understanding on transfer of practices and knowledge. Related institutional literature, however, has only been reflected and incorporated into the research framework within the context of convergence, divergence and cross-convergence.

of policy transfers can be investigated by adopting this research framework also. It incorporates external and internal factors which may impact decision-making within multi-dimensional, multi-layered complex organisations from existing literature and research. The framework provides flexibility, as depending on the organisation and the subject of study one or the other force of influence may be of greater importance. Yet, arguably all three clusters would need to be considered as part of analysing a HR policy transfer.

The research framework created for this thesis is therefore contributing to existing literature in the form of a new theoretical framework. This can be reapplied for other research related to HR policies and practices transfer. The HRM/IHRM literature can use the research framework for further analysis on policy and practices transfer (beyond the scope of pensions). The framework contributes to the existing pension literature by providing a structural and analytical overview on the different influences that may impact workplace pension provision (from an organisational and wider market perspective). These components should be reviewed and incorporated when undertaking workplace pension related research in the realm of pension literature. The framework provides a theoretical and analytical construct for future research that undertakes an interdisciplinary research by combining the pension and HRM/IHRM literature. This thesis has embarked on this new route and has opened up several opportunities for further research (see 7.4 for further information).

7.3 Limitations of study

While the findings in this research offer new/enhanced knowledge and understanding, the thesis has some limitations. Overall, one needs to be cautious in making broad generalisations, especially when referring to only three case studies (related limitations are further addressed below) and to MNCs which differ in their complexity and are subject to numerous influential factors, and countries as there are various historically-set institutional foundations that may impact a change/development which cannot be all addressed and reviewed within the scope of a PhD thesis⁶⁸. Even though the qualitative case study approach for this study has allowed for some theoretical gen-

⁶⁸For the scope of this thesis, historical analyses of developments within Mexico have been out of scope. Instead, trends and developments highlighted as part of the data collection was represented.

eralisations and has proven to be effective when investigating the research questions in-depth, some caution needs to be applied to its interpretation.

The use of semi-structured interviews based on the research framework has proven to be a good method to source empirical data. During the first field-research all selected stakeholders were interviewed. Afterwards the key themes were identified and consequently interviewee questions were refined. During the second field-research interviews took place with a smaller number of stakeholders selected based on their ability to provide further insights into these themes as well as subject to their availability to be interviewed again. The flexibility in the interview design may be considered a limitation for the purpose of this thesis – as the framework required several topics to be addressed within a specific time-frame. Flexible interview designs may make it difficult for the researcher to manage a focused interview with participants. Yet from a researcher's perspective the interviews consistently enhanced in quality and understanding (due to the researcher's increased knowledge around the themes/topics and the improved interview schedules). Also access to stakeholders with fundamental information for this study has been available if not through interviews, then email conversations prevailed throughout the course of this study.

An additional limitation may be centred around the scope of interviewees within the case studies. Increasing the scope of interviewees may have supported the researcher's analysis further on the multi-dimensional complexity within organisations. Especially focusing on the local business decision makers may have enhanced the empirical data around workplace pension decision-making. While, it may be perceived as a limitation to this study, arguably the strong influence of the local business when taking decisions related to workplace pensions has become apparent due to this study and its empirical findings. Therefore, increased focus on the local business stakeholders could instead be considered a recommendation for further research rather than a limitation of this study. Also, interviewing trade unions may provide further insights for future research, despite their limited influence on the case studies participating in this study (as some did not have any or only limited exposure to trade unions). Also, especially in terms of workplace pension provision – trade unions have not been involved in negotiating terms and conditions yet. As this thesis focuses on the employer perspective, it was found that the lacking insights from trade unions would not be obstructing this

research.⁶⁹ The interviews undertaken in this research have provided the theoretical saturation to answer the research questions, and are therefore – while small in total number and scope – considered as adequate.

The restricted number of case study forms the third limitation for this research. The challenges that have been experienced during the course of this study with the number of case studies selected have been that more time had to be invested and planning for the process of data collection had to be thorough, in order to ensure that the data that is received is relevant and in-depth. Despite the adequate level of data received (as per previous paragraph), the number of case studies have made it still difficult to draw general conclusions. As outlined in Chapter four, the researcher chose to undertake a multi case studies approach to address the research problematic and to provide more compelling data. The Swedish MNCs have been selected based on their commonalities, yet one of the three case studies had a noticeable smaller global headcount (Alfa Laval with 14,000 – versus Ericsson and AB Volvo with over 100,000 employees). While this discrepancy initially seemed to have had an influence on the findings around HR policy transfer (as it has been assumed that smaller organisations face less complexity and multi-dimension), the data findings revealed that Alfa Laval had more commonalities with AB Volvo in terms of HR policy transfer than AB Volvo had with Ericsson. Therefore, the global headcount number had been found to be less important for the purpose of this study. For this thesis, the selection of case studies was adequate (especially as the importance/independence of the local entities in terms of taking workplace pension decisions had not been known at the outset of the study). For further research it may be of interest to focus on the comparability among the local operating entities of MNCs in Mexico, as well as Mexican owned firms. During the course of undertaking this research it has become apparent that the local entities differ largely in terms of size (headcount and sales efforts) and type of employees (blue/white collar workers). Also, two of the three case studies have not been offering workplace pensions locally; therefore the analysis around the impact of the GFC on workplace pension decision-making within the case studies has been limited in scope. The limitations around the comparability of local entities (in terms of institutional set-up and the provision of workplace pensions) have arguably

⁶⁹More information about the interviewing trade unions for the purpose of this study can be found in Chapter four.

impacted the scope of empirical findings for this study, and having reviewed the local comparability (and potentially selecting different case studies) would have enhanced this research. While undertaking this study, it became apparent that the adoption of global pension policies and practices is significantly influenced by local entities. It is therefore recommended that for further research more emphasis is made on the comparability of local entities.

7.4 Recommended future research

This study aimed to contribute with new and enhanced understanding to literature and business knowledge. It based its research on existing literature, and has since paved the way for further research. As outlined during the previous section, several limitations of this study have highlighted the need for further research in order to enhance its validity and opportunity for generalisation. The recommendations related to the limitations include:

- Increasing the scope of interviewees within the case studies and especially the business leaders of local operating entities to enhance the empirical findings around the local influences on workplace pension provision, and trade unions.
- Selecting local entities that are comparable in terms of their institutional framework (most notably size and provision of workplace pensions) to improve the empirical findings around the influence the GFC has had on workplace pension provisions. The findings could be further compared to the general market development findings in Mexico. An option could also be to compare local entities of MNCs to local companies. Emphasis should, however, lie on the comparability of the local operation.
- Selecting more case studies in order to be able to obtain more empirical data, and therefore to be able to draw some general conclusions.

In addition to the recommendations highlighted above, additional topics and themes for further research have been identified (some of these have been addressed in section 7.1.1) which would contribute to the pensions and HR literature.

Firstly, all case studies had a cross-vergence approach to managing global benefits and pensions. The scale of convergence/divergence however differed among the three case studies. According to the findings, it became apparent that the scope of impact the three forces of influence had on the case studies correlated with the convergence/divergence tendency of the global benefit approach. As such, the more positive impact has been spread across the three forces, the more systematically benefit policies have been transferred within the MNCs. Further research, testing whether the correlation prevails with a different set of MNCs would generate significant knowledge to the existing HRM literature and increase the awareness and applicability of the research framework created for this study.

Additionally and as mentioned throughout this Chapter, this study has highlighted the importance of local business needs in terms of workplace pension decision-making. This has raised two important conceptual questions: 1. What factors make local business needs so important when taking workplace pension decisions (for example: needing to access local budgets, or local knowledge to understand complex local legislative requirements)? 2. Are local business needs influential for workplace pensions only, or can their influence extend to other employee benefits or even wider TR components? Future research could explore the role of the local influences in more depth to investigate any conclusive findings in terms of which factors are more influential than others for workplace pensions – and other components of TR. Related research could also investigate how the local business needs differ between MNCs' entities and local companies – respective to pension/TR decision-making.

This study has also contributed to knowledge around pension provision in Mexico. As previously mentioned, the average expected replacement rate with pension income from pillar zero and one has been expected to be 20-30 per cent under the reformed pension system, which is critically low. Workplace pensions have been perceived and evidentially also have actually been playing an increasingly important role in Mexico to ensure adequate pension income. Yet, they still only cover a marginal amount of the total population. For the researcher it felt that a time-bomb was ticking, and therefore further research on the adequacy of workplace pensions in Mexico and of course potential solutions on bridging the divide between the conceptual pension coverage that supposedly exists versus the severe lack of pension income in reality

is essential. Arguably, voluntary savings would not bridge the gap of local pension inadequacy due to the cultural mentality and lack of financial literacy. Therefore, enhanced vehicles around pillar zero and one could be further explored. Additional research on how employers in Mexico could be incentivised to provide workplace pensions while not endangering their status as a low-cost labour market, would also contribute to the overall theme of pension inadequacy in Mexico.

Also, it would be interesting to review whether with the same case study scope and sample (therefore Alfa Laval, AB Volvo and Ericsson), differences emerge when comparing Mexico with other local entities in their respective countries. Therefore, further studies could investigate whether other countries with different pension systems and political internal as well as external situations have a different approach to workplace pension provision and the respective decision-making process within the MNCs. Comparing countries – i.e. Mexican subsidiaries with other local entities in varying countries – would also strengthen the applicability of the research framework.

More recommended research related to the pension literature could be around the pension gap. While there has been a pension provision gap prior to the crisis the GFC has not necessarily worsened the situation. Some legislative changes were undertaken due to the crisis (in the case of Mexico these centred mainly around pillar one). In terms of workplace pensions the crisis has had limited impact, which ultimately could be seen as a good development as it has not gotten worse. For further research it is important to review on how the gap could be addressed and how the situation could be changed beyond the scope of Mexico.

While this study has revealed that the influence of HQ companies is limited in terms of ensuring that local workplace pension provision is offered, it may be difficult to come to the conclusive generalisation solely based on this research. As discussed and outlined in Chapter two, the role of workplace pensions differs depending on the three or five pillar model implemented within each country and the emphasis given to each (mostly from a legislative perspective). In Sweden's case for example – which acted as home country case study for this thesis, it may be that workplace pensions have been supporting the overall old-age-income for an individual given the large regulative framework it is based in (for example through the use of collective bargaining agreements). Therefore, further research would be recommended to investigate whether

the Mexico specific findings in this research also apply to other countries with the same and for a deeper analysis, also for countries operating under a different pension system and structure. The aim would be to undertake research findings in other countries – and to understand how they differ to Mexico.

The study highlighted that the use of market practice and benchmarking information has played some role in how workplace pensions are monitored within MNCs. Yet, there have been some questions around the applicability of benchmarks to organisations and the methodology on how the benchmark was built. In the case of Mexico, it was argued that the benchmark has been a self-fulfilling prophecy impacted by MNCs operating in the local Mexican market. As this set of information plays an important role in benefit provision making within companies, the development of how local companies are developing their benefit provision – and to some extent policy making, further research on the benchmarking methodology would be recommendable. This would include further investigations on whether some stakeholders (such as international consulting firms) actually use market benchmarking as a tool for business development rather than creating and sharing thoroughly researched intellectual capital.

Overall, it is important to highlight that interdisciplinary research has proven to be a fruitful discourse of study. This thesis has triggered a new research agenda that integrates the studies of pensions and HRM/IHRM. It is worthwhile to continue related research, combining HRM/IHRM and pension literature and applying the newly created research framework (outlined in section 7.2.2). Existing research has started to review how benefits have impacted employee turnover (Lee, Hsu, & Lien, 2006). Within the realm of interdisciplinary research and by adopting the research framework, it would be interesting to conduct further studies on workplace pension provision as an instrument to achieve talent management goals (such as employee turnover, employee engagement, and employee productivity levels). The research could provide insightful findings into how workplace pension provision influences talent management goals among white-collar and blue-collar workers, as well as employees on different managerial levels. Executive pension provision has attracted a lot of attention among researchers already (among others see Abowd & Bognanno, 1995; Bebachuk, Fried, & Olin, 2005; Saks & Frydman, 2008). Inter-cultural studies could provide further

insights – and applying the research framework could reveal the global transfer of workplace pensions and impact on the respective talent management goals. Other interdisciplinary pension and HRM/IHRM research could review how the different leadership and management styles either support or obstruct workplace pension provision. HRM/IHRM research has conducted several studies related to leadership and management types, impacting several components of HR and Talent management (for example performance and job satisfaction, organisational culture and effectiveness). This study identified that pension decision-making is largely shaped by local factors and taken by local HR or business managers. It would be insightful to understand how individual management styles impact workplace pension provision – still within the realm of global pension policy transfer and pension privatisation. When known, organisations could provide relevant courses to support the implementation/adherence to global pension policies and practices. This area of research also relates to another interdisciplinary research topic, which focuses on the organisational life-cycle and respective relevance/importance of workplace pension provision. Existing research, for example by Balkin and Gomez-Mejia (1990) reviewed how organisations have matched compensation with organisational strategies. Typically related research has focused on pay only. It would be interesting to apply (among others) the institutional-path theory and understand how organisations have developed depending on their organisational business strategies and managed workplace pensions. Applying the research framework could reveal further insights into when the tipping point has been reached at which workplace pensions became an important, globally managed component of HR. This study would also further review the applicability of the research framework, and supplement this study which has only focused on large MNCs. It could address the question whether mid-size companies that are operating under similar legislative conditions (needing to ensure local compliance) and the need to attract good talent, have managed global pension policies the same way.

7.5 Conclusion

This Chapter has summarised the empirical findings of this thesis and answered all the research questions posed for the investigation of the study. It found that the research

questions outlined at the outset of the research were adequate to address the research problematic and research focus. The overall contribution of this study is threefold. It provides a holistic analysis of pension and HRM/IHRM literature and provides empirical, theoretical and conceptual contributions. A new research framework that can be applied for further research (especially around HR policy transfer) was created and introduced, and new as well as enhanced empirical knowledge to existing pensions and HRM/IHRM literature was developed. Some limitations to research have been listed which largely centred around the use of case studies and number of interviewees selected within the case studies. Yet, while the limitations were not considered to have had a significant impact on the quality of this study – further research could address these limitations. In addition, the researcher has listed several other topics and themes that would significantly contribute to the current pension and HRM/IHRM literature which have evolved as part of the research.

This study showed that HQ has limited influence on local decision-taking related to pensions. Local HR competencies and business needs' therefore steer the decision on whether to provide workplace pensions to employees, and largely what type of provision should be offered. As workplace pension provision has become an increasingly important component of pension saving around the world – this study has explored an essential topic in our society. With governments receding, some expectations have been for companies (and here specifically MNCs) to take their place by ensuring workplace pension provisions are offered so that individuals can retire with an adequate pension income. Yet, as this study shows, this has not necessarily been the case as HQ's guidelines have limited influence on local pension decision taking, and also as MNCs' global pension policies and practices have not focused on ensuring employee's financial wellbeing in old-age and instead focused on risk and cost mitigation. This is an important contribution to knowledge in the field, as it impacts everyone and if not addressed soon we will be facing an epidemic socio-economic problem where just one of the many consequences will be a severe social divide.

Bibliography

- AB Volvo. (2008). *Annual Report*. Retrieved from <http://www.volvogroup.com/content/dam/volvo/volvo-group/markets/global/en-en/investors/reports-and-presentations/annual-reports/Volvo%20Group%20Annual%20Report%202008-EN.pdf>
- AB Volvo. (2009). *Annual Report*. Retrieved from <http://www.volvogroup.com/content/dam/volvo/volvo-group/markets/global/en-en/investors/reports-and-presentations/annual-reports/Volvo%20Group%20Annual%20Report%202009-EN.pdf>
- AB Volvo. (2010). *Annual Report*. Retrieved from <http://www.volvogroup.com/content/dam/volvo/volvo-group/markets/global/en-en/investors/reports-and-presentations/annual-reports/Volvo%20Group%20Annual%20Report%202010-EN.pdf>
- AB Volvo. (2011a). *AB Volvo evaluates the possibility of divesting Volvo Aero*. Retrieved from <http://www.volvogroup.com/en-en/news/2011/nov/news-113016.html>
- AB Volvo. (2011b). *Annual Report*. Retrieved from <http://www.volvogroup.com/content/dam/volvo/volvo-group/markets/global/en-en/investors/reports-and-presentations/annual-reports/Volvo%20Group%20Annual%20Report%202011-EN.pdf>
- AB Volvo. (2012). *Annual Report*. Retrieved from <http://www.volvogroup.com/content/dam/volvo/volvo-group/markets/global/en-en/investors/reports-and-presentations/annual-reports/Volvo%20Group%20Annual%20Report%202012-EN.pdf>
- AB Volvo. (2013). *Annual Report*. Retrieved from <http://www.volvogroup.com/content/dam/volvo/volvo-group/markets/global/en-en/investors/>

reports-and-presentations/annual-reports/Volvo%20Group%
20Annual%20Report%202013-EN.pdf

- AB Volvo. (2016a). *Annual and Sustainability Report*. Retrieved from <http://www.volvogroup.com/content/dam/volvo/volvo-group/markets/global/en-en/investors/reports-and-presentations/annual-reports/annual-and-sustainability-report-2016.pdf>
- AB Volvo. (2016b). *Changes to Volvo's Group Executive Board and truck organization with clearer commercial accountability*. Retrieved from <http://www.volvogroup.com/en-en/news/2016/jan/news-151446.html>
- Aberdeen. (2016). *Emerging Market Sovereign Debt*. Retrieved from http://www.aberdeenprivateequity.co.uk/file_source/documents/cbac8182-4995-4a3b-8e28-d0b8b73c155d/1/25750-030616-1att1m898.pdf
- Abowd, J. M., & Bognanno, M. (1995). International Differences in Executive and Managerial Compensation. In R. B. Freeman & L. F. Katz (Eds.), *Differences and Changes in Wage Structures* (p. 67-104). Chicago, IL: University of Chicago Press.
- Acuña, R., Palomino, M., Villar, L., Villagómez, A., & Valero, D. (2015). *International Dimensions of Organizational Behaviour*. Chile: Tomo I. Sura Asset Management.
- Adler, N. J. (1991). *International Dimensions of Organizational Behaviour*. Boston, MA: PWS-Kent.
- Adler, N. J., & Ghadar, F. (1990). Strategic human resource management: global perspective. In R. Pieper (Ed.), *Human resource management: an international comparison*. Berlin: W. de Gruyter.
- Adler, P., & Adler, P. (1987). *Membership Roles in Field Research*. Newbury Park, CA: Sage.
- Aggarwal, R., Berrill, J., Hutson, E., & Kearney, C. (2010). What is a Multinational Company? Classifying the Degree of Firm-Level Multinationality. *International Business Review*, 20(5), 557-577.
- Aguila, E., Hurd, M. D., & Rohwedder, S. (2014). How Do Management Fees Affect Retirement Wealth under Mexico's Personal Retirement Accounts System? *Latin American Policy*, 5(2), 331-350.

- Alfa Laval. (2009). *Annual Report*. Retrieved from http://www.alfalaval.com/globalassets/documents/investors/english/annual-reports/2009_annual_report_eng.pdf
- Alfa Laval. (2010). *Annual Report*. Retrieved from http://www.alfalaval.com/globalassets/documents/investors/english/annual-reports/2010_annual_report_eng.pdf
- Alfa Laval. (2011). *Alfa Laval's LEB Policy*. (internal document)
- Alfa Laval. (2015). *Annual Report*. Retrieved from http://www.alfalaval.com/globalassets/documents/investors/english/annual-reports/2015_annual_report_eng.pdf
- Alfa Laval. (2016). *Annual Report*. Retrieved from <http://www.alfalaval.com/globalassets/documents/investors/english/annual-reports/annual-report-2016.pdf>
- Aliaga, M., & Gunderson, B. (2000). *Interactive Statistics*. Upper Saddle River, NJ: Prentice Hall.
- Andersen, T. M., Holmström, B., Honkapohja, S., Korkman, S., Södeström, H. T., & Vartiainen, J. (2007). *The Nordic Model – Embracing Globalization and Sharing Risks*. Helsinki: Taloustieto Oy.
- Anderson, K. M. (2015). *Occupational Pensions in Sweden*. Berlin: Friedrich Ebert Stiftung. Retrieved from <http://library.fes.de/pdf-files/id/12113.pdf>
- Anderson, K. M., & Meyer, T. (2003). Social Democracy, Unions, and Pension Politics in Germany and Sweden. *Journal of Public Policy*, 23(1), 23-54.
- Andersson, U., & Forsgren, M. (2000). In search of centre of excellence: Network embeddedness and subsidiary roles in multinational corporations. *MIR: Management International Review*, 40(4), 329-350.
- Antolín, P. (2010). Private pensions and the financial crisis: How to ensure adequate retirement income from DC pension plans. *OECD Journal: Financial Market Trends*, 2009(2), 153-179.
- Antolín, P., & Stewart, F. (2009). Private pensions and policy responses to the financial economic crisis. *OECD Journal: Financial Market Trends*, 2009(1), 127-141.

- Araujo, M., & Buitrón, P. (2013). *Programa de Desarrollo Humano Oportunidades. Evolución y Desafíos*. Retrieved from <http://services.iadb.org/wmsfiles/products/Publications/38246339.pdf>
- Arthur, J. B. (1994). Effects of human resource systems on manufacturing performance and turnover. *Academy of Management Journal*, 37(2), 670-687.
- Bacharach, S. B. (1989). Organizational Theories: Some Criteria for Evaluation. *Academy of Management Review*, 14(4), 496-515.
- Baird, L., & Meshoulam, I. (1988). Managing Two Fits of Strategic Human Resource Management. *Academy of Management Review*, 13(1), 116-128.
- Balkin, D. B., & Gomez-Mejia, L. R. (1990). Matching compensation and organizational strategies. *Strategic Management Journal*, 11(2), 153-169.
- Banco de Mexico. (2009). *Reporte sobre el sistema financiero, julio 2009*. Retrieved from <http://www.banxico.org.mx/publicaciones-y-discursos/publicaciones/informes-periodicos/reportesf/%7B5286741D-A39E-9745-B393-AF3DF0A5AE85%7D.pdf>
- Barr, N. A. (2002). Reforming pensions: myths, truths, and policy choices. *International social security review*, 55(2), 3-36.
- Barr, N. A. (2013). *The pension system in Sweden. Rapport till Expertgruppen för studier i offentlig ekonomi, 2013:7*. Stockholm: Regeringskansliet, Ministry of Finance.
- Barr, N. A., & Diamond, P. A. (2008). *Reforming pensions: principles and policy choices*. Oxford: Oxford University Press.
- Bartlett, C. A., & Ghoshal, S. (1987). Managing across borders: New organizational responses. *MIT Sloan Management Review*, 29(1), 43-54.
- Bartlett, C. A., & Ghoshal, S. (1998). Managing Across Borders. The Transnational Solution. *American Foreign Policy Interests*, 21(1), 20-22.
- Baskerville, R. (2005). A research note: the unfinished business of culture. *Accounting, Organizations and Society*, 30, 389-391.
- Bean, R. (1994). *Comparative Industrial Relations: An Introduction to Cross-National Perspectives*. London: Routledge.
- Bebchuk, L. A., Fried, J. M., & Olin, J. M. (2005). *Executive compensation at Fannie Mae: a case study of perverse incentives, nonperformance pay, and camouflage*.

Cambridge, MA: Harvard Law School, John M. Olin Center for Law, Economics, and Business.

- Bechter, B., Brandl, B., & Meardi, G. (2012). Sectors or countries? Typologies and levels of analysis in comparative industrial relations. *European journal of industrial relations*, 18(3), 185-202.
- Becker, B., & Gerhart, B. (1996). The impact of human resource management on organizational performance: progress and prospects. *Academy of Management Journal*, 39(4), 779-801.
- Beer, M., Spector, B., Lawrence, P. R., Mills, D. Q., & Walton, R. E. (1984). *Managing Human Assets*. New York, NY: The Free Press.
- Béland, D., & Gran, B. (2008). *Public and private social policy: health and pension policies in a new era*. Basingstoke: Palgrave Macmillan.
- Bélanger, J., Berggren, C., Björkman, T., & Köhler, C. (1999). Being local worldwide: ABB and the challenge of global management. *Asia Pacific Journal of Human Resources*, 38(3), 117-119.
- Bell, J. (1993). *Doing Your Research Project: A guide for first-time researchers in education and social science* (second ed.). Buckingham, PA: Open University Press.
- Bergman, M. M., Eberle, T. S., Flick, U., Forster, T., Horber, E., Maeder, C., . . . Widmem, J. (2010). *Qualitative Research Methods*. Bern: The Swiss Academy of Humanities and Social Sciences (SAHS).
- Beshears, J., Choi, J. J., & Laibson, D. (2008). How are preferences revealed? *Journal of Public Economics*, 92(8), 1787-1794.
- Besley, T., & Prat, A. (2003). *Pension Fund Governance and the Choice Between Defined Benefit and Defined Contribution Plans*.
- Bhimani, A. (1999). Mapping methodological frontiers in cross-national management control research. *Accounting, Organizations and Society*, 24, 413-440.
- Bjarnar, O., & Kipping, M. (1998). The Marshall Plan and the transfer of US management models to Europe: An introductory framework. In M. Kipping & O. Bjarnar (Eds.), *The americanisation of european business: The marshall plan and the transfer of us management models* (p. 1-17). London: Routledge.
- Björkman, I., & Lervik, J. E. (2007). Transferring HR practices within multinational

- corporations. *Human Resource Management Journal*, 17(4), 320-335.
- Blacker, F. (1980). The Tax Consequences of Long-Run Pension Policy. *Financial Analysts Journal*, 36(4), 21-28.
- Blanchard, O. (2009). The crisis: basic mechanisms, and appropriate policies. *Working paper (Massachusetts Institute of Technology. Department of Economics)*.
- Blaxter, L., Hughes, C., & Tight, M. (1996). *How to research*. Buckingham, PA: Open University Press.
- Bloomberg. (2015). *Best Emerging Markets 2015: Countries*. Retrieved from <http://www.bloomberg.com/slideshow/2013-01-30/the-top-20-emerging-markets.html#slide9>
- Boelaars, I. A., Cox, R., Lever, M., & Mehlkopf, R. (2014). What is the value of “collective” in collective DC? *Netspar Discussion Paper*, 89.
- Bonoli, G. (1997). Pension politics in france: patterns of co-operation and conflict in two recent reforms. *West European Politics*, 20(4), 111-124.
- Bonoli, G. (2000). *The politics of pension reform: institutions and policy change in Western Europe*. Cambridge: Cambridge University Press.
- Boxall, P., & Purcell, J. (2011). *Strategy and Human Resource Management*. Basingstoke: Palgrave Macmillan.
- Boyer, R. (1998). The Pyrrhic Victory of Anglo-Saxon Capitalism. *Thesis Eleven*, 53(1), 93-101.
- Boyer, R., Charron, E., Jürgens, U., & Tolliday, S. (1998). *Between imitation and innovation: the transfer and hybridization of productive models in the international automobile industry*. Oxford: Oxford University Press.
- Brewster, C., & Hegewisch, A. (1994). *Policy and Practice in European Human Ressource Management*. London: Routledge.
- Bridgen, P., & Meyer, T. (2005). When Do Benevolent Capitalists Change Their Mind? Explaining the Retrenchment of Defined-benefit Pensions in Britain. *Social Policy & Administration*, 39(7), 764-785.
- Bridgen, P., & Meyer, T. (2009). The politics of occupational pension reform in Britain and the Netherlands: the power of market discipline in liberal and corporatist regimes. *WestEuropean Politics*, 32(3), 584-608.
- Broadbent, J., Palumbo, M., & Woodman, E. (Eds.). (2006). *The shift from defined*

benefit to defined contribution pension plans – implications for asset allocation and risk management. Reserve Bank of Australia, Board of Governors of the Federal Reserve System and Bank of Canada.

- Brooks, S. M. (2005). Interdependent and Domestic Foundations of Policy Change: The Diffusion of Pension Privatization around the World. *International Studies Quarterly*, 49(2), 273-294.
- Brown, V. A., & Harris, J. A. (2014). *The Human Capacity for Transformational Change: Harnessing the collective mind*. London: Routledge.
- Bryman, A. (2008). *Social Research Methods* (third ed.). Oxford: Oxford University Press.
- Bryman, A., & Bell, E. (2003). *Business Research Methods*. Oxford: Oxford University Press.
- Burtless, G. T. (2004). *Social norms, rules of thumb, and retirement: evidence for rationality in retirement planning* (No. 37). Washington, D.C.; Baltimore, MD: Center on Social and Economic Dynamics.
- Business News America. (2017a). *Chile anti-AFP campaigners turn up pressure as runoff looms*. Retrieved 29 November 2017, from <https://www.bnamericas.com/en/news/chiles-afps-when-compliance-is-not-enough/?position=715403>
- Business News America. (2017b). *Chile candidate Piñera proposes opening up AFP industry*. Retrieved 1 December 2017, from <https://www.bnamericas.com/en/news/insurance/chile-candidate-pinera-proposes-opening-up-afp-industry>
- Business Sweden. (2017). *Mexico - The Latin Economic Locomotive*. Retrieved 1 December 2017, from https://www.business-sweden.se/contentassets/b537ab807dc84aeeb9cbcc7278485e15/mexico---the-latin-economic-locomotive_web.pdf
- Cantwell, J. (1991). A survey of theories of international production. In C. Pitelis & R. Sugden (Eds.), *The Nature of the Transnational Firm*. London: Routledge.
- Casey, B. H. (2012). The implications of the economic crisis for pensions and pension policy in Europe. *Global Social Policy*, 12(3), 246-265.
- Cerami, A. (2011). Ageing and the politics of pension reforms in Central Europe,

- South-Eastern Europe and the Baltic States. *International Journal of Social Welfare*, 20(4), 331-343.
- Chapman, R. M. (1973). *How to Choose a Guru: An A-Z Guide To Telling The Real From The False*. New York, NY: Harper and Row.
- Chau, C. M., Foster, L., & Yu, W. K. (2016). Defamilisation and familisation measures: Can they reduce the adverse effects of pro-market pension reforms on women in Hong Kong and the UK? *Critical Social Policy*, 36(2), 205-224.
- Child, J., & Faulkner, D. (1998). *Strategies of Co-operation Managing Alliances, Networks, and Joint Ventures*. Oxford: Oxford University Press.
- Choi, J., Hastings, J., & Shrestha, U. (2012). The Impact of Risk and the Financial Crisis on Perceptions of Privatized Social Security and Retirement Planning. *NBER RRC Working Paper*.
- Chomik, R., & Whitehouse, E. (2010). Trends in Pension Eligibility Ages and Life Expectancy, 1950-2050. *OECD social, employment, and migration working papers, no. 105*.
- Chung, C., & Furusawa, M. (2015). The HRM of Foreign MNCs Operating in Europe. In M. Dickmann, C. Brewster, & P. Sparrow (Eds.), *International Human Resource Management: Contemporary Issues in Europe* (third ed.). London: Routledge.
- CIA. (2015). *The World Factbook*. Retrieved from <https://www.cia.gov/library/publications/the-world-factbook/fields/2010.html>
- Clark, G. L. (2003). *European pensions & global finance*. Oxford: Oxford University Press.
- Clark, G. L. (2008). Governing Finance: Global Imperatives and the Challenge of Reconciling Community Representation with Expertise. *Economic Geography*, 84(3), 281-302.
- Clark, G. L., & Monk, A. H. B. (2006). The "Crisis" in Defined Benefit Corporate Pension Liabilities: Current Solutions and Future Prospects. *University of Oxford Economic Geography Working Paper No. WPG 06-10*.
- Clark, G. L., & Whiteside, N. (2003). *Pension security in the 21st century: redrawing the public-private debate*. Oxford: Oxford University Press.
- Clark, T. (1996). The management guru as organizational witchdoctor. *Organization*,

3(3), 85-107.

- Coates, J. F. (2001). HR in an Era of New Strategic Opportunities. *Employment Relations Today*, 28(2), 1-13.
- 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), 153-172.
- Collis, J., & Hussey, R. (2009). *Business Research, a Practical Guide for Undergraduate and Postgraduate Students* (third ed.). London: Palgrave Macmillan.
- CONSAR. (2016). *Reporte anual de Planes Privados de Pensiones 2016*. La Comisión Nacional del Sistema de Ahorro para el Retiro (CONSAR).
- Cottarelli, C. (Ed.). (2011). *The Challenge of Public Pension Reform in Advanced and Emerging Economies*. Fiscal Affairs Department, International Monetary Fund.
- Creswell, J. W. (1998). *Qualitative Inquiry and Research Design: Choosing Among Five Traditions*. Thousand Oaks, CA: Sage.
- Crookell, H., & Morrison, A. (1990). Subsidiary strategy in a free trade environment. *Business Quarterly*, 55(2), 33-39.
- Crotty, J. (2009). Structural causes of the global financial crisis: a critical assessment of the 'new financial architecture'. *Cambridge Journal of Economics*, 33(4), 563-580.
- Crouch, C. (1993). *Industrial relations and European state traditions*. Oxford University Press.
- Crouch, C., Schröder, M., & Voelzkow, H. (2009). Conclusions: local and global sources of capitalist diversity. In C. Crouch & H. Voelzkow (Eds.), *Innovation in local economies : Germany in comparative context*. Oxford: Oxford University Press.
- Cutler, T., & Waive, B. (2013). But is it 'Fair'? The UK Coalition Government, 'Fairness' and the 'Reform' of Public Sector Pensions. *Social Policy & Administration*, 47(3), 327-345.
- Dacin, M., Goodstein, J., & Scott, W. (2002). Institutional Theory and Institutional Change: Introduction to the Special Research Forum. *Academy of Management Journal*, 45(1), 45-57.

- Denny, L., & Churchill, B. (2016). Youth employment in Australia: a comparative analysis of labour force participation by age group. *Journal of Applied Youth Studies*.
- Denzin, N. K. (1989). *Interpretive biography*. Newbury Park, CA: Sage.
- Denzin, N. K., & Lincoln, Y. S. (1994). *Handbook of qualitative research*. Thousand Oaks, CA: Sage Publications.
- Denzin, N. K., & Lincoln, Y. S. (2005). *Handbook of Qualitative Research* (third ed.). London: Sage.
- Diamond, P. (2009). Taxes and Pensions. *Southern Economic Journal*, 76(1), 1-15.
- Dobronogov, A., & Murthi, M. (2005). Administrative fees and costs of mandatory private pensions in transition economies. *Journal of Pension Economics and Finance*, 4(1), 31-55.
- Dowling, P., Festing, M., & Eagle, S. (2008). *International Human Resource Management* (fifth ed.). London: Thomson Learning.
- Dowling, P., Welch, D., & Schuler, R. (1999). *International Dimensions of Human Resource Management*. Belmont: Wadsworth.
- Dubin, R. (1969). *Theory building*. New York, NY: Free Press.
- Dyer, L. (1985). Strategic human resources management and planning. *Research in Personnel and Human Resources Management*, 3(1), 30.
- Easterby-Smith, M., Thorpe, R., & Lowe, A. (1991). *Managing Research: An introduction*. London: Sage.
- Ebbinghaus, B. (2005). Can path dependence explain institutional change? Two approaches applied to welfare state reform. *MPIfG Discussion Paper 05/2*.
- Ebbinghaus, B. (2006). *Reforming early retirement in Europe, Japan and the USA*. Oxford: Oxford University Press.
- Ebbinghaus, B., & Whiteside, N. (2012). Shifting responsibilities in Western Europe pension systems: What future for social models? *Global Social Policy*, 12(3), 266-282.
- Edström, A., & Galbraith, J. R. (1977). Transfer of Managers as a Coordination and Control Strategy in Multinational Organizations. *Administrative Science Quarterly*, 22(2), 248-263.
- Edwards, T., Colling, T., & Ferner, A. (2007). Conceptual Approaches to the Transfer

- of Employment Practices in Multinational Companies: An Integrated Approach. *Human Resource Management Journal*, 17(3), 201-217.
- Eisenhardt, K. M., & Graebner, M. E. (2007). Theory building from cases: opportunities and challenges. *Academy of Management Journal*, 50(1), 25-32. Retrieved from <http://apps.mobile.aom.org/uploadedFiles/Publications/AMJ/Eisenhart.Graebner.2007.pdf>
- Engström, S., & Westerberg, A. (2003). Which individuals make active investment decisions in the new Swedish pension system? *Journal of Pension Economics and Finance*, 2(3), 225-245.
- Ericsson. (n.d.). *Pension & Benefit Group Instructions*.
- Ericsson. (2015). *Annual Report*. Retrieved from <http://www.ericsson.com/res/investors/docs/2015/ericsson-annual-report-2015-en.pdf>
- Ericsson. (2017). *Ericsson's global benefit governance processes*. (working document)
- Esping-Andersen, G. (1990). *Three Worlds of Welfare Capitalism*. Princeton, NJ: Princeton University Press.
- Esping-Andersen, G. (1996). *Welfare states in transition: national adaptations in global economies*. London: Sage.
- Esping-Andersen, G. (1999). *Social Foundations of Postindustrial Economies*. Oxford: Oxford University Press.
- Espinosa-Vega, M. A., & Sinha, T. (2000). A Primer and Assessment of Social Security Reform in Mexico. *Economic review*, 85(1), 1-23.
- European Commission (Ed.). (2009). *Industrial Relations in Europe 2008*. Brussels: European Commission.
- Evans, P., & Lorange, P. (1989). The Two Logics Behind Human Resource Management. In P. Evans, Y. Doz, & A. Laurent (Eds.), *Human Resource Management in International Firms*. London: Macmillan.
- Fabozzi, F. J., Focardi, S., & Jonas, C. (2010). *Investment management after the global financial crisis*. Charlottesville, VA: Research Foundation of CFA Institute.
- Feldstein, M., & Samwick, A. (1996). The transition path in privatizing social security. *NBER Working paper no. 5761*.
- Ferner, A., Almond, P., & Coiling, T. (2005). Institutional Theory and the Cross-

- National Transfer of Employment Policy: The Case of 'Workforce Diversity' in US Multinationals. *Journal of International Business Studies*, 36, 304-321.
- Ferner, A., & Hyman, R. (1998). Introduction: Towards European industrial relations? In A. Ferner & R. Hyman (Eds.), *Changing Industrial Relations in Europe* (2nd ed.). Oxford: Blackwell.
- Ferner, A., & Tempel, A. (2006). Multinationals and National Business Systems: A 'Power and Institutions' Perspective. In P. Almond & A. Ferner (Eds.), *American Multinationals in Europe: Managing Employment Relations Across National Borders* (p. 10-33). Oxford: Oxford University Press.
- Financial Times. (2009, 10 February). Half of all CDOs of ABS failed. *Financial Times*.
- Flick, U. (2007). Editorial Introduction. In S. Kvale (Ed.), *Doing Interviews*. London: Sage.
- Flippen, C., & Tienda, M. (2000). Pathways to retirement: patterns of labor force participation and labor market exit among the pre-retirement population by race, Hispanic origin, and sex. *The journals of gerontology. Series B, Psychological sciences and social sciences*, 55(1), 14-27.
- Flora, P., & Heidenheimer, A. J. (1982). *The Development of welfare states in Europe and America*. New Brunswick, NJ: Transaction Books.
- Fombrun, C., Tichy, N., & Devanna, M. (1984). *Strategic Human Resource Management*. New York, NY: Wiley.
- Geertz, C. (1993). *The Interpretation of Cultures*. New York, NY: Basic Books.
- Gerhart, B., & Milkovich, G. T. (1990). Organizational differences in managerial compensation and financial performance. *Academy of Management journal*, 33(4), 663-691.
- Ghuri, P. (1992). New structures in MNCs based in small countries: a network approach. *European Management Journal*, 10(3), 357-364.
- Ginn, J. (2013). Austerity and inequality: Exploring the impact of cuts in the UK by gender and age. *Research on Ageing and Social Policy*, 1(1), 28-53.
- Gioia, D. A., Corley, K. G., & Hamilton, A. L. (2012). Seeking Qualitative Rigor in Inductive Research: Notes on the Gioia Methodology. *Organizational Research Methods*, 16(1), 15-31.

- Glaser, B. G., & Strauss, A. L. (1967). *The Discovery of Grounded Theory: Strategies for Qualitative Research*. Chicago, IL: Aldine.
- Gordon, C. (1991). New deal, old deck: business and the origins of social security, 1920-1935. *Politics & Society*, 19(2), 165-207.
- Government Offices of Sweden. (2015). *Sweden's Export Strategy*. Retrieved from <http://www.government.se/information-material/2015/09/swedens-export-strategy/>
- Grady, J. (2015). Gendering pensions: Making women visible. *Gender, Work & Organization*, 22(5), 445-458.
- Grandolini, G., & Cerda, L. (1998). *The 1997 Pension Reform in Mexico*. Washington, D.C.: University Press.
- Gutierrez, J. (1994). Mexico's Total Quality Effort. *Quality Progress*, 27(5), 75-76.
- Haggard, S. (1986). The Politics of Adjustment: lessons from the IMF's Extended Fund Facility. In M. Kahler (Ed.), *The Politics of International Debt*. Ithaca, NY: Cornell.
- Hall, P., & Soskice, D. (2001). *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. Oxford: Oxford University Press.
- Hamel, J. (1993). *Case Study Methods*. Newbury Park, CA: Sage Publication.
- Hannah, L. (1986). *Inventing retirement: the development of occupational pensions in Britain* (1st ed.). Cambridge: Cambridge University Press.
- Harrison, G., & McKinnon, J. (1999). Cross-cultural research in management control systems design: a review of the current state. *Accounting, Organizations and Society*, 24, 483-506.
- Hartley, J. (1994). Case Studies in Organizational Research. In C. Cassel & G. Symon (Eds.), *Qualitative Methods in Organizational Research: A Practical Guide*. London: Sage.
- Hedlund, G., & Åman, P. (1984). *Managing relationships with foreign subsidiaries: organization and control in Swedish MNCs*. Stockholm: Sveriges Mekanförbund.
- Heenan, D. A., & Perlmutter, H. V. (1979). *Multinational organization development*. Reading, MA: Addison-Wesley Publishing Company.
- Hendry, C. (1991). International comparisons of human resource management: put-

- ting the firm in the frame. *International Journal of Human Resource Management*, 2(3), 415-440.
- Hendry, C., & Pettigrew, A. (1986). The practice of strategic human resource management. *Personnel Review*, 15(5), 3-8.
- Hickson, D., Hinings, C., Lee, C. A., Schneck, R. E., & Pennings, J. M. (1971). A Strategic Contingencies' Theory of Intraorganizational Power. *Administrative Science Quarterly*, 16(2), 216-229.
- Hofstede, G. (1980). *Culture's Consequences: International Differences in Work-Related Values*. London: Sage.
- Hofstede, G. (1984). *Culture's consequences: International differences in work-related values*. London: Sage.
- Hollingsworth, J. R., & Boyer, R. (1997). Coordination of Economic Actors and Social Systems of Production. In J. R. Hollingsworth & R. Boyer (Eds.), *Contemporary capitalism. the embeddedness of institutions* (p. 1-48). Cambridge University Press.
- Huber, E., & Stephens, J. D. (2001). *Development and crisis of the welfare state: parties and policies in global markets*. Chicago, IL: University of Chicago Press.
- Huczynski, A. (1993). *Management Gurus: What makes them and how to become one*. London: Routledge.
- Hull, J. (2009). *Risk management and financial institutions* (2nd ed.). Boston, MA: Pearson Prentice Hall.
- Huselid, M. (1995). The impact of human resource management practices on turnover, productivity, and corporate financial performance. *Academy of Management Journal*, 38(3), 635-672.
- Hussey, J. C., & Hussey, R. (2003). *Business Research: A practical Guide for Undergraduate and Postgraduate Students*. London: Palgrave Macmillan.
- Hyman, R. (2004). Varieties of capitalism, national industrial relations systems and transitional challenges. In A. Harzing & J. Van Ruysseveldt (Eds.), *International Human Resource Management* (second ed.). London: SAGE Publications.
- Indexmundi. (2016). *Sweden Economy Profile 2016*. Retrieved from http://www.indexmundi.com/sweden/economy_profile.html
- Jacobs, D. (1974). Dependency and Vulnerability: An Exchange Approach to the

- Control of Organizations. *Administrative Science Quarterly*, 19(1), 45-59.
- James, E., Smalhout, J., & Vittas, D. (2001). Administrative costs and the organization of individual retirement account systems: a comparative perspective. *Private Pensions Systems: Administrative Costs and Reforms*, 17-83.
- Jones, S. (1987). Choosing Action Research: A rationale. In I. L. Mangham (Ed.), *Organisation Analysis and Development*. Chichester: Wiley.
- Kamoche, K. (1994). A Critique and A Proposed Reformulation of Strategic Human Resource Management. *Human Resource Management Journal*, 4(4), 29-43.
- Kauffman, D. (1980). *Systems 1: An introduction to systems thinking*. Minneapolis, MN: Carlton.
- Kay, S. J., & Sinha, T. (2008). Lessons From Pension Reform in the Americas. *Benefits quarterly*, 24(3), 34-39.
- Kelly, J., & Gennard, J. (2007). Business strategic decision making: the role and influence of directors. *Human Resource Management Journal*, 17(2), 99-117.
- Kerr, C., Dunlop, J., Harbison, F., & Myers, C. (1960). *Industrialisation and Industrial Man*. Cambridge, MA: Harvard University Press.
- King, N. (2004). Using interviews in qualitative research. In C. Cassell & G. Symon (Eds.), *Essential Guide to Qualitative Methods in Organizational Research* (p. 11-22). London: Sage.
- Kipping, M., Engwall, L., & Üsdiken, B. (2008). Preface: The Transfer of Management Knowledge to Peripheral Countries. *International Studies of Management & Organization*, 38(4), 3-16.
- Kipping, M., & Wright, C. (2012). Consultants in context: Global dominance, societal effect, and the capitalist system. In M. Kipping & T. Clark (Eds.), *The Oxford Handbook of Management Consulting* (p. 165-185). Oxford: Oxford University Press.
- Kochan, T., Katz, H., & McKersie, R. (1986). *The Transformation of American Industrial Relations*. New York, NY: New York Basic Books.
- Kostova, T. (1999). Transnational Transfer of Strategic Organizational Practices: A Contextual Perspective. *Academy of Management Review*, 24(2), 308-324.
- Kostova, T., & Roth, K. (2002). Adoption of an Organizational Practice by Subsidiaries of Multinational Corporations: Institutional and Relational Effect. *Academy*

of Management Journal, 45(1), 215-233.

- Kritzer, B. E., Kay, S. J., & Sinha, T. (2011). Next Generation of Individual Account Pension. Reforms in Latin America. *Social Security Bulletin*, 71(1), 35.
- Lane, C., & Wood, G. (2009). *Capitalist diversity and diversity within capitalism: special issue of Economy and society*. Oxford: Routledge.
- La Palombara, J., & Blank, S. (1977). *Multinational Corporations in Comparative Perspective*. New York, NY.
- Layder, D. (1998). The Reality of Social Domains: Implications for Theory. In T. May & M. Williams (Eds.), *Knowing the Social World* (p. 86-102). Buckingham: Open University Press.
- Lazear, E. P. (1983). Incentive Effects of Pensions. *Working paper series (National Bureau of Economic Research)*.
- Lazear, E. P., & Moore, R. L. (1988). Pensions and Turnover. In Z. Bodie, J. B. Shoven, & D. A. Wise (Eds.), *Pensions in the U.S. economy*. Chicago, IL: University of Chicago Press.
- Lechner, L. A., & Oavert, T. C. (2010). Value-at-risk: Techniques to account for leptokurtosis and asymmetric behavior in returns distributions. *The Journal of Risk Finance*, 11(5), 464-480.
- Lee, C., Hsu, M., & Lien, N. (2006). The impacts of benefit plans on employee turnover: a firm-level analysis approach on Taiwanese manufacturing industry. *Int. J. of Human Resource Management*, 17(11), 1951-1975.
- Legge, K. (1995). *Human Resource Management*. London: Macmillan.
- Leong, S. M., & Tan, C. T. (1993). Managing across Borders: An Empirical Test of the Bartlett and Ghoshal (1989) Organizational Typology. *Journal of International Business Studies*, 24(3), 449-464.
- Lepak, D., & Snell, S. (2002). Examining the Human Resource Architecture: The Relationships among Human Capital, Employment, and Human Resource Configurations. *Journal of Management*, 28(4), 517-543.
- Levitt, T. (1983). The globalization of markets. *Harvard Business Review*, 61(3 May-June), 92-102.
- Lindley, R. (2012). Extending Working Life: Employer Behaviour and Social Policy. In E. Latoszek (Ed.), *European integration process in the new regional and*

- global settings* (p. 375-386). Warsaw: Elipsa.
- Lindquist, G., & Wadensjö, E. (2006). *National Social Insurance – Not the Whole Picture. Supplementary Compensation in Case of Loss of Income*. Stockholm: Finansdepartementet, Regeringskansliet.
- Lindquist, G., & Wadensjö, E. (2011). Sweden: A Viable Public-Private System. In B. Ebbinghaus (Ed.), *The Varieties of Pension Governance in Europe* (p. 240-261). Oxford: Oxford University Press.
- Lippitt, G., & Lippitt, R. (1978). *The consulting process in action*. La Jolla, CA: University Associates.
- Lomeli, E. V., Rodriguez, D. F., & Weber, D. T. (2012). *Social protection systems in Latin America and the Caribbean*. Retrieved from http://repositorio.cepal.org/bitstream/handle/11362/4030/S2012969_en.pdf?sequence=1
- Lynham, S. A. (2002). The general method of theory-building research in applied disciplines. *Advances in Developing Human Resources*, 4(3), 221-235.
- Mahoney, J. (2003). Strategies of Causal Assessment in Comparative Historical Analysis. In J. Mahoney & D. Rueschemeyer (Eds.), *Comparative Historical Analysis in the Social Sciences* (p. 337-372). Cambridge: Cambridge University Press.
- Malloy, J. (1979). *The Politics of Social Security in Brazil*. Pittsburgh, PA: University of Pittsburgh Press.
- Mares, I. (2001). Firms and the welfare state: when, why, and how does social policy matter to employers? In P. Hall & D. Soskice (Eds.), *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. Oxford: Oxford University Press.
- Mares, I. (2003). *The politics of social risk: Business and welfare state development*. Cambridge, MA: Cambridge University Press.
- Mares, I., & Carnes, M. E. (2009). Social policy in developing countries. In M. Levi, S. Jackman, & N. L. Rosenblum (Eds.), *Annual review of political science* (Vol. 12). Palo Alto, CA: Annual Reviews.
- Marginson, P. (2004). The Eurocompany and European Works Councils. In A. Harzing & J. Van Ruysseveldt (Eds.), *International Human Resource Management*

- (second ed., p. 457-481). London: SAGE Publications.
- Martinez, Z. L., & Ricks, D. A. (1989). Multinational Parent Companies' Influence over Human Resource Decisions of Affiliates: U.S. Firms in Mexico. *Journal of International Business Studies*, 20(3), 465-487.
- Mayring, P. (2002). *Einführung in die Qualitative Sozialforschung. Eine Anleitung zum qualitativen Denken* (fifth ed.). München: Psychologie-Verlags-Union.
- McSweeney, B. (2002a). The essentials of scholarship: a reply to Geert Hofstede. *Human Relations*, 55, 1363-1372.
- McSweeney, B. (2002b). Hofstede's model of national cultural differences and their consequences: a triumph of faith – a failure of analysis. *Human Relations*, 55, 89-118.
- Meardi, G. (2004). Modelli o stili di sindacalismo in Europa? *Stato e Mercato* 2, 207-235.
- Meardi, G., Marginson, P., Fichter, M., Frybes, M., Stanojević, M., & Toth, A. (2009). Varieties of multinationals: adapting employment practices in Central Eastern Europe. *Industrial Relations: A Journal of Economy and Society*, 48(3), 489-511.
- Meardi, G., & Toth, A. (2006). Who is Hybridising What? Insights on MNCs' Employment Practices in Central Europe. In A. Ferner, J. Quintanilla, & C. Sanchez-Runde (Eds.), *Multinationals and the Construction of Transnational Practices: Convergence and Diversity in the Global Economy* (p. 155-183). Basingstoke: Palgrave.
- Measor, L. (1985). Interviewing: a Strategy in Qualitative Research. In R. Burgess (Ed.), *Strategies of Educational Research: Qualitative Methods*. Lewes: Falmer Press.
- Mercer. (2016). *Mercer's Worldwide Employment and Benefit Guidelines Mexico*. Retrieved from <https://www.imercer.com/products/wbeg.aspx>
- Meyer, T. (2013). *Beveridge statt Bismarck? Europäische Lehren für die Alterssicherung von Frauen und Männern in Deutschland*. Berlin: Friedrich-Ebert-Stiftung, Internat. Politikanalyse.
- Miles, M. B., & Huberman, A. (1994). *Qualitative Data Analysis. An Expanded Sourcebook*. London: SAGE.

- Minbaeva, D. (2007). Knowledge transfer in multinational corporations. *MIR: Management International Review*, 47(4), 567-593.
- Mitchell, O. S. (1999). *Evaluating Administrative Costs in Mexico's AFORES Pension System*. Philadelphia, PA: Pension Research Council.
- Müller, K. (2003). *Privatising old-age security: Latin America and Eastern Europe compared*. Cheltenham: Edward Elgar.
- Müller, M. (1999). Unitarism, Pluralism, and Human Resource Management in Germany. *Management International Review*, 39, 125-144.
- Munnell, A. H. (2011). *State and Local Pensions: What Now?* Washington, D.C.: Brookings Institution Press.
- Murthi, M., Orszag, J. M., & Orszag, P. (1999). Administrative Costs Under a Decentralized Approach to Individual Accounts: Lessons from the United Kingdom. In World Bank (Ed.), *The World Bank conference: new ideas about old age security*. Washington, D.C.: World Bank.
- Myles, J., & Pierson, P. (2001). The comparative political economy of pension reform. In P. Pierson (Ed.), *The new politics of the welfare state* (p. 305-333). Oxford: Oxford University Press.
- Myloni, B., Harzing, A. W., & Mirza, H. (2007). The effect of corporate-level organizational factors on the transfer of human resource management practices: European and US MNCs and their Greek subsidiaries. *The International Journal of Human Resource Management*, 18(12), 2057-2074.
- Naczyk, M., & Seeleib-Kaiser, M. (2015). Solidarity against All Odds. *Politics & Society*, 43(3), 361-384.
- Obinger, H., Leibfried, S., & Castles, F. G. (2005). *Federalism and the welfare state: new world and European experiences*. Cambridge: Cambridge University Press.
- OECD. (1988). *Reforming Public Pensions*. Paris: OECD.
- OECD. (1994). *New Orientations for Social Policy*. Paris: OECD.
- OECD. (2015). *OECD Economic Surveys Mexico January 2017*. Retrieved from <https://www.oecd.org/eco/surveys/Mexico-2017-OECD-economic-survey-overview.pdf>
- OECD. (2017). *OECD Economic Surveys Mexico January 2017*. Retrieved from <https://www.oecd.org/eco/surveys/Mexico-2017-OECD-economic>

- Ohmae, K. (1990). *The Borderless World*. London: Collins.
- Ondrack, D. (1985). International Transfers of Managers in North American and European MNE's. *Journal of International Business Studies*, 16(3), 1-19.
- Oram, A. M., Feagin, J. R., & Sjoberg, G. (1991). The Nature of the Case Study. In J. R. Feagin, A. M. Orum, & G. Sjoberg (Eds.), *A Case for the Case Study* (p. 1-26). Chapel Hill, NC: The University of North Carolina Press.
- Orenstein, M. A. (1999). How Politics and Institutions Affect Pension Reform in Three Post-Communist Countries. *World Bank Policy Research Working Paper*.
- Orenstein, M. A. (2003). Mapping the Diffusion of Pension Innovation. In R. Holzman, M. A. Orenstein, & M. Rutkowski (Eds.), *Pension Reform in Europe: Process and Progress* (p. 184). Washington, D.C.: The International Bank for Reconstruction and Development/The World Bank.
- Orenstein, M. A. (2005). The new pension reform as global policy. *Global social policy*, 5(2), 175-202.
- Orenstein, M. A. (2008). *Privatizing Pensions. The Transnational Campaign for Social Security Reforms*. Princeton, NJ: Princeton University Press.
- Orenstein, M. A. (2011). Pension privatization in crisis: Death or rebirth of a global policy trend? *International Social Security Review*, 64(3), 65-80.
- Orszag, P. R., & Stiglitz, J. E. (1999). *Rethinking pension reform: ten myths about social security systems*. Bonn: Institute for the Study of Labor.
- Ouchi, W. G. (1981). *Theory Z: how American business can meet the Japanese challenge*. Reading, MA: Addison-Wesley Publishing Company.
- Palmer, E., & Wadensjö, E. (2004). Public Pension Reform and Contractual Agreements in Sweden: from Defined Benefit to Defined Contribution. In M. Rein & W. Schmähl (Eds.), *Rethinking the Welfare State. The Political Economy of Pension Reform*. Cheltenham: Edward Elgar.
- Pascale, R. T., Athos, A. G., & Parker, P. (1981). *The art of Japanese management*. London: Penguin.
- Patton, M. Q. (1990). *Qualitative Evaluation and Research Methods* (second ed.). Newbury Park, CA: SAGE Publication.
- Peck, J., & Theodore, N. (2007). Flexible recession: the temporary staffing industry

- and mediated work in the United States. *Cambridge Journal of Economics*, 31(2), 171-192.
- Perlmutter, H. V. (1969). The Tortuous Evolution of the Multinational Corporation. *Columbia Journal of World Business*, 4(1), 9-18.
- Pfeffer, J. (1994). *Competitive Advantage Through People*. Boston, MA: Harvard Business School Press.
- Pierson, P. (1994). *Dismantling the Welfare State?* New York, NY: Cambridge University Press.
- Pino, A., & Yermo, J. (2010). The impact of the 2007-2009 crisis on social security and private pension funds: A threat to their financial soundness? *International Social Security Review*, 62(2), 5-30.
- Platt, J. (1996). *A History of Sociological Research Methods in the United States*. Cambridge: Cambridge University Press.
- Poole, M. (1998). *Human resource management: critical perspectives on business and management*. London: Routledge.
- Pries, L. (2003). Emerging Production Systems in the Transnationalisation of German Car Manufacturers: Adaption, Application or Innovation? *New Technology, Work and Employment*, 18, 82-100.
- ProMéxico. (2013). *Mexico's strengths*. Retrieved from <http://www.promexico.gob.mx/en/mx/fortalezas-mexico>
- Pudelko, M. (2006). A Comparison of HRM systems in the USA, Japan, Germany in their Socioeconomic Context. *Human Resource Management Journal*, 16(2), 123-153.
- Purcell, J. (1993). The challenge of human resource management for industrial relations research and practice. *International Journal of Human Resource Management*, 4(3), 511-527.
- Queisser, M., & Vittas, D. (2000). *The Swiss multi-pillar pension system: triumph of common sense? (Policy Research Working Papers, 2416)*. Washington D.C.: World Bank, Development Research Group, Finance.
- Quinn, J. F. (2002). Changing retirement trends and their impact on elderly entitlement programs. In S. H. Altman & D. Shactman (Eds.), *Policies for an aging society* (p. 293-315). Baltimore, MD: Johns Hopkins University Press.

- Reynolds, P. D. (1971). *A primer in theory construction*. New York, NY: Macmillan.
- Roberts, J. (2004). *The modern firm: organizational design for performance and growth*. Oxford: Oxford University Press.
- Robson, C. (2002). *Real world research: a resource for social scientists and practitioner-researchers*. Oxford: Blackwell Publishers.
- Rogowski, R., Salais, R., & Whiteside, N. (2013). *Transforming European employment policy: labour market transitions and the promotion of capability*. Cheltenham: Edward Elgar.
- Rosenzweig, P. M., & Nohria, N. (1994). Influences on Human Resource Management Practices in Multinational Corporations. *Journal of International Business*, 25(2), 1994.
- Ross, D., & Wills, L. (2002). The shift from defined benefit to defined contribution retirement plans and provisioning of retirement savings. *Discussion paper (Birkbeck College. Pensions Institute)*.
- Roubini, N. (2008). *How will financial institutions make money now that the securitization food chain is broken?* Retrieved from <http://archive.economonitor.com/nouriel/2008/05/19/how-will-financial-institutions-make-money-now-that-the-securitization-food-chain-is-broken/>
- Ruhm, C. (1990). Bridge Jobs and Partial Retirement. *Journal of Labor Economics*, 8(4), 482-501.
- Sagman, O., & Milanova, V. (2013). *How do qualitative and quantitative research differ?* ETH. University of St. Gallen.
- Saks, R. E., & Frydman, C. (2008). Executive Compensation: a New View from a Long-Term Perspective, 1936-2005. *NBER working paper series, no. w14145*.
- Sass, S. A. (1997). Social security reform: Conference proceedings June 1997; links to saving, investment, and growth. Boston, MA: Federal Reserve Bank.
- Saunders, M., Lewis, P., & Thornhill, A. (2009). *Research Methods for Business Students* (fifth ed.). Harlow: Prentice Hall.
- Sayim, K. Z. (2008). *Transferability of human resource policies and practices: American multinationals in Turkey* (Unpublished doctoral dissertation). De Montfort University.
- Schütte, R. (1998). *Grundsätze ordnungsmäßiger Referenzmodellierung: Konstruk-*

- tion konfigurations-und anpassungsorientierter Modelle*. Wiesbaden: Gabler.
- Seidman, I. (2006). *Interviewing as Qualitative Research: A Guide for Researchers in Education and the Social Sciences* (third revised ed.). New York, NY: Teachers' College Press.
- Sekaran, U., & Bougie, R. (2010). *Research Methods for Business: A Skill Building Approach* (fifth ed.). New York, NY: Wiley.
- Sen, S. (2001). *Globalization of finance: on real stagnation and instability*. Houndmills, Basingstoke: Macmillan.
- Senge, P. (1990). *The fifth discipline: the art and practice of the learning organization*. New York, NY: Doubleday.
- Sidaoui, J., Ramos-Francia, M., & Cuadra, M. (2010). The global financial crisis and policy response in Mexico. *BIS Papers*(54).
- Sinfield, A. (2000). Tax benefits in non-state pensions. *European journal of social security*, 2(2), 137-167.
- Sisson, K. (1994). Personnel Management: Paradigms, Practices and Prospects. In K. Sisson (Ed.), *Personnel Management* (second ed.). Oxford: Blackwell.
- Skocpol, T. (1985). Introduction: Bringing the state back in: strategies of analysis in current research. In P. Evans, D. Rueschemeyer, & T. Skocpol (Eds.), *Bringing the state back in* (p. 3-37). Cambridge: Cambridge University Press.
- Sluchynsky, O. (2015). Benchmarking administrative expenditures of mandatory social security programmes. *International Social Security Review*, 68(3), 15-41.
- Smith, C., & Meiksins, P. (1995). System, Society and Dominance Effects in Cross-National Organisational Analysis. *Work, employment and society*, 9(2), 241-267.
- Snow, D. A., & Anderson, L. (1991). Researching the homeless: The characteristic features and virtues of the case study. In J. R. Feagin, A. M. Orum, & G. Sjoberg (Eds.), *A Case For the Case Study* (p. 148-173). Chapel Hill, NC: University of North Carolina Press.
- Social Protection Committee. (2008). Privately managed funded pension provision and their contribution to adequate and sustainable pensions. *European Commission*.

- Stake, R. E. (1998). Case Studies. In N. K. Denzin & Y. S. Lincoln (Eds.), *Strategies of qualitative inquiry* (p. 86-109). London: Sage.
- Stallings, B. (1992). International Influence on Economic Policy: Debt, Stabilization, and Structural Reform. In S. Haggard & K. Robert (Eds.), *The Politics of Economic Adjustment*. Princeton, NJ: Princeton University Press.
- Steele, F. (1975). *Consulting for organizational change*. Amherst, MA: University of Massachusetts Press.
- Stemler, S. (2001). An overview of content analysis. *Practical Assessment, Research & Evaluation*, 7(17).
- Stern, P. N. (1980). Grounded Theory Methodology: Its Uses and Processes. *Image: Journal of Nursing Scholarship*, 12(1), 20-23.
- Stiglitz, J. E. (2010). *The Stiglitz report: reforming the international monetary and financial systems in the wake of the global crisis*. New York, NY: The New Press.
- Stock, J. H., & Wise, D. A. (1988). The pension inducement to retire: an option value analysis. *NBER Working paper*, 2660.
- Storey, J. (1989). *New perspectives on human resource management*. London: Routledge.
- Storey, J. (1992). *Developments in the Management of Human Resources*. Oxford: Blackwell.
- Storey, J., & Sisson, K. (1993). *Managing human resources and industrial relations*. Buckingham: Open University Press.
- Streeck, W. (2009). *Re-forming capitalism: institutional change in the German political economy*. Oxford: Oxford University Press.
- Sundén, A. (2009). Learning from the Experience of Sweden: The Role of Information and Education in Pension Reform. In A. Lusardi (Ed.), *Overcoming the saving slump: how to increase the effectiveness of financial education and saving programs*. Chicago, IL: University of Chicago Press.
- Swenson, P. A. (2002). *Capitalists against Markets: The Making of Labor Markets and Welfare States in the United States and Sweden*. Oxford: Oxford University Press.
- Syrén, S. (1998). Human resource management: det teoretiska ursprunget Harvard-

- och Michigankoncepten: rapport 1. *Working paper series / Sociologiska institutionen, Uppsala universitet*.
- Szulanski, G. (1996). Exploring Internal Stickiness: Impediments to the Transfer of Best Practice Within the Firm. *Strategic Management Journal*, 17, 27-43.
- Tamborini, C. R., & Kim, C. (2017). Education and Contributory Pensions at Work: Disadvantages of the Less Educated. *Social Forces*, 95(4), 1577-1606.
- Tayeb, M. (1996). *The management of a multicultural workforce*. Chichester: Wiley.
- Taylor, S., Beechler, S., & Napier, N. (1996). Toward an Integrative Model of Strategic International Human Resource Management. *The Academy of Management review*, 21(4), 959-985.
- Teknikföretagen. (2017). *About us*. Retrieved from <https://www.teknikforetagen.se/en/about-us1/>
- Tempel, A., Edwards, T., Ferner, A., Muller-Camen, M., & Wachter, H. (2006). Subsidiary responses to institutional duality: Collective representation practices of US multinationals in Britain and Germany. *Human Relations*, 59(11), 1543-1570.
- Tepper, I. (1981). Taxation and Corporate Pension Policy. *The Journal of Finance*, 36(1), 1-13.
- Terry, N. G., & White, P. J. (1995). Occupational pension schemes: the trade union dimension. *Industrial Relations Journal*, 26(4), 319-325.
- Traxler, F., Blaschke, S., & Kittel, B. (2001). *National Labour Relations in Internationalized Markets: A Comparative Study of Institutions, Change and Performance*. Oxford: Oxford University Press.
- Trompenaars, F. (1994). *Riding the waves of culture: understanding diversity in global business*. Chicago, IL: Irwin.
- Truss, C., Gratton, L., Hope-Hailey, V., McGovern, P., & Stiles, P. (1997). Soft and Hard Models of Human Resource Management: A Reappraisal. *Journal of Management Studies*, 34(1), 53.
- Tsebelis, G. (2002). *Veto Players: How Institutions Work*. Princeton, NJ: Princeton University Press.
- Turner, J. (2007). Social Security Pensionable Ages in OECD Countries: 1949-2035. *International Social Security Review*, 60(1), 81-99.

- Tyson, S., & Fell, A. (1986). *Evaluating the personnel function*. London: Hutchinson.
- Üsdiken, B. (2004). Exporting Managerial Knowledge to the Outpost: Penetration of 'Human Relations' into Turkish Academia, 1950-1965. *Management Learning*, 35(3), 255-270.
- Van Dalen, H., Henkens, K., & Hershey, D. (2010). Perceptions and expectations of pension savings adequacy: a comparative study of Dutch and American workers. *Ageing & Society*, 30(5), 731-754.
- Visser, J. (Ed.). (2008). *2008 Industrial relations in Europe report*. Brussels: European Commission.
- Wailles, N. (2011). Employment relations in Australia and New Zealand. In M. Barry & A. Wilkinson (Eds.), *Research Handbook of Comparative Employment Relations* (p. 286-302). Cheltenham: Edward Elgar.
- Walton, J. (1992). Making the Theoretical Case. In C. Ragin & H. S. Becker (Eds.), *What is a case?: exploring the foundations of social inquiry* (p. 121-13). Cambridge: Cambridge University Press.
- Warner, M. (2012). *'Making sense' of human resource management in China: economy, enterprises and workers*. London: Routledge.
- Whitehouse, E. (2000). *Paying for pensions: an international comparison of administrative charges in funded retirement-income systems*. London: Financial Services Authority.
- Whiteside, N. (2006). Adapting private pensions to public purposes: historical perspectives on the politics of reform. *Journal of European Social Policy*, 16(1), 43-54.
- Whitley, R. (1999). *Divergent capitalisms: the social structuring and change of business systems*. Oxford: Oxford University Press.
- Whittington, R. (1993). *What is Strategy and Does it Matter?* London: Routledge.
- Wolf, D. A., & Levy, F. (1984). Pension coverage, pension vesting, and the distribution of job tenures. In H. J. Aaron & G. T. Burtless (Eds.), *Retirement and economic behavior*. Washington, D.C.: Brookings Institution.
- Wood, S. (1995). The Four Pillars of Hrm: Are They Connected? *Human Resource Management Journal*, 5(5), 49-59.
- Woodworth, W., & Nelson, R. (1979). Witch Doctors, messianics, sorcerers, and OD

- consultants: Parallels and paradigms. *Organizational Dynamics*, 8(2), 17-33.
- World Bank. (1994). *Averting the Old-age Crisis*. New York, NY: Oxford University Press.
- World Bank. (2015). *World Bank data*. Retrieved from <http://data.worldbank.org/indicator/SP.POP.1564.TO.ZS>
- World Bank Group. (2016). *Economy rankings*. Retrieved from <http://www.doingbusiness.org/rankings>
- World Economic Forum. (2015). *The Global Competitiveness Report 2015-2016*. Retrieved from <http://reports.weforum.org/global-competitiveness-report-2015-2016/>
- Yahiaoui, D. (2014). Hybridization: striking a balance between adoption and adaptation of human resource management practices in French multinational corporations and their Tunisian subsidiaries. *The International Journal of Human Resource Management*, 26(13), 1665-1693.
- Yin, R. K. (1994). *Case study research: design and methods* (second ed.). London: Sage.
- Zineldin, M. (2007). International business relationship and entry modes: A case of Swedish automotive industry Scania and Volvo in Mexico. *Cross Cultural Management: An International Journal*, 14(4), 365-386.
- Zineldin, M., Desalegn, A., & Vasicheva, V. (2008). Establishment Processes and Building Relationships in Latin American Countries: The Case of Swedish Firms in Mexico. *International Journal of Automotive Industry and Management (IJAIM)*, 2(1), 23-48.

Appendix

The below table illustrates an interview schedule, which was used for the first interview with the regional and local HR representatives of the MNCs to provide more insights into the depth of questions asked, especially around workplace pension provision.

Interview protocol

- Brief introduction of the research project and participant's role in the project
 - Ensure confidentiality and anonymity
 - Ask permission to audio record the interview
 - Ensure that the recording is for academic use only and does not conflict with my role as consultant for Mercer. Let the respondent know that it is possible to stop the recording at any time.
 - Discuss briefly the issues that will be covered during the interview
 - Indicate the expected time line of the interview: about 1 hour
 - Any questions
-

Introduction

- Which company do you work for?
- Could you please share briefly your background, your role and responsibilities at the company, and length of employment?
- What is your reporting line?

Organisational framework

- From an organisational structure and framework – can you briefly explain how benefit decisions are taken internally?
 - Global projects
 - Regional
 - And Local
- Do you think that headquarter is very involved in local and regional decision taking? Hence, does CASE STUDY have a strongly centralised approach?
- As you know, this research focuses on Mexico. For a country like Mexico, how would the benefit decisions be made/signed off within CASE STUDY?
- What is the institutional relationship between HQ and entities in Mexico in terms of:
 - Method of founding
 - Dependence on parent company for major resources such as technology, capital and expertise
 - Dependence upon the local environment for inputs
 - Presence of expatriates
 - Frequency of communication

Political perspective

- From your experience, how does the general governance decision framework work within CASE STUDY?
 - What has been your experience in interacting with regional and local HR managers on benefit changes/decisions?
 - Did you experience regional differences, and if so – what do you think these can be attributed for?
 - Mexico specific: How often do you interact with the regional or local management?
 - What has been your experience?
 - Also in connection to the integration of other departments (such as sourcing)
 - Do you think there could be personal/professional interplay of interest? If so, in which way and how does it influence the discourse of benefit management/decision taking?
 - Are benefit decisions taken largely locally, or are local and regional HR managers looking for guidance from HQ?
 - Does the relationship vary depending on entities? If so – in which way and what could be the reason?
-

Market-based perspective

- What is CASE STUDY's overall organisational aim in terms of benefit provision - particularly for workplace pensions?
- Does CASE STUDY want to be in line with market or industry practice?
- Does CASE STUDY regularly review their market competitiveness?
- To which extent do you interact with other employers of your size?
- Do external providers - such as consulting firms or business schools - influence benefit provision at CASE STUDY? If so - to which extent and degree? What is their role?
- Do you know whether there is a particular view in Latin-America (and Mexico) on the above questions?

Offering workplace pension provision

- Do you have workplace pension provision in place?
 - Why do you offer work related pension provision (please select from below)?
 - Attract and retain talent
 - Market practice
 - International company philosophy
 - Other (please specify)
 - Do you think providing work related pension has helped in achieving your organisational aim?
 - Do your employees expect and/or recognise work related pensions as a benefit?
-

Design of workplace pension provision

- What type of workplace pension provision does your organisation preferably offer?
 - Defined Benefit (DB) plans
 - Defined Contribution (DC) plans
 - Mixed DB and DC
 - Other (please specify)
 - What group of employees does the company provide workplace pension provision for, and what is the approximate % of employees participating in the workplace pension plans?
 - Do you have any extra senior management staff workplace pension provision?
-

Global Financial Crisis (GFC)

- Has your organisation been impacted by the GFC?
- To which extent has this filtered down to the benefits/HR departments?
- Did headquarter re-state this message regionally and locally? If so – how and when?
- What has been the reaction?
- Has there been a general trend for change since the GFC? If so – in which way?
- What structural pension changes have you made since 2008 (please select all changes below)
 - Closed DB scheme for new entrants
 - Closed DB scheme to future accrual
 - Reduced DB accrual
 - Changed indexation
 - Increased normal retirement age
 - Opened DC scheme
 - Increased employer contributions into DC schemes
 - Decreased employer contributions into DC schemes
 - Increased employee contributions into DC schemes
 - Decreased employee contributions into DC schemes
 - Amended early retirement terms
 - Established a flexible benefits package
 - Introduced salary sacrifice arrangements
 - Others (please specify)

Future outlook

- Do you think the importance of workplace pensions in general will change? If so - will it decrease or increase?
- Do you think its importance will change in your industry in the next five to ten years?
- If so - how do you think it will change, and what do you think your role will be prior, during and post change?
- What is the strategic outlook of your company? For example, does your company have expansion plans in the near future?
- What type of changes in the pension landscape would you appreciate as an employer and how would this impact your talent management?

Conclusion

- Is there anything else you would like to add?
- Do you have any questions?
- Thank you for your time.