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**The Influence of National Business Systems and Company
Characteristics on the Cross-National Transfer of Employee
Participation Practices: Foreign Acquisitions of UK and Swedish
Multinational Corporations.**

By

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**A Thesis Submitted in Partial Fulfilment of the Requirements for the
Degree of Doctor of Philosophy in Industrial and Business Studies**

**Warwick Business School
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ABBREVIATIONS

AML	<i>Arbetsmiljölagen</i> (Work Environment Act)
AWM	Advanced Wound Management
CD	Candidate Drugs
CEO	Chief Executive Officer
CIT	Continuous Improvement Teams
DP	Direct Participation
DR	Delegated Responsibility
EI	Employee Involvement
EP	Employee Participation
EPOC	Employee direct Participation in Organisational Change
EU	European Union
FDI	Foreign Direct Investment
FML	<i>Förtroendemannlagen</i> (Law on union workplace representation)
FP	Financial Participation
FT	Forward Transfer
GBU	Global Business Units
GDP	Gross Domestic Product
HHC	Hilton Hotels Corporation
HI	Hilton International
HQ	Head Quarters
HR	Human Resource
IP	Indirect Participation

IR	Industrial Relations
JCC	Joint Consultation Committee
KI	Knowledge Intensive
LAS	<i>Lag om Anställningsskydd</i> (Law on job security)
LO	<i>Landsorganisationen</i> in Denmark or Sweden (Danish/Swedish Trade Union Confederation)
LSE	London Stock Exchange
M&A	Mergers and Acquisitions
MBL	<i>Medbestämmandelagen</i> (Law on co-determination)
MD	Managing Director
MEP	Manufacturing, engineering and production
MNC	Multi-National Corporations
NBS	National Business System
PWC	Price Waterhouse Cranfield
QIM	Quality Improvement Meetings
‘R’	Replacement Transfer
RD	Research Director (Medivir)
RT	Reverse Transfer
SAF	<i>Svenska Arbetsgivareföreningen</i> (Swedish Employers’ Federation)
UK	United Kingdom
WEF	Wage Earner Funds
WERS	Workplace Employee Relations Survey

Name Used for Parents and Subsidiaries

Parent	Subsidiary
Höganäs	Powdrex (Höganäs UK)
Cardo	PC Henderson
Medivir	Mimetrix (Medivir UK)
Smith & Nephew	Perstorp (Smith & Nephew Sweden)
Hilton Group	Hilton Brand Scandic

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DECLARATION

Except for commonly understood and accepted ideas, or where specific reference is made, the work reported in this dissertation is my own and includes nothing that is the outcome of work done in collaboration. No part of this dissertation has been previously submitted to any university for any degree, diploma or other qualification.

Morten Damgaard Andersen

Warwick Business School, University of Warwick, 27 September 2006

SUMMARY

The importance of multinational corporations (MNCs) on a global scale has continued to increase over the past decades. This is evidenced in rapidly rising levels of foreign direct investment (FDI) coupled with high amount of mergers and acquisitions (M&A) activity. MNCs are likely to have a significant impact on their surroundings, including national governments, suppliers, customers, trade unions and employees. This research focuses on the impact on the latter by investigating post-acquisition transfers of employee participation practices in MNCs. This thesis examines Swedish and UK MNCs and their foreign acquired subsidiaries.

Following a review of comparative industrial relations, institutionalism, international business, national business systems (NBS), and M&A literature, the influence of NBS and nine specific company characteristics on MNCs' ability and willingness to transfer employment practices are discussed. The contribution to knowledge is fivefold. Firstly, it extends the understanding of employment practices transfers following cross-border acquisitions. Secondly, it contributes to the global-local debate of how MNCs try to implement global standard employment practices on the one hand and on the other to adapt and conform to local conditions. Thirdly, it provides an insight into MNCs from small and large economies engaging in transfers. Fourthly, it compares acquisition integration approaches from Anglo-Saxon and Scandinavian MNCs. Fifthly, it informs about the forces at national and company levels influencing MNCs in their choice of employment practices abroad.

Empirically, the research is based on detailed case studies. Case data has been collected from five MNCs – two UK and three Swedish – and their foreign acquired

subsidiaries. Interviews have been carried out at corporate and subsidiary levels in the UK and Sweden in the native languages.

The research draws some significant conclusions. Firstly, the influence of the NBS on the transfer of employment practices varies according to the type of practice in question. Secondly, it adds another dimension to Bartlett and Ghoshal's (1998) MNC typologies, the brand structured MNC. In this type of MNC, practices are transferred according to brands rather than national patterns. Thirdly, the pattern of transfer supports the argument of a flow of transfers from 'dominant' systems to 'follower' systems both in terms of forward and reverse transfers. Finally, the results reveal that transfers are not only influenced by the NBS but also company characteristics are significant. This is most clearly demonstrated by the post-acquisition integration approach and the 'significance' of the subsidiary.

CHAPTER 1

INTRODUCTION

MNCs¹ play an increasingly important role in the world economy. The levels of FDI are rapidly rising. From 1990 to 2004 the stock of world FDI rose fivefold to stand at \$8,895 billion (UN, 2005). The rising levels can be ascribed a recent wave of cross-border M&As. Cross-border M&As continued to increase throughout the 1990s and peaked in 2000 with \$1,143 billion (UN, 2005).

In 2004, the number of MNCs totalled 70,000 with 690,000 foreign subsidiaries (UN, 2005). As an employer, MNCs are also very influential players. In the US alone, US MNCs employed 23 million people in 2001 which is more than a fifth of the total US non-bank workforce².

There are a number of factors which possibly can explain the continued rise in international M&As. The increase in globalisation, technological change and opening up of national markets and industries facilitate MNCs to operate in foreign countries and capitalise on the differences in national business systems in the host-countries. They are likely to be capable of challenging the host-country employment practices by imposing country-of-origin practices in their foreign affiliates. It is therefore important to investigate MNCs and the forces influencing their employment practices transfers. This thesis focuses on the post-acquisition transfer of employee participation practices in Swedish and UK MNCs. It is driven by the following research questions:

¹ The research adopts the UN definition of multinational corporations (MNCs). These are incorporated or unincorporated enterprises comprising parent enterprises and their foreign affiliates. A parent enterprise is defined as an enterprise that controls assets of other entities in countries other than its home country. An equity capital stake of 10 per cent or more of the ordinary shares or voting power for an incorporated enterprise, or its equivalent for an unincorporated enterprise, is considered as a threshold for the control of assets. A foreign affiliate is an incorporated or unincorporated enterprise in which an investor, who is resident in another economy, owns a stake that permits a lasting interest in the management of that enterprise (an equity stake of 10 per cent for an incorporated enterprise or its equivalent for an unincorporated enterprise). (UN, webpage - <http://www.unctad.org/Templates/Page.asp?intItemID=3148&lang=1>)

² To get the percentage of US employees employed by MNCs, one should also add those employed by foreign MNCs with subsidiaries in the US. Source: <http://www.bea.gov/bea/ARTICLES/2004/03March/0304MNC.pdf>

- Do NBS and company characteristics affect the transfer of employee participation practices following acquisitions?
- How do MNCs engage in transfer of employee participation practices with their acquired foreign subsidiaries?
- Why are some employee participation practices transferred and others not?

MNCs can expand their activities abroad through several mechanisms. In greenfield investments the parent company sets up a subsidiary from scratch. MNCs can also expand abroad by entering into cooperative agreements with host-country companies. In joint ventures, two companies join forces to create a new entity under shared control. In mergers, expansion “aims at the total integration of two or more partners into a new unified corporation” (Child *et al.*, 2001:16). In acquisitions, friendly or hostile, the acquired unit can be amalgamated into the parent company or it can continue as a stand alone subsidiary (Child *et al.*, 2001:16).

It is in acquisitions and greenfield investments where MNCs are most likely to challenge the national systems of employment practices as these forms of expansion puts one part of the MNC in a much stronger position to impose new employment practices on another part. The scope for MNCs to benefit from economies of scale is greater in acquisitions involving two companies from the same industry (horizontal acquisitions) than in those between companies in different industries (vertical and conglomerate acquisitions). Horizontal acquisitions are also by far the most used form of acquisitions (UN, 2000; Hijzen *et al.*, 2005). Economies of scale and scope can also be achieved through cross-border M&As in the form of branding. “An increasing number of MNCs are standardizing their brands to send a consistent worldwide message and take greater advantage of media opportunities by promoting one brand, one packaging, and uniform positioning across markets” (Child *et al.*, 2001:12). In

acquisitions, MNCs are likely to face more challenges in implementing corporate-wide practices than in greenfield investments as in the former they acquire a company with an existing culture and a set of practices whereas in the latter the MNC can more easily shape the culture in the new unit.

M&As need to create value to the shareholders of the acquiring company. Successful due diligence in the pre-acquisition period creates the foundations for potential benefit but it “is managing the acquisition process well that underlies actual value creation” (Haspeslagh and Jemison, 1991:164). However, surprisingly the area remains under-researched and fragmented (Child *et al.*, 2001:24). “At present, there is very little help available to companies on how to avoid value destruction. We know very little about how firms make their acquisition decisions or about how they select a particular style of implementation. The whole area remains an enormous and uncomfortable black hole in management understanding” (Lees, 2003:8).

Over 50 percent of acquisitions (both domestic and cross-national) have been cited for failing to meet their expected aims (c.f. Angwin and Savill, 1997). Cross-national acquisitions face the same problem as domestic acquisitions of integrating two different corporate cultures. Added to this are the differences in national management styles and cultures. Hofstede’s (1980) work on comparative national cultures shows very clearly the differences that exist between countries and the problems MNCs face in integrating one unit into another across national borders. Not surprisingly, cross-national acquisitions are perceived by managers as riskier than domestic acquisitions (Angwin and Savill, 1997). Due to cultural difficulties, 90 percent of unsuccessful acquisitions experience unforeseen problems (Norburn and Schoenberg, 1994:33). Most of the literature in the area of employment practices transfers has focused on MNCs and their overseas operations without distinguishing whether the MNC expanded by greenfield investment, merger and acquisition (Edwards, 2000; Tempel, 2001; Ferner

and Varul, 2000; Rosenzweig and Nohria, 1994). This thesis aims to broaden the understanding of cross-national acquisitions and the specific impact they have on the transfer of employment practices.

One of the key areas the research focuses on is the question whether MNCs from restrictive NBSs are more likely to implement corporate-wide practices or to adopt local practices in their subsidiaries located in permissive NBS? And, equally important, are MNCs from permissive NBSs able to transfer corporate-wide practices to subsidiaries in restrictive NBSs, thus circumventing the more restrictive system of industrial relations in the host country?

Examining MNCs from institutionally different systems facilitate comparisons (Muller-Camen *et al.*, 2001). Ferner (1997) suggests that the “‘visibility’ of the country-of-origin effect may be masked where home and host countries are very similar”, thus it is preferred to study MNCs in host countries which are sufficiently different to allow the effect to come through (Ferner, 1997:32). Sweden and the UK represent ideal countries for the examination of the influence of NBS on transfers. The countries have been characterised as representing two different capitalist systems (Soskice, 1999; Hall and Soskice, 2001; Coates, 1999 and 2000; Whitley, 1992 and 2000).

Some countries have had a high representation in studies of employment practices and their transfers. These include the US and Japan in particular (see Ferner (1997) for a review). Countries which have not featured much in research include smaller economies and countries from the Nordic area. Examining the UK and Sweden draws on established literature and adds to areas which have remained underdeveloped.

The role of MNCs is particularly significant in countries like the UK and Sweden. The UK is one of the most internationalised economies in the OECD and has been extremely open to foreign direct investment (Ferner and Varul, 2000). It accounted for most M&As (purchase and sales value combined) in 2004, only surpassed by the US

worldwide (UN, 2005). Of the five largest economies in the world, UK MNCs accounted for the highest levels of M&As as a percentage of GDP³. Sweden, with its small home market, is more likely to be 'international' in terms of the proportion of their foreign operations and likely to expand through acquisitions and engage in transfers (Ferner, 1997:24-31). In 2002, M&A by Swedish MNCs accounted for 5 percent of GDP (UN, 2003; CIA, 2003).

MNCs are more likely to adopt local practices in certain areas of HR/IR than others because of the constraints imposed by the host country regulations on practices (Ferner, 1997; Rosenzweig and Nohria, 1994). The transferability is low for practices depending on supportive and distinctive extra-firm structures including the legal framework of employment relations and the nature of labour market institutions (Hayden and Edwards, 2001). Other employment practices are under fewer constraints and depend less on the institutional support, hence they are transferred more easily. Employee participation practices represent ideal test beds for investigating the transferability of employment practices. Some employee participation practices are more difficult to transfer as they are closely tied to the legal or institutional framework of a country. For example, employee representation is often settled by law and/or collective agreements. Other employee participation practices are less constrained by the host-country NBS and thus more easily transferred. These practices include direct participation practices like newsletters, intranet and employee surveys.

Examining the transfer of employee participation practices in acquired subsidiaries of Swedish and UK MNCs will provide knowledge about: the transferability of employment practices relying on institutional support and those which do not, the restrictiveness of Swedish NBS and permissiveness of UK NBS, and the significance of acquisitions as entry mode abroad

³ In 2002, M&As by UK MNCs accounted for 4 percent of GDP. The percentages for other countries were US (0.7), Japan (0.2),

The starting point of this investigation is to examine the embeddedness of MNCs within a country. What are the institutional and inter-firm forces shaping the behaviour of organisations in different countries? Chapter 2 focuses on some of the institutionalist literature and discusses the institutional embeddedness of employment practices with particular attention on the UK and Sweden. The chapter also suggests that company characteristics, including the post-acquisition integration approach, influence transfers. The chapter concludes by drawing up hypotheses and propositions to be tested in the study.

Chapter 3 presents the research framework of the empirical investigation. It highlights the criteria used for the selection of countries, industries, companies, employment practices and respondents. The three-staged approach of data reduction, data display, and data conclusions and verification used in inferring conclusions is presented. The penultimate section outlines the limitations of the data.

Chapter 4 serves to present the findings of the empirical investigation. It does so in three sections, detailing the company characteristics, channels of transfer and transfers in the MNCs.

Chapter 5 is a comparative analysis of the findings from Chapter 4. It compares the identified practices and transfers in the MNCs and contrasts how the practices were transferred.

Chapter 6 discusses the influence of the NBS and company characteristics on transfers in relation to the existing literature.

The final chapter, Chapter 7, draws conclusions from the main findings of the research and suggests future research issues to be addressed.

CHAPTER 2

MULTINATIONALS, THE NATIONAL BUSINESS SYSTEMS OF SWEDEN AND THE UK, AND THE TRANSFER OF EMPLOYMENT PRACTICES

2.1 Introduction

MNCs face a number of challenges, constraints, opportunities and facilitators in their efforts to transfer employment practices to and from their foreign acquired subsidiaries. In order to address these issues, a theoretical framework is needed. It is the purpose of this chapter to review the relevant body of literature to facilitate the construction of such a framework within which specific hypotheses and propositions in relation to the research questions developed in the previous chapter can be tested.

To support the research, the theoretical framework must be able to accommodate and express differences between MNCs and their practices in different countries. At the same time, it should be able to depict practices which are under varying institutional and legal influences. Finally, the framework should be able to highlight MNCs' abilities to transfer practices from one country to another.

The research reviews and discusses the relevant literature within five broad areas. Chapter 2 commences (section 2.2) with a discussion of the influence of institutions on companies (DiMaggio and Powell, 1991) and the interaction of institutions and companies at societal level (Soskice 1999; Hall and Soskice, 2001; Coates 1999 and 2000; Whitley 1992 and 2000). Section 2.2 then continues with a consideration of MNCs operating abroad in different NBS, discussing the pressures they face to conform to local norms and standards, and their ability to impose corporate-wide practices throughout the organisation (Ferner and Quintanilla, 1998; Rosenzweig and Nohria, 1994; Smith and Meiksins, 1995). Acquisitions as a form of expansion are

considered in section 2.3. It focuses on the post-acquisition period as it is in this period that value is created (Haspeslagh and Jemison, 1991). Section 2.4 investigates that different employment practices are influenced to different degrees by the institutional forces in the home and host-countries. The section outlines the differences between the three main categories of employee participation and presents the ways in which employees can participate in management's decisions (Geary and Sisson, 1994; Hyman and Mason, 1995; Marchington, 2001). Countries are different and their institutions restrict or facilitate the operation of certain practices. The NBS of Sweden and the UK are assessed in section 2.5 with regards to establishing their respective permissiveness and restrictiveness to transfers of employment practices. The influence of company-level factors on transfers is reviewed in section 2.6 as they are suggested to influence the transfer of employment practices as well (Haspeslagh and Jemison, 1991; Bartlett and Ghoshal, 1989; Gupta and Govindarajan, 1991; Angwin, 1999). The section focuses on which structural company characteristics influence transfers, and if so, how. It also considers the political processes within MNCs providing the links between the units of the organisation through which practices can flow (Ferner and Edwards, 1995; Coller, 1996). In the final section (2.7) the principal points are pulled together into a formulation of hypotheses and propositions to be tested by an empirical investigation.

2.2 Multinationals and the National Business System

2.2.1 Multinationals and the Impact of Institutions

New institutionalism purportedly represents a distinctively rich and complex approach to the study of social, economic and political phenomena (DiMaggio and Powell, 1991:1; Zucker, 1987:443). The new institutional perspective stresses that organisations are influenced by external normative pressures of institutions (Zucker, 1987:443; Jepperson, 1991). These external forces lead organisations to be guided by taken-for-granted, organised and established procedures which are representative of the country in question. Companies behave according to “the rules of the game” (Jepperson, 1991) with the rules being formed at state or organisational level.

Organisations tend to become isomorphic with their environments by technical and exchange interdependencies (Meyer and Rowan, 1977; DiMaggio and Powell, 1983). Isomorphism is defined as “a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions” (DiMaggio and Powell, 1983:149). Isomorphism exists in three different forms: coercive, mimetic and normative (DiMaggio and Powell, 1983:150). Coercive isomorphism is defined as both formal and informal pressures exerted on organisations by other organisations upon which they are dependent or by cultural expectations in the society in which they operate (DiMaggio and Powell, 1983:150). The legal environment created by the state is another factor pushing organisations towards coercive isomorphism. At organisational level coercive isomorphism creates internal conformity within the organisation where subsidiaries adopt organisational-wide practices such as accounting principles, reporting, evaluation and budgeting.

Organisations adopt mimetic isomorphism (copying other organisations) during times of uncertainty or when goals and targets are poorly understood. Companies also undertake mimetic isomorphism to improve their practices based upon a system

identified as being superior. A point which relates to Smith and Meiksins' (1995) argument of diffusion of practices from 'dominant' systems at certain points in time.

Normative isomorphism stems primarily from professionalisation such as the collective struggle of members of an occupation to define the conditions and methods of their work to control the production of producers and to establish a cognitive base and legitimation for their occupational autonomy (DiMaggio and Powell, 1983:152).

New institutionalism theory is helpful in explaining the impact of institutions on companies' assimilation to each other but also comes with some limitations. As the theory's name suggests, the focus is on the impact of institutions on organisations, where the state is just one, but very powerful, institution. Little attention is placed on individuals except when they are shaped and formed by institutions. The arguments of DiMaggio and Powell (1983) fit into a static world and cope poorly with change, especially if it is a change of paradigm. Organisations find themselves in an 'iron-cage' from which they cannot break out, creating little innovation and new-thinking.

In summary, it has been highlighted how external, taken for granted, institutional pressures affect companies to behave in a certain way. Three types of institutional pressures for homogeneity, or isomorphism, have been identified: coercive, mimetic and normative. Institutionalism has elements which may be useful in explaining the transfer of employment practices but as the focus is away from individual companies and underplays the role of people in organisations, the research needs a framework which takes these into account.

2.2.2 Typologies of Capitalism

A number of scholars (Albert, 1993; Hofstede, 1980; Coates, 2000; Whitley, 1992 and 2000) reject that institutions are the only factors shaping the behaviour of companies. They argue that variation exists across countries which can be explained by a number of factors of which institutions are only one of several. One way of distinguishing countries is by focusing on cultural differences such as power distance, individualism, masculinity and uncertainty avoidance (Hofstede, 1980). Others look at the social relationship between companies, customers and owners of capital (Hall and Soskice, 2001). Whitley (1992) also considers the relationship within organisations of factors such as ownership structure, employer-employee relationships and delegation of trust. Studies of such variables have led to a number of typologies of capitalism describing variation between countries, ranging from Hall and Soskice's (2001) dichotomy model of market economies to Whitley's (1992 and 2000) hexachotomy form of national business systems.

Hall and Soskice (2001) argue that differences in the institutional framework of different countries determine the behaviour of microagents (such as companies, customers, employees and owners of capital) in the society. The success of a firm lies in its ability to coordinate effectively with a wide range of actors focusing on five spheres: industrial relations, vocational training and education, corporate governance, inter-firm relations, and employees (Hall and Soskice, 2001:6-7). The five spheres are used to compare countries by examining the way companies resolve the coordination problems they face within the economy. They group economies together into two main categories: coordinated market economies (CME) including most northern European economies (Germany, Sweden and Switzerland), and uncoordinated or liberal market economies (LME) consisting of Anglo-Saxon economies and Ireland (Hall and Soskice, 2001).

Coates (1999 and 2000) operates with three typologies of capitalism: the market-led, state-led and negotiated (Coates, 2000: 9-10). Countries associated with the market-led capitalist system are the Anglo-Saxon countries such as the UK and the US where the role of the state is limited and the free market forces are in full play. Companies pursue their short-term profits and raise capital in open financial markets. Countries of state-led capitalist systems, where the role of the state is far more pronounced and *dirigiste*, include post-war Japan and South Korea. In the final category, negotiated capitalism, workers' rights and welfare provisions are strong, deriving from a powerful organised labour movement. Examples include the Scandinavian countries and Germany. Instead of placing economies in 'rigid' boxes, Coates (2000) proposes capitalist systems to be assessed by three scalable dimensions. This allows the construction of a triangle with the three typologies along the sides. It also facilitates tracing countries over time as they change.

Whitley's (1992) starting point in the comparative analysis of market economies and organisations is to understand how distinctive patterns of economic organisation become established and effective in different societies and how they change in relation to their institutional contexts (Whitley, 1992:5). A framework of analysis is developed to study the "configurations of hierarchy-market relations that become institutionalised in different market economies in different ways as result of variations in dominant institutions" (Whitley, 1992:6). Whitley (2000) distances his work from the new institutionalism arguing that five economic actors are of particular importance to the comparative analysis of capitalist economies: the providers and users of capital; customers and suppliers; competitors; firms in different sectors; and employers and different kinds of employees (Whitley, 2000:33). The inter-relationships of these five actors shape how organisations obtain, use and dispose resources including finance and labour. Nation states develop different institutions and influence them in different ways.

The impact of institutions shape the way in which business systems influence businesses in market economies. Also, institutions help generating and reproducing different kinds of business systems (Whitley, 2000:47). A number of institutions in four broadly specified areas are particularly important. These include the role of the state, the financial systems, the skill development and control system, and dominant conventions governing trust and authority relations (Whitley, 2000). Whitley (2000) identifies six distinct types of national business systems as a result of these linkages: *fragmented*; *coordinated-industrial-district*; *compartmentalized*; *state-organised*; *collaborative*; and *highly coordinated*. (Whitley 2000:41-44). He categorises the UK in the *compartmentalized* and Sweden in the *collaborative* business system.

Varieties of capitalism have been presented in a dichotomy (Soskice, 1999; Hall and Soskice, 2001), in a trichotomy (Coates, 1999 and 2000) and in a hexachotomy model (Whitley, 1992 and 2000). The authors do not seem to agree upon how many forms capitalism come in, except that it does not come in one form. The different typologies presented and their dimensions are summarised in Table 2.1. It is clear that some distinct forms of capitalism re-appear. All the models have a type of capitalism comprising the UK and the US (LME, market-led capitalism and compartmentalized business system). There is also a model containing forms of capitalism found in Germany and Scandinavia (CME, negotiated capitalism, and collaborative business system). The models with three or more typologies also have a form of capitalism which is contrasted to the Anglo-Saxon form but differentiated from the Scandinavian and Germany as it is more *dirigiste* and the role of the state is stronger. The last typology is often associated with countries like France and South Korea. Few models of capitalism allow for a comparison of Far Eastern countries, former East European countries, not even to mention African and South American countries.

Table 2.1: Varieties of Capitalism

Author	Typologies	Dimensions	Positioning Sweden and the UK
Soskice (1999), and Hall and Soskice (2001)	<ul style="list-style-type: none"> Coordinated market economies (CME) Uncoordinated or liberal market economies (LME) 	<ul style="list-style-type: none"> Industrial relations Vocational training and education Corporate governance (access to finances) Inter-firm relations Employees 	<p>Sweden: Coordinated market economy</p> <p>UK: Liberal market economy</p>
Coates (1999 and 2000)	<ul style="list-style-type: none"> Market-led capitalism State-led capitalism Negotiated capitalism 	<ul style="list-style-type: none"> Power of labour movement Education, training and culture Inter-company relationship and sources of finance Role of the state 	<p>Sweden: Negotiated capitalism</p> <p>UK: 1/3 from market-led capitalism, 2/3 from negotiated capitalism</p>
Whitley (1992 and 2000)	<ul style="list-style-type: none"> Fragmented Coordinated industrial district Compartmentalised Coordinated or collaborative State organised Highly coordinated 	<ul style="list-style-type: none"> The providers and users of capital Customers and suppliers Competitors Firms in different sectors Employers and different kinds of employees <p>Reproduction of NBS:</p> <ul style="list-style-type: none"> State Financial system Skill development and control systems Trust and authority relations 	<p>Sweden: Collaborative business system</p> <p>UK: Compartmentalized business system</p>

Sources: Whitley (1992 and 2000); Coates (1999 and 2000); Soskice (1999); Hall and Soskice (2001)

There are also a number of dimensions re-appearing in most of the models outlined above. The influence of- and access to capital, the raising of funds and the role of the financial system exist as a dimension in all three models. The role of the state, strength of the labour movement or system of industrial relations, employer-employee trust relationship are also used as dimensions in two of the three typologies. Therefore,

in this research the basic pillars used to compare NBSs are: (a) financial system/access to, and raising, capital; (b) the role of the state; (c) the strength of the labour movement/industrial relations system, including labour laws. Each of the three pillars is discussed in turn below.

2.2.2.1 The Financial System

Financial systems vary on a number of dimensions but the critical feature deals with the processes by which capital is made available and priced. One of the basic comparative dimensions is whether the allocation of funds by capital markets takes place through competition where lenders and borrowers stay at arm's length or through intermediaries dealing directly with firms, and become locked into their success (Whitley, 2000).

At one end of the continuum, capital is raised through large and highly liquid capital markets where trade and price are set through the demand and supply principle. Stocks and bonds are dominant long-term sources of funds. Shareholders become key stakeholders (Coates, 1999: 649). Role of banks is restricted to serve short-term purposes (Zysman, 1983:70). Role of government is limited; its capacity to interfere and direct flows through capital markets is also minimal as it has little control over the levers influencing capital markets. Oftentimes government intervention requires legislative authorisation (Zysman, 1983). The shares are highly liquid and can easily be traded. In order to spread risk, investors and fund managers are only weakly committed in the growth of a single company they own shares in (Whitley, 2000). Risk management, capital markets and time horizon are inter-related. Companies which raise funds through the impersonal financial markets share little long-term risk with the financial providers. They, therefore, tend to internalise their risk management, often through diversification into unrelated activities (Whitley, 1992). Where this happens,

firms are more likely to have short-term market relations with investors on a particular transaction.

At the other end of the continuum, companies operate in smaller and less liquid capital markets or in markets where stocks and bonds are not easily available to private borrowers. Funds are primarily raised through lending institutions, banks and specialised lenders. Credit is at the core of the system of corporate finance (Zysman, 1983). Investment and fund managers concentrate their investment, not in a portfolio, but more specifically within a limited number of firms as shares are not so easily traded on liquid secondary markets (Whitley, 1992:30). Financial institutions are more dependent on the growth and success of particular companies and they can own significant proportions of the borrowers' shares, as for example in Germany. Investors devote more resources, both time and money, in acquiring information about firms and industries to evaluate risk (Soskice, 1999). Companies raising funds through banks and specialised lending institutions have externalised their risks. This implies that the risk is shared between the borrower and the lender mostly on a long-term basis as banks tend to borrow only to companies they know and have confidence in (Whitley, 1992). Since the companies borrow money on a long-term time horizon, their projects are not under the same pressure to be profitable on a short-term basis. Companies can, therefore, engage in long-term investment in their employees which in turn provides them with highly skilled employees (Soskice, 1999). The state is involved and can impose restrictions on the financial market, for example in the form of limiting foreign ownership of quoted companies.

In sum, there are five ways of distinguishing the financial system: (1) funds are raised on competitive markets or through banks and other specialised lenders; (2) the time horizon spans from short- to long-term; (3) investments can be at arm's length or integrated; (4) the risk is internalised or externalised; and (5) the role of the state is

absent or participative. There are linkages between the five dimensions. Companies raising funds on the free competitive markets have internalised their risk, the investments take place at arm's length and the time horizon is often short-term. At the other end of the continuum are companies which raise capital through banks. They have externalised their risk and investments are integrated often on a long-term basis.

2.2.2.2 The Role of the State

The role of the state varies greatly from country to country. One way of assessing the role of the state is by examining the extent to which the state dominates the economy. The 'strength' of the state is referred to as the degree to which the state executive and the bureaucracy unaffectedly can undertake their affairs without influence from interest groups or private economic players (Whitley, 2000:48). It can also be measured by the degree of autonomy of private firms from state regulation, direction and control (Coates, 1999:650). One end of the continuum in Coates' triangle are liberal economies where companies operate under few restrictions from the state (Coates, 1999). An example of such a country is the US, or to a lesser degree the UK. In both countries the state has neither the wish, nor the capability for actively coordinating economic processes (Whitley, 2000:49). At the other end of the scale are state-led economies where the state has a much more controlling and participative role, as for example found in post-1950 Japan and post-1961 South Korea. The 'strength' of the state in both countries is high but the role of the state differs in the degree to which it is willing to share risk. The risk sharing is low in Japan but high in South Korea (Whitley, 2000:49). There is also a link between the level of state support and risk management. Where the state supports industrial development, its risk sharing is high. In these countries, firms are encouraged to develop long-term commitments with business partners and employees. On the other hand, where this support from the state is absent,

companies tend to internalise risk management by diversifying their activities, as outlined in the previous section (Whitley, 1992:29).

In countries where the state powers: the legislature, the executive and the bureaucracy are controlled from one point (examples include South Korea and Taiwan from the 1960s to the 1980s), the government can easier enforce its economic policies in contrast to where these institutions are separated and no one dominates the others. Equally, the state is less likely to be able to act consistently and effectively where major activities and institutions are controlled by separate bodies such as professional institutions and independent public corporations. This tends to be the case in Anglo-Saxon countries in contrast to many continental European countries (Whitley, 1992:28). In countries where the state is 'weak' (where power is dispersed) it is less able to pursue coherent economic policies over an extended period of time. In other words the time horizon is shorter and policies are more ad hoc.

In summary, the role of the state can range from strong to weak depending on the level of autonomy for private companies from state regulation and control. The state can share risk with private companies or it can remain independent leaving the risk to individual companies. Connected to the strength and risk management is the time horizon on which business is conducted. Where the strength of the state and risk management are low, the time horizon is also short. On the other hand where the state is strong and shares the risk with private companies, the time horizon is longer.

2.2.2.3 The System of Industrial Relations

Systems of industrial relations is where the interactions of the social partners (employers and employees, and their organisations), and the state regulates resources provided by all three parties. Hyman (1994:2) uses the definition: "institutional arrangements shaped by legislative frameworks, historical traditions, accumulated

vested interests and learned patterns of behaviour” (Hyman, 1994:2). This section focuses on two aspects of industrial relations: state intervention, extension and enforceability of collective agreements.

One way of distinguishing between systems of industrial relations is by considering the position and role of state intervention. Three general kinds of state action lay down the ‘rules of the game’, that is the formal rules making up the legal framework of industrial relations (Van Waarden, 1995). The first type is *liberal pluralism* where a passive state upholds the principle of non-intervention. State intervention and regulation is restricted to creating a modest legal framework within which private individuals and businesses can conclude agreements. A good example of a country with this form of state intervention (or the lack of it) is the UK. The second form, *corporatism*, is where the state upholds an active role in the area of industrial relations. This interference and consultation often takes place in a tripartite form together with the social partners. In Sweden, for example, negotiations are bipartite and take place at national or sectoral level. The state has generally been absent but has in recent years adopted the position of conciliator when bipartite negotiations (threaten to) break down (Marginson and Sisson, 2004:44). The third form is *statism* where the state plays an active and interventionist role, directly shaping the terms of employment and working conditions through the formulation of a strong legal framework. France is a country falling into this category (van Waarden, 1995:110-111). Collective bargaining in France is influenced by legislative measures as exemplified by the ‘Auroux’ laws from the 1980s. The laws strengthened the collective bargaining systems into three levels: multi-industry, industry and company bargaining (Goetschy, 1998:379). Germany is another country where the state, through legislation, has provided the social partners with certain rights and obligations. One example is the statutory dual structure

of employee representation consisting of trade union representatives and works councils.

Another way of distinguishing systems of industrial relations is by considering the level of collective bargaining, legal enforceability and extension of collective agreements. In Sweden, the dominant level of collective bargaining is at sectoral level. In France, collective bargaining takes place at sectoral and company level with neither being dominant. The company level is the principal level of collective bargaining in the UK (Schulten, 2005). In Germany, France and Sweden, the conditions specified in multi-employer agreements are legally binding on the signatory employers' and employees' organisations and their members. In the UK these agreements are not legally enforceable (Marginson and Sisson, 2004). The second point refers to the extension of collective agreements to include non-members. Collective agreements are regularly extended in France. In Germany they are possible to extend, but only done so occasionally. Under the Swedish system of industrial relations there are no provisions for extension. In the UK, the provisions for extending collective agreements have been abandoned during the 1980s (Marginson and Sisson, 2004).

In summary, industrial relations systems are contrasted by the role of the state in laying down the 'rules of the game'. It ranged from absent as in the UK, that of a conciliator in Sweden, to a legislator as in France and Germany. The enforceability and extension of collective agreements also ranged from not being legally enforceable and extendible in the UK, legally enforceable in Sweden but not extendible, to legally enforceable and extendible in France and Germany.

Examining the NBS on three different dimensions has demonstrated a number of similar variables which suggest a form of inter-connectedness between the three dimensions. For example, at one end of the continuum (the top of Figure 2.1) the

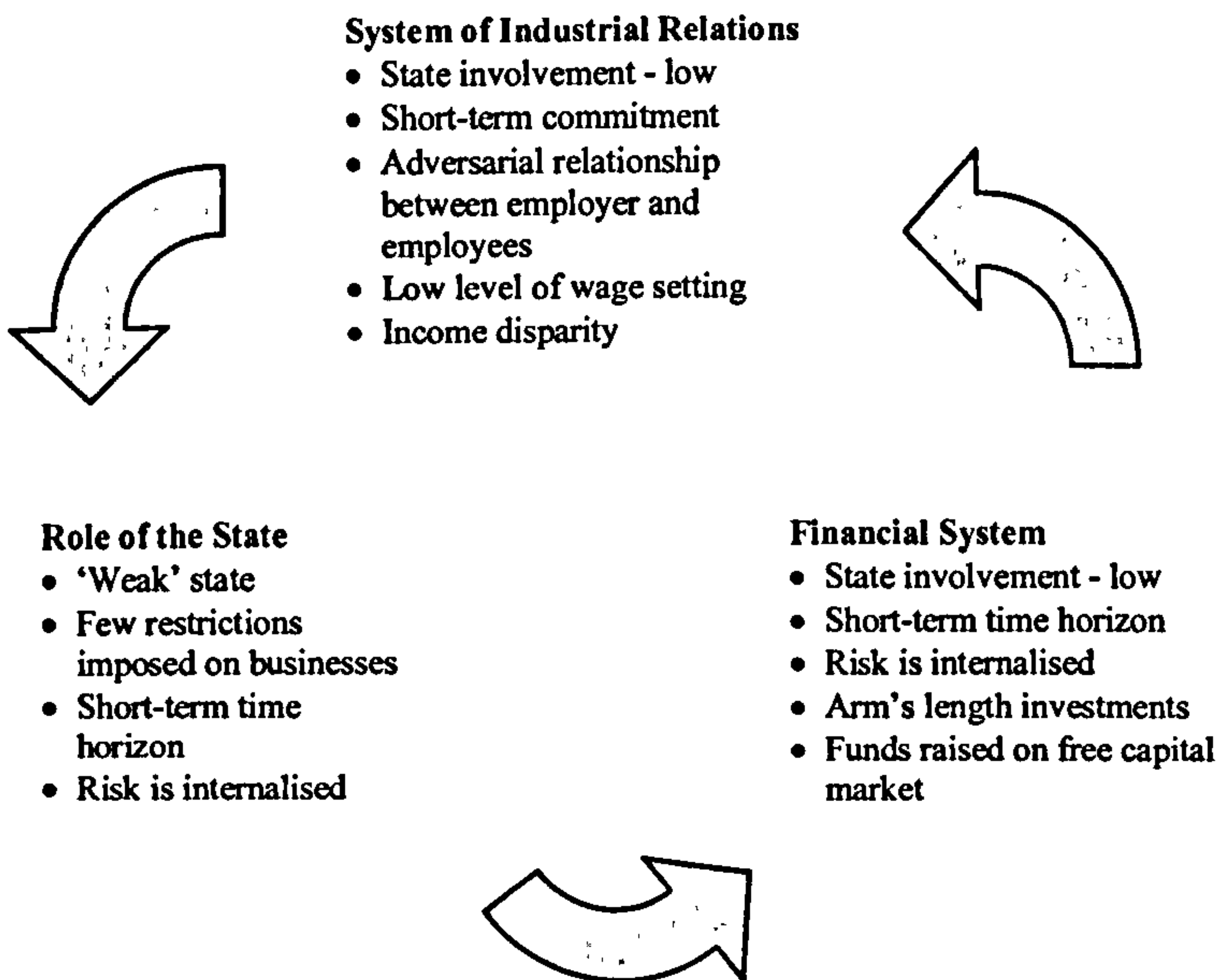
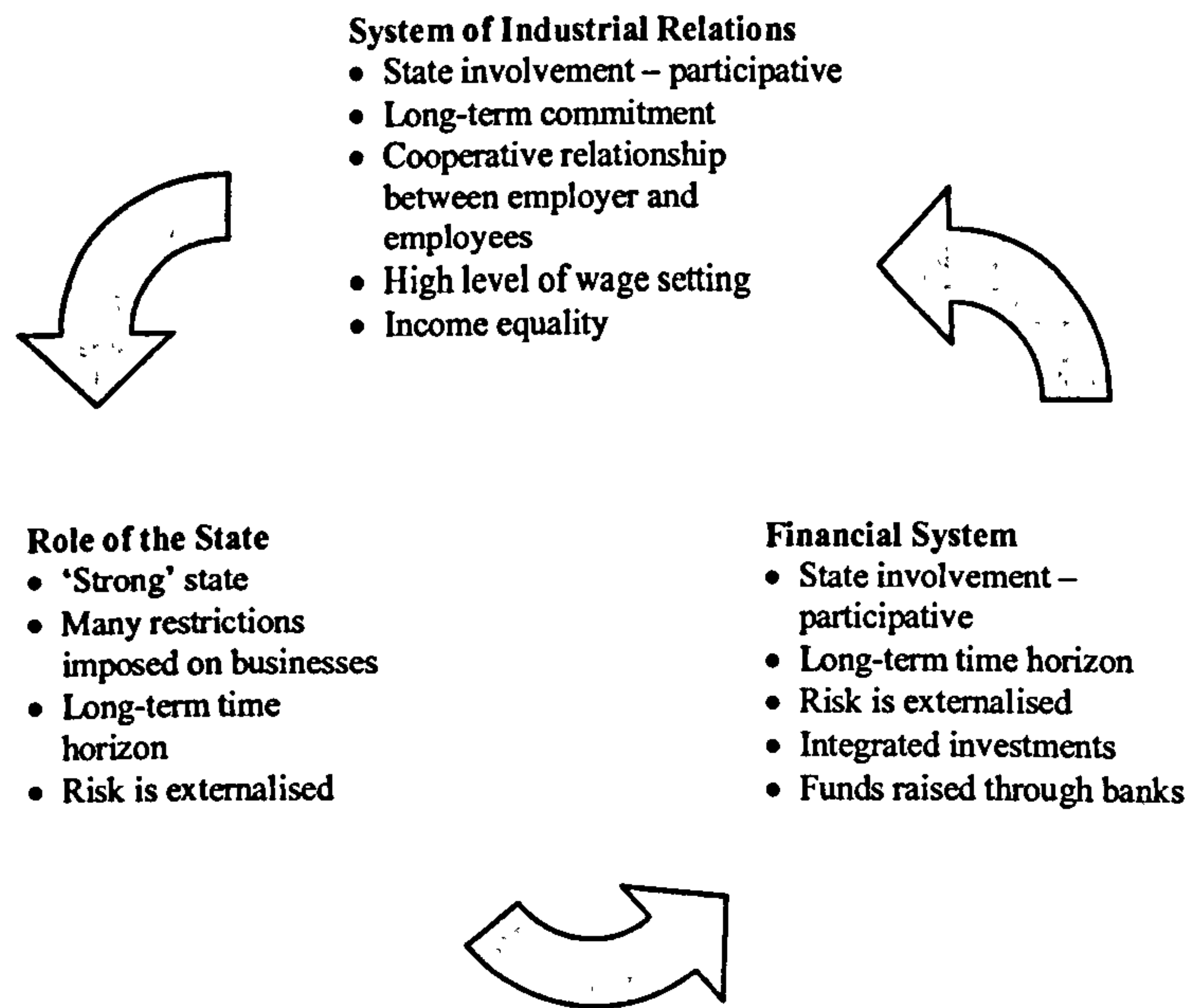
involvement of the state is participative in all three dimensions. The state influences investments at the financial markets by legislation. A high state involvement also translates into a high scale and scope of labour laws, imposing restrictions on employers' manoeuvrability. The state is also involved in industrial relations, on for example a tripartite basis as conciliator or as legislator. The inter-connectedness of the three dimensions also exists in a circular form. When the role of the state is strong it is able to impose restrictions on businesses in the form of regulations and legislation. A restrictive labour market pushes companies into long-term planning. If companies face restrictions in for example laying off employees, they need to be able to plan on a long-term basis. Long-term planning also requires long-term financing. The latter being available through banks that focus on individual companies rather than a portfolio of companies. The risk is shared between the lender and the borrower. With an externalisation of risk and the pressure for short-term returns reduced companies have the conditions for investing in their employees. The cooperative environment with the employees is also reflected in the high level of wage setting. When frictions do occur between the social partners, the state is able and willing to intervene to solve the dispute. The intervention indicates that the state is 'strong'. This closes the circle and illustrates the inter-relatedness of the three dimensions.

There is also a connection between the three dimensions in the bottom part of Figure 2.1. The limited ability and/or willingness of the state to intervene in the three dimensions was discussed in sections 2.2.2.1-3. The role of the state is restricted in the financial markets, and has also been limited in the system of industrial relations. The inter-connectedness of the three dimensions is also present. The weak state imposes few restrictions on businesses. The permissive labour market promotes short-term decisions as companies face fewer restrictions. The short-termism is also further exacerbated by the constant pressure for short-term return on investment on especially the stock market.

The pressure for short-term profits reduces companies' investments on their employees.

The adversarial relationship between employer and employees creates a low level of wage setting where the state is unwilling/unable to intervene, again closing the circle.

Figure 2.1: Three Dimensions of the NBS



Author’s own model

The discussion in section 2.2.2 suggests Sweden and the UK represent distinct models of capitalisms. This section presents a conceptual model of capturing the permissiveness and restrictiveness of the NBS. The model depicts graphically the three dimensions discussed above, thus creating a triangle. The surface area illustrates the permissiveness or restrictiveness of the NBS to transfers.

Section 2.2.2.1 examined how the financial systems affect the way in which MNCs have access to and raise capital. A country is placed towards the right on the x-axis in Figure 2.2 if it has the following characteristics: a long-term time horizon for investments, integrated investments, funds raised through banks and other specialised lending institutions with risk externalised or shared between the borrower and the lender, and a participative role played by the state. On the contrary, a country is placed towards the centre of the figure on the same axis if investments have a short time horizon, are at arm's length and the risk is internalised within the MNC, funds are raised on free capital markets, and state involvement is low.

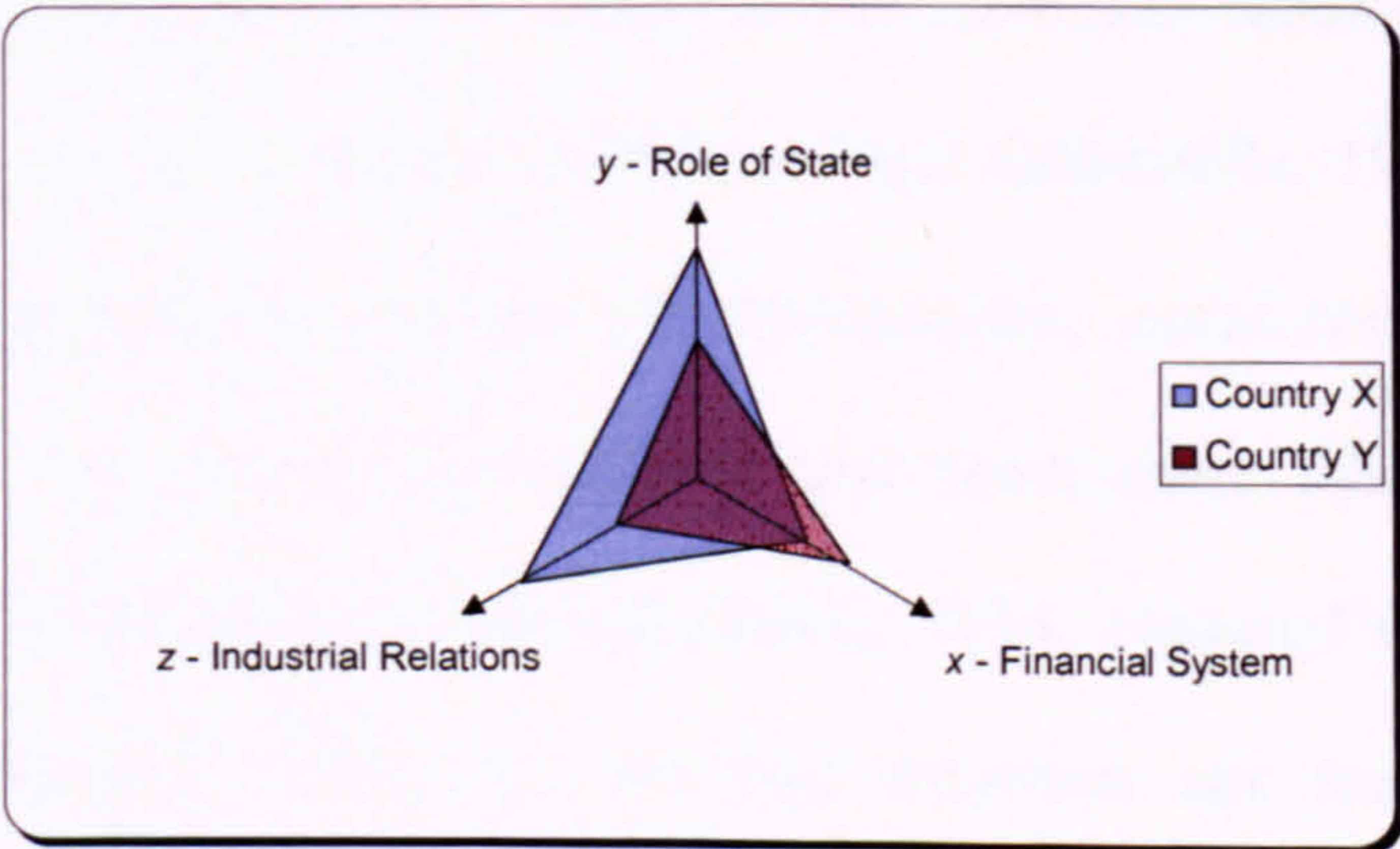
Based on the assessment of the role of the state in section 2.2.2.2, a country is situated towards the top of the y-axis when the state is 'strong' and able to impose restrictions on how businesses operate within the country. Further, the risk sharing between the state and businesses is leading to an externalisation of risk by establishing long-term commitments with business partners and employees. Countries are located closer towards the centre of the figure on the axis if the state is 'weak' and not able, or intends, to impose restrictions on businesses, and where there is little risk sharing between the state and the businesses and decisions are short-termed or taken on an ad hoc basis.

For the third dimension, system of industrial relations, a country is placed towards the left on the z-axis if the state plays an active role, either as a conciliator or legislator, and has the potential and desire to interfere in the area of industrial relations

and if collective agreements are extendible and legally enforceable. Countries are located towards the centre of the z-axis where the state is absent and does not have the capability or the intentions to influence industrial relations, and collective agreements are not legally enforceable and extendible.

The model is useful as the surface area illustrates the degree of permissiveness or restrictiveness of the national business system to transfer of employment practices. The larger the area, the more restrictive the NBS. The smaller the area, the more permissive it is. Figure 2.2 shows the surface area of country X as larger than country Y's. It can be hypothesised that country Y is more permissive to transfers of employment practices given the smaller surface area. MNCs transferring to country Y has more room for manoeuvre to decide between following local practices (local isomorphism) or implementing company-wide practices (corporate or cross-national isomorphism). It can also be hypothesised that country X is more restrictive to transfer of employment practices. MNCs with subsidiaries in country X are under pressure to follow local practices and customs and face restrictions in implementing corporate-wide practices.

Figure 2.2: The National Business Systems Model of Country X & Y



Source: Author's own model

2.2.3 Multinationals and the Influence of the National Business Systems

Up until this point the discussion has centred on the relationship and interactions between firms and the institutional environment of the country in which they operate. It has set the foundations for what influences the way in which firms operate in each country and the dimensions for comparisons. Section 2.2.3 recognises that many firms operate in many countries, and so explores the possibilities for firms to transfer practices across borders from one part of the organisation to another. It focuses on the influence of the NBS of home and host countries upon the restrictiveness or permissiveness of such transfers to and from a country. It also discusses whether some practices are more easily transferred than others.

2.2.3.1 MNCs and Isomorphisms

The discussion presented so far assumes that employment practices are under the same pressures for local and corporate isomorphisms. However, research shows that the pressure varies. Rosenzweig and Nohria (1994) found in their survey of 249 US MNCs' foreign operations that some employment practices are more likely to exhibit local isomorphism than others. Practices which are under pressure to conform to local norms and standards are more likely to resemble local practices. Examples of such practices include hours of work, forms of job contract, redundancy procedures, bargaining levels and union recognition (Ferner and Quintanilla, 1998). On the other hand working arrangements, management development, social recreational activities and management control are less regulated and hence more likely to conform to corporate isomorphism (Rosenzweig and Nohria, 1994; Ferner, 1997; Hamill, 1984; Ferner and Quintanilla, 1998). At the two extremes are local and corporate isomorphisms where practices are influenced to resemble either those found in the host-country or those prevailing in the MNC. However, there are also employment practices

with elements in both camps, such as employee participation. Employee participation divides into two main areas: indirect and direct participation¹. Indirect participation practices are under stronger statutory regulation or collective agreement arrangements than direct participation, thus the local and corporate isomorphic pulls vary depending on the practice.

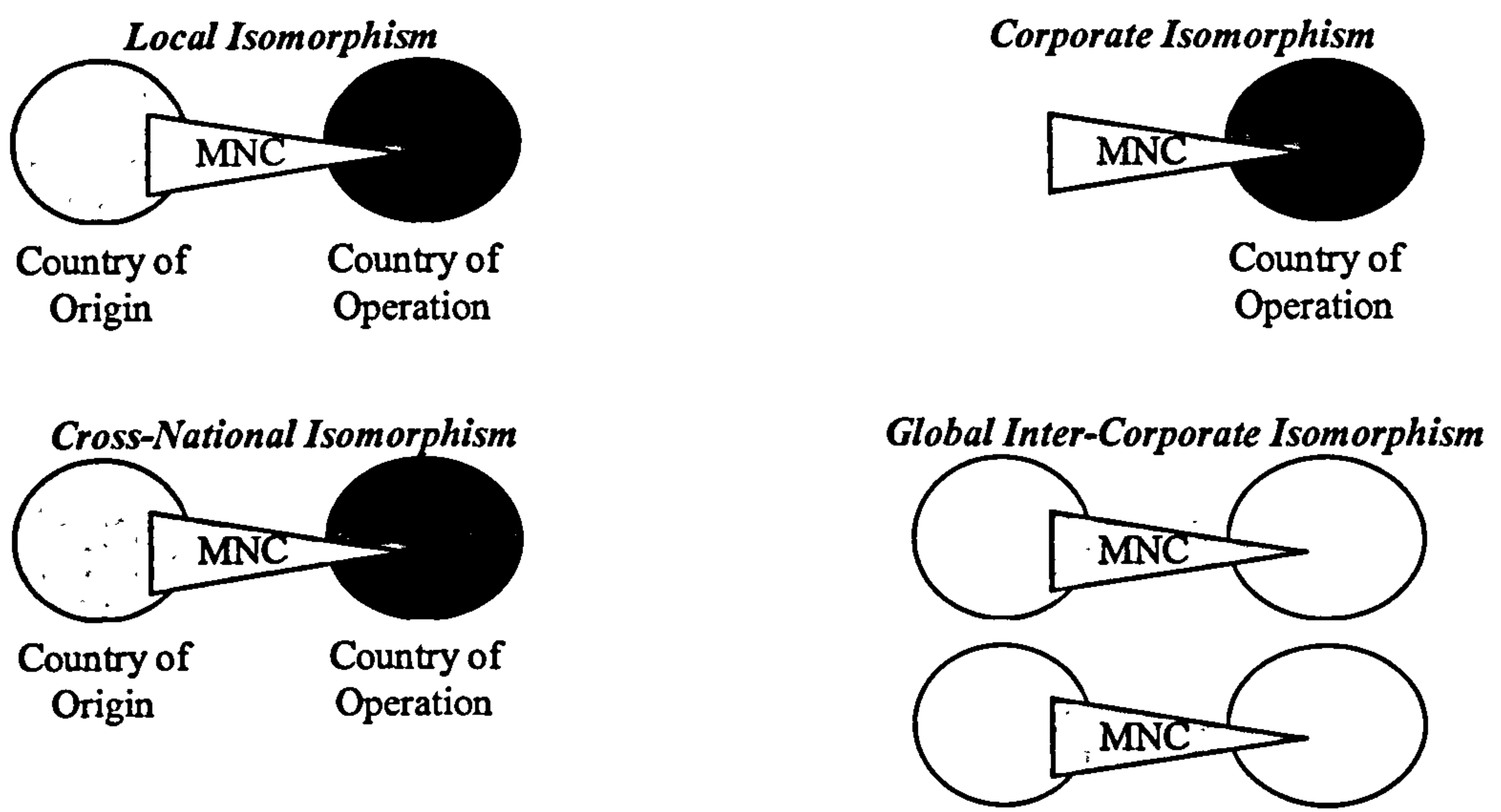
MNCs' subsidiaries are not only under pressure to adapt to the institutional demands of the host countries, and therefore become isomorphic with other local organisations, they also face pressures for consistency with other subunits of the MNC (Rosenzweig and Singh, 1991:345). They suggest the pressure for local or corporate isomorphism to be depicted on a graph. On the *Y* and *X* axes are pressure for local isomorphism and pressure for corporate isomorphism respectively. They extended the model into 3-D with the *Z* axis signifying subsidiaries in different countries (Rosenzweig and Singh, 1991:346-348).

Rosenzweig and Singh's model captures the globalisation debate; the tensions between global corporate strategy and the demands of serving local markets with local practices. However, it stops the institutional analysis too early by not exploring the influence of country of origin (Ferner and Quintanilla, 1998:713). Ferner and Quintanilla (1998) take the discussion a step further by suggesting that the parent company is embedded in the institutional environment of the home country; a key point in analysing the country of origin effect. They propose four different types of isomorphisms: *local isomorphism*, *corporate isomorphism*, *cross-national isomorphism* and *global inter-corporate isomorphism*. The first two represent the ideas proposed by Rosenzweig and Singh (1991). The third type is an extension of the corporate isomorphism. The parent company is influenced by the institutional environment in the home country which then is reflected in the transfers to the foreign subsidiaries. In the

¹ Excluding financial participation

fourth, global inter-corporate isomorphism, MNCs are under pressure from other global competitors. MNCs copy other MNCs’ practices which is why the transferred practices may not resemble those found in either the home or the host country but rather those found in key international competitors (Ferner and Quintanilla, 1998).

Figure 2.3: Forms of Isomorphism

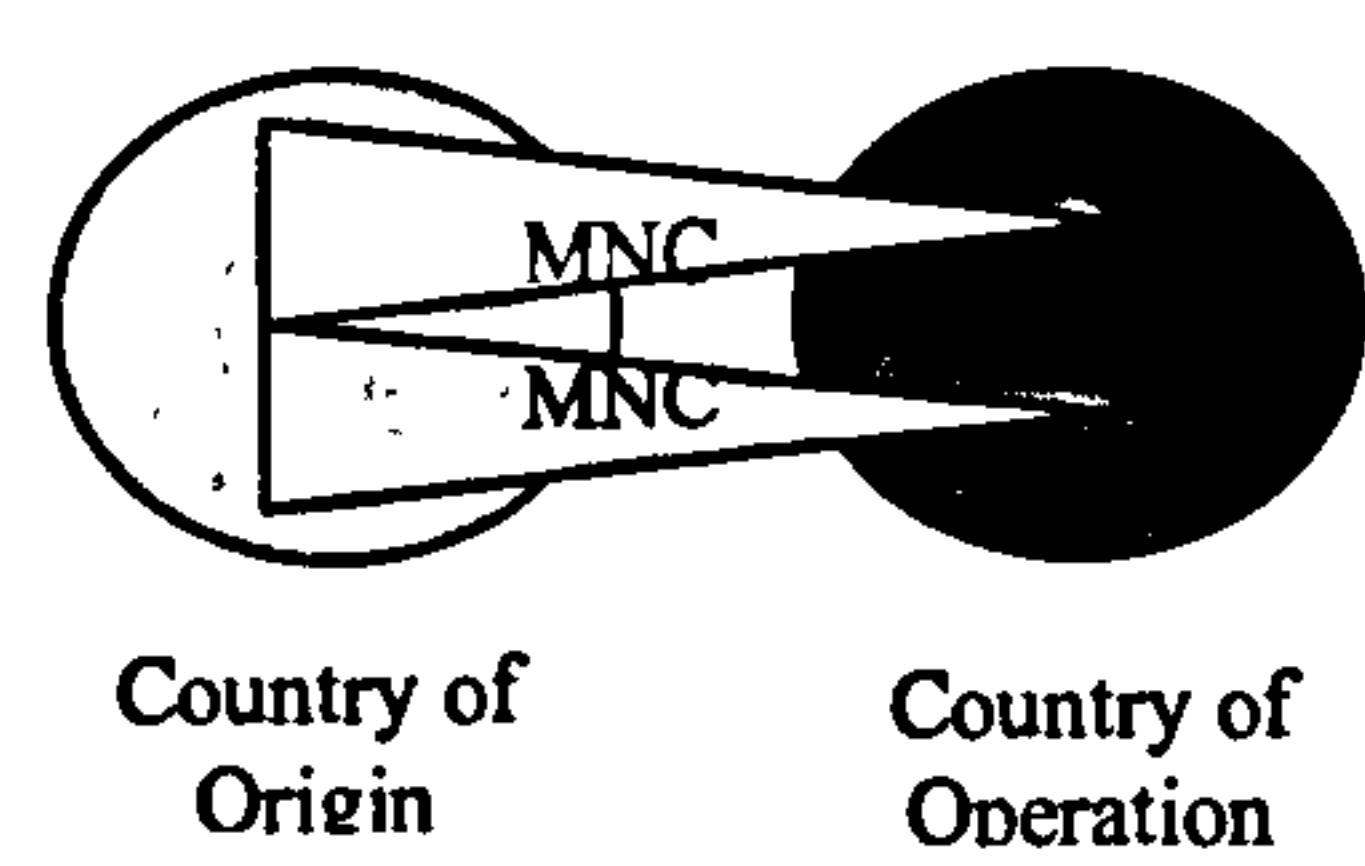


Ferner and Quintanilla (1998)

Ferner and Quintanilla (1998) assume that the transfer of practices is consistent within the MNC, i.e. MNCs are ‘pure’ examples of one of the four forms of isomorphism. Their four models of isomorphic pressures do not take into account that the parent company may be diversified and can adopt a mixture of the four approaches. Very large MNCs, diversified in their products, industries or brands, may adopt a mixture of the four approaches. For example, an MNC operating in the same host country in two highly diversified industries may find itself under strong pressure to conform to local practices (local isomorphism) in one industry and the other industry is more permissive to home-country practices (cross-national isomorphism). It could also be the case with an MNC operating with different brands, each aiming at different

segments of the same market. The willingness to transfer practices within one brand may be greater than in the other, thus companies in one brand may find itself at the receiving end of many corporate-wide practices whereas companies in the other brand do not receive any new practices. Based on Ferner and Quintanilla’s (1998) four models it is suggested that a fifth approach exists. This is termed local-global isomorphism and is illustrated in Figure 2.4.

Figure 2.4: Local-Global Isomorphism



Source: Author’s extension of Ferner and Quintanilla (1998) work

Another point which is not discussed by Ferner and Quintanilla (1998), and largely ignored by the literature until recently (Edwards, 2000), is the flow of practices from the foreign subsidiary to the parent company. Edwards (1997 and 1998) coined the term ‘reverse transfer’ (RT) and suggests that this takes place in two different ways. Either, as part of a wider process of transfer where the practice originating in one of the foreign subsidiaries is transferred to all the subsidiaries, including those in the home country. Edwards (1997 and 1998) refers to this as ‘flow’ transfer of practices (FlowT). Or, practices originating in a foreign subsidiary are transferred to parent company only. This is referred to as ‘strict’ reverse transfers (StrictRT). RTs are both external and internal, which means that the practices transferred stem from within the subsidiary (internal) or from the country where it is based (external) (Hayden and Edwards, 2001). RTs have the potential to affect greater numbers of employees than forward transfers (FTs). This is linked to MNCs having more employees working in the home country

than abroad and thus practices coming into the home country affect more employees (Edwards, 1998).

It is suggested that another two forms of reverse transfers exist: *push* and *pull*. In the case of the former, the practice exists in the subsidiary and it is *pushed* to other parts of the organisation by subsidiary employees. The occurrence of *push* reverse transfers is dependant on the subsidiary's 'power' to transfer, which can be positively influenced by subsidiary managers working at head quarters level. Similarly, the *pull* reverse transfer is identified in the subsidiary but *pulled* by the headquarters to the parent company and/or other subsidiaries. The distinction between *pull* and *push* reverse transfers is important as it sheds light on the subsidiaries' ability to influence practices in other parts of the MNC and the ability of the parent company to control the flow of practices to and from subsidiaries.

One important issue regarding the transfer of employment practices is to determine whether a practice is transferred or not. Edwards (1997) uses three degrees of evidence: *potential*, *intermediate* and *clear*. The former indicates that a practice has the potential to be transferred. This is, according to Edwards (1997), fulfilled if the MNC possesses the facilitating channels of transfer as identified in section 2.6.2.1. An *intermediate* transfer requires some empirical evidence suggesting that a transfer has occurred. A *clear* transfer is fulfilled if respondents identified instances of transfer and described them in some detail. The researcher has added a criterion to the use of *potential* transfers. It also refers to a practice identified in one part of the MNC (parent company or subsidiary) or both but without a transfer taking place.

Forward and reverse transfers are also influenced by differences in the identified typologies of capitalism (section 2.2.2). They should not be considered static but can change and evolve over time. Changes in political and economic factors can create the environment which makes one form of capitalism dominant over another. Those in dominant positions have evolved practices which are considered superior by less successful economies and thus creating an interest in emulating these practices (Smith and Meiksins, 1995:255). Taking an institutionalists view, it is a form of mimetic isomorphism. The successful economies have changed historically over time. For example, after the Second World War, US MNCs were active in transferring practices such as the 'Fordist' forms of work organisation (Edwards and Rees, 2006). In the 1980s and 1990s, Japanese manufacturing companies were very successful and their production methods were considered as dominant, and copied worldwide. At the turn of the millennium the US has regained the 'pole position' as the dominant economy, partly because of its flexibility in the labour market. US MNCs have been able to transfer practices which are typical of the US at the turn of the millennium including level of collective bargaining, wage systems, training policies and fixed-term contracts (Edwards, 1997; Edwards and Rees, 2006; Ferner, 1997). Work by Royle (1999) confirmed the ability of US MNCs in transferring home-country practices to the overseas operations. Examining McDonald's, Royle (1999) found that the company was successful in keeping the union membership figures very low in their operations in both the UK and Germany. Research has shown empirically there is a flow of practices from the more deregulated market based economies of the US and the UK to operations located in 'potential follower' systems, most notably continental Europe (Ferner and Quintanilla, 1998; Ferner and Varul, 2000). A process termed *Anglo-Saxonization* (Ferner and Quintanilla, 1998:717). Following this argument, Edwards (1997) postulates MNCs from 'dominant systems' are more likely to engage in forward

transfer, and MNCs from ‘potential follower’ systems are those most likely to engage in reverse transfers. In the latter case, the Anglo-Saxon subsidiary could be seen as ‘vanguard’ in the process of spreading Anglo-Saxon practices (Ferner and Varul, 2000).

The transfer of practices is not only influenced by the ‘dominance effect’ but also by the legal framework in the host country. Whitley (1992) suggests “the extent to which ... a transfer of business system characteristics to host economies occurs does, of course, depend on the openness of dominant institutions in those economies to novel forms of economic organisation and the relative strength of established business systems in them. The more open and pluralistic an economy is, the more likely it will be to accept – or at least acquiesce in – the transplanting of new firm-market relationships” (Whitley, 1992:277). MNCs operating in countries with permissive systems of industrial relations face few legal and formal regulations. There are few local isomorphic pressures and the scope for transferring company specific practices is present. It is suggested that MNCs have a strategic choice to decide whether to adapt to the environment of the host country and adopt local employment practices (local isomorphism) or to introduce company-wide practices (cross-national or corporate isomorphism). In contrast, MNCs operating in countries with restrictive industrial relations systems face a constraining set of uniform rules and regulations. The subsidiaries in such countries face stronger local isomorphic pressures and are more likely to behave in a similar way as local and indigenous firms with regard to their employment practices.

However, it has been suggested that ‘institutionally restrictive’ systems are not impermeable to practices from ‘institutionally permissive’ systems (Ferner *et al.*, 2001; Ferner and Varul, 2000; Ferner and Quintanilla, 1998; Muller 1998). This is facilitated if the host-country institutions support the practices (Muller, 1999; Giardini *et al.*,

2005). Ferner and Quintanilla (1998:710) argue that an 'Anglo-Saxonization' has taken place: a "convergence of MNC behaviour around a model of typical or highly internationalized British or US MNCs". For example, American MNCs managed to circumvent the German system of multi-employer bargaining, co-determination and vocational training, and introduced home country practices in their German subsidiaries (Muller, 1998).

As can be seen from above, disagreement exists about the direction of flow of practices. Arguments have been put forward for flow both from 'institutionally permissive' to 'institutionally restrictive' countries and vice versa. Ferner (1997) argues that the area remains underdeveloped and research on dissemination of practices from the 'institutionally permissive' to the 'institutionally restrictive' countries has mainly focused on the UK and the US on one side and Germany on the other (Ferner and Varul, 2000; Ferner and Quintanilla, 1998; Muller 1998). Ferner and Edwards (1995:230) suggest further that "the processes and mechanisms whereby MNCs disseminate industrial relations practices from one national system to another are poorly understood". Finally, most of the existing literature is mainly survey based (Ferner, 1997) which is appropriate for highlighting the extent to which MNCs have spread their practices across borders, but has its limitations in assessing the processes of how transfers take place.

In summary, local and corporate isomorphic pressures vary according to the employment practice in question. Ferner and Quintanilla (1998) have added country-of-origin into new institutionalism theory, by suggesting companies working abroad are influenced in their choice of overseas practices by practices in their home country. The discussion also presented work by Edwards (1998) suggests practices are also transferred from the foreign subsidiaries to the parent company (reverse transfer),

distinguishing between strict and flow reverse transfers as well as internal and external reverse transfers.

2.2.4 Summary

Section 2.2 highlighted the work of new institutionalism theory and the national business system model to demonstrate their effects on the behaviour of companies in different national and institutional settings. It was suggested by institutionalists that companies follow ‘taken-for-granted’ rules of the game and are under pressure to conform to these by three isomorphic forces: coercive, mimetic and normative.

Different varieties of capitalism were discussed and the debate highlighted problems in classifying the different typologies. The models presented by the literature were static and it was, therefore, proposed to adopt a dynamic way of assessing a country’s NBS based on three dimensions: financial system, role of the state and system of industrial relations. Section 2.2 showed the inter-relationship between the three dimensions. The model is useful in graphically illustrating how permissive or restrictive a country is to the transfer of employment practices, which, in section 2.5, will be applied to Sweden and the UK.

The section highlighted the institutional and NBS constraints and facilitators on transfer of practices. It was also discussed that some systems are dominant which incentivises companies to engage in cross-border transfers. The next section suggests that the flow of transfers is not only influenced by national factors but also by factors at the company level – the type of acquisition and the post-acquisition integration approach. This will inform about the intentions of the parent company to use the assets in the acquired unit which could impact on transfers.

2.3 Acquisitions as Form of Expansion Abroad

Expansion through acquisitions gives the acquiring company the possibility to grow quickly. Acquisitions offer immediate access to new markets, technologies, management skills etc. (Lees, 2003:3). For this research, it is important to determine the strategic rational behind the acquisition – whether it adds to its existing business in the overseas country in question or it is the first operation of its kind. The argument here is that if the MNC is already present in the overseas country, it has acquired and accumulated experience and skills in handling operations under influence of the NBS and culture specific to that country and should be better informed about the challenges facing the post-acquisition integration process and subsequent transfers.

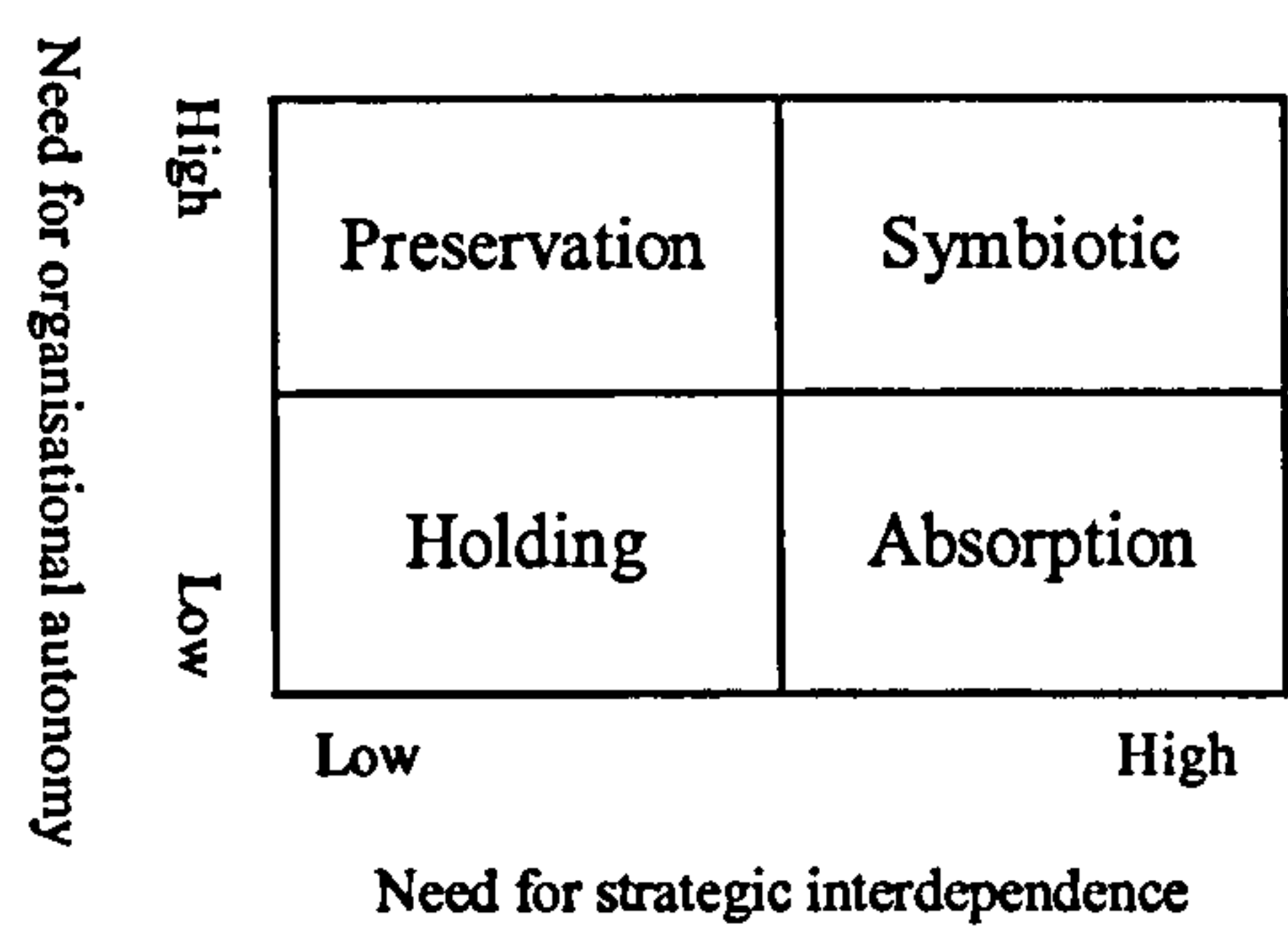
Acquisitions are often divided into three main categories of horizontal, vertical and conglomerate. The former refers to acquisitions involving companies engaged at the same level in similar industries. Horizontal acquisitions are a means to acquire companies producing similar products, substitute products or direct competitors. Vertical acquisitions involve companies along the same value chain but focusing on different parts of the production/service process, i.e. a production company acquiring a supplier (backward integration) or distributor (forward integration). It gives the acquirer more control over its input or distribution channels and the potential for reducing transaction costs. Conglomerate acquisitions are those where the companies acquire in unrelated industries. In 1999, horizontal acquisitions constituted 56 percent of cross-border M&A in terms of number of deals and 71 percent when measured against deal value (UN, 2000:231).

Acquisitions “offer the purchasing company a strong position from which to introduce changes in management practice” (Child *et al.*, 2000:141). This in turn gives MNCs greater scope for changes in employment practices in acquired companies than in mergers but poses greater challenges when compared to greenfield investments where

companies are set up from scratch. Value is created from an acquisition when the acquired company is integrated into the acquirer and the combined assets (of target and bidder firms) are used more effectively than by the two firms operating separately (Shelton, 1988:179).

Haspeslagh and Jemison (1991) offer the most comprehensive research on post-acquisition integration (Cording *et al.*, 2002:20). The authors consider two key dimensions for choosing an integration approach – the need for strategic interdependence and the need for organisational autonomy. In the light of the relationships between the two dimensions, a 2x2 matrix with the four different approaches to post-acquisition integration is constructed (Figure 2.5). The four different integration approaches are discussed in greater detail in section 2.6.2.2.5.

Figure 2.5: Types of Acquisition Integration Approaches



Source: Haspeslagh and Jemison (1991:145)

Relative size of the acquired company is an important factor influencing the integration approach (Hambrick and Cannella, 1993). One needs to consider the acquired company’s relative size in comparison to the acquiring company and the unit into which it will be integrated. If the acquired company is relatively small there is a tendency to fall into the ‘make them like us’ syndrome because of the de facto power balance clearly in favour of the larger parent company (Haspeslagh and Jemison,

1991:151). If we use relative size as a proxy for relative power, it follows that the greater the relative size of the acquired company the more autonomy it will enjoy.

2.3.1 Summary

MNCs engage in three types of acquisitions: horizontal, vertical and conglomerate with the former representing the largest proportion of the three types. Four different acquisition integration approaches exist: preservation, symbiotic, holding and absorption. The integration approach is determined by two factors: the degree of organisational autonomy and extent of strategic interdependence.

The type of acquisition and post-acquisition integration approach are important, but not the only factors influencing employment practice transfers. The type of employment practice is also significant as some practices are more influenced by the institutional framework than others, which is the focus of section 2.4.

2.4 Employee Participation

This section discusses the different forms of employee participation. It makes the distinction between direct and indirect participation and discusses the different forms the practices, in the two categories, come in.

Two manifestations of employee influence exist at the workplace, employee involvement (EI) and employee participation (EP). One definition of EI is “practices and policies which emanate from management and sympathizes of free market commercial activity and which purport to provide employees with the opportunity to influence and where appropriate take part in the decision-making on matters which affect them” (Hyman and Mason, 1995:21). The decision about whether or not to involve employees rests with managers who are able to define and limit the terms under which EI can take place (Marchington, 2001:234). EP has been defined as “state initiatives which promote the collective rights of employees to be represented in organizational decision-making or to the consequences of the efforts of employees themselves to establish collective representation in corporate decisions” (Hyman and Mason, 1995:21). The main distinction between the two terms is that “EI exists on the management’s voluntary discretion and that managers might see the advantage of *allowing* employees to become involved” contrasted to EP which rests on a statutory or collectively agreed foundation and “has its source in the *right* of the governed to exercise some control over those in authority” (Marchington, 2001: 234). Another distinction is made between direct (DP) and indirect participation (IP) (Marchington *et al.*, 1992; Cully *et al.*, 1999). The two are fundamentally different as DP is centred on individuals or small groups of workers. IP is collectivist and representative in form (Marchington and Wilkinson, 2000:340) and mainly granted by statutory rights. The thesis uses the direct/indirect rather than the EI/EP terms to distinguish between the two forms of influence.

A third form of employee participation exists, financial participation (FP) (Cully *et al.*, 1999:10; Sisson and Storey, 2000:100). Due to the limited scale (number of workplaces operating FP) and scope (money involved in the schemes) of FP it is questionable to what degree FP actually gives employees any real day-to-day involvement or participation (Sisson and Storey, 2000:100; Pendleton *et al.*, 1998:116). For this reason it is not included in this research.

DP comes in different forms. Marchington (2001) suggests DP to be examined under three separate categories: downward communications, upward problem-solving and task-based participation and teamworking. Ramsay (1991) argues for two categories including: task and work group involvement, and communications and briefings systems. Finally, Hyman and Mason (1995) operate with three forms of direct employee involvement: downward, upward and two-way. Related to DP is the delegation of responsibility (DR) to non-managerial employees. The delegation of responsibility can be to individuals or groups; temporary or permanent; and face-to-face or arm's length (Geary and Sisson, 1994). Examples of downward participation include newsletters, reports, notice boards and emails. The second form, upward participation, includes practices like suggestion schemes and employee surveys. Two-way participation practices include: meetings for the group, department or the entire plant and quality circles. Delegation of responsibility includes empowering employees to make decisions without a supervisor or manager.

In IP, employee representatives have been given the right to participate as a consequence of statutory rights or collective agreements rather than management's willingness to involve them. The degree of participation is therefore linked to the institutional framework in the country laying down differences in statutory and collective rights. Geary and Sisson (1994) suggest the existence of four forms of indirect participation: collective bargaining, joint consultation committee (JCC), co-

determination and worker directors. Hyman and Mason (1995) add another two forms: collective employee share schemes and works councils. Finally, health and safety committees, and pension fund trusteeships are identified by Ramsay (1991). Collective bargaining takes places at different levels: national, industry, company and/or plant and is performed by representatives from both the employees and employers' side. In JCC and works councils, the management at company level seeks the views of the employee representatives. Hyman and Mason (1995) argue there are two main features in common for works councils: the right to receive information on key aspects of the company activity and the right to be consulted on issues prior to their implementation by management (Hyman and Mason, 1995:32). The foundations for fora where employee representatives meet with the employer vary greatly within Europe. In Denmark it is granted through the *Samarbejdsaftalen*, (Co-operation agreement) agreed between the social partners (Carley *et al.*, 2005:8). The Swedish MBL (*Lag om medbestämmande i arbetslivet*) law requires the employer to inform and consult with employee representatives in cases of significant changes in the work environment or conditions. In the UK, the existence of JCC is based on the system of voluntarism.

Co-determination as IP is most notably found in Germany where employee representatives can make decisions jointly with management in areas such as social policy. There is no legal requirement for similar arrangements for UK companies. Worker directors are linked to the EC's Fifth Directive (Vredelin Directive) drafted in 1972 and the Bullock Committee of Inquiry on Industrial Democracy in the UK, advocated a setting up of a system of worker directors in large enterprises in the private sector. The Bullock initiative failed to achieve legal status, and was largely overtaken by political changes post 1979 (Hyman and Mason, 1995:140). The collective employee share schemes was mainly found in Scandinavian countries where the labour movement advocated wealth accumulation schemes based on collective ownership and

administration of company shares, which would offer institutional influence to union shareholders similar to that enjoyed by pension funds and other collective bodies. In the UK the unions addressed the issue in the 1970s but have been more supportive of company-based employee share ownership schemes (Hyman and Mason, 1995:32). The existence of health and safety committees is given to employees and their representatives mainly as a statutory right.

2.4.1 Summary

The thesis makes the distinction between direct and indirect participation practices. The former exists on management's voluntary discretion and the latter as a consequence of statutory or collective agreed right. A number of direct and indirect participation practices are identified. They vary in depth, scope, level and coverage of participation. The different forms of direct and indirect participation are summarised in Table 2.2.

Table 2.2: Forms of Direct and Indirect Employee Participation

	Direct Participation		Indirect Participation
<i>Geary and Sisson (1994)</i>	Individual Consultation: face-to-face Individual Consultation: arm's length Group Consultation: temporary groups Group Consultation: permanent groups Individual Delegation Group Delegation	<i>Geary and Sisson (1994)</i>	Joint Consultation Committees Co-determination Collective Bargaining Worker Directors
<i>Ramsay (1991)</i>	Task and Work Group Involvement Communication and Briefing Systems Financial Participation	<i>Ramsay (1991)</i>	Health and Safety Committees Pension Fund Trusteeships Consultative Committees
<i>Hyman and Mason (1995)</i>	Downward Upward Two-way	<i>Hyman and Mason (1995)</i>	Joint Consultation Committees Worker Director Schemes Works Councils Collective Employee Share Schemes
<i>Marchington (2001)</i>	Downward Communication Upward Problem-solving Task-based Participation and Teamworking Financial Participation		

Source: As indicated

2.5 Swedish and UK National Business Systems

2.5.1 Introduction

Section 2.2 examined a number of varieties of capitalism (Soskice, 1999; Hall and Soskice, 2001; Zysman, 1983; Coates, 1999, 2000; Whitley 1992, 2000) and concluded with a new model of assessing the restrictiveness or permissiveness of NBS on transfers. The purpose of this section is to apply each of the three dimensions to Sweden and the UK and to graphically depict how permissive or restrictive the NBS of the two countries are to MNCs' transfer of employment practices.

This section is divided into three main parts discussing each of the three dimensions. The first part examines the differences in the financial systems in the UK and Sweden; how capital is made available and priced to firms by the role of the stock market, the banks and other lending institutions. The second part discusses the role played by the state in influencing industrial relations. The third section examines how the state and the social partners interact, and have interacted over time, to create a system of industrial relations in both Sweden and the UK.

2.5.2 The Financial Systems

This section examines the financial systems in Sweden and the UK. The first way of measuring the differences between financial systems is to examine how capital is raised, i.e. the roles played by the stock market and banks as providers of capital. One significant indicator is the size of the stock market. Data indicate the market value of all listed shares on the London Stock Exchange (LSE) is 8-9 times greater than on the Swedish Stock Market (OMX, 2005a and LSE, 2006). According to Danthine *et al.* (2000), quoted in Stoneman (2001), the stock market value as a percentage of GDP is in the UK and Sweden 127 and 77 percent respectively. This sets the relative size of the UK stock markets as almost twice that of the Swedish. Companies listed on the LSE are

also more internationalised than those listed in Sweden as measured by the percentage of foreign ownership. In 1996, 63 percent of all shares on the LSE were held by foreign investors whereas the figure for Sweden was 31 percent (Statistics Sweden, 2005). Based on the two parameters (relative stock market capitalisation and proportion of foreign investors) the figures for the UK are almost twice that of Sweden. The stock market is more important for raising capital in the UK compared to Sweden where banks and other lending institutions play a more significant role than in the UK.

The degree to which fund managers in the UK and Sweden internalise or externalise risk can be assessed by examining the pattern of ownership of shares. If shares are owned by mainly institutional investors who have invested in unrelated activities and there is a large number of owners each possessing a small percentage of shares indicates that investors have internalised the risk. The pattern of ownership structure in the UK can be described as an 'inverted star'² with no or few investor(s) in possession of enough shares to yield a dominant power (Windolf and Beyer, 1996:213). In 1992 in the UK, 14 percent of shares belonged to non-financial companies while those in the financial sector held 73 percent of which banks had 10 percent point (Windolf and Beyer, 1996). From 1992 to 2004, the percentage of shares held by non-financial institutions in Sweden decreased from 24 to 13 percent, that of financial institutions increased from 40 to 43 percent (Statistics Sweden, 2005). The possession held by households in 1992 was 10 and 18 percent for the UK and Sweden respectively. The concentration of ownership in UK companies is low as a large number of investors own only limited number of shares (Windolf and Beyer, 1996:212-213). In the UK, 48.6 percent of shareholders hold between 3-5 percent of company stock, and only 4.9 percent own more than 75 percent. The researcher short-listed the largest 50 companies quoted on the Swedish stock exchange (OMX, 2005b) (full list in Appendix 2.1) and

² Windolf and Beyer (1996:209) refer to the 'inverted star' as the ideal-typical structure of capital networks in Britain with relatively limited participations of several companies in a single large corporation.

also found the concentration of ownership to be relatively low: 41 percent of shareholders own 3-5 percent of company stock and only 1 percent of shareholders own more than 75 percent. The data indicate that the 50 largest Swedish companies are not too dissimilar in their ownership pattern compared to the 500 largest UK companies. The discussion on ownership pattern in the UK and Sweden indicates that investors in the UK are more weakly committed with the companies they invest in compared to their Swedish counterparts. This also makes investments in the UK more at arm's length compared to investments in Sweden.

The role of the state in the UK financial market is rolled back. The UK financial market experienced a liberalisation process through the 1980s and 1990s, so that it today stands as one of the most open and liberalised capitalist markets in the world. The UK government also reduced its involvement in many industries as it carried out a large privatisation scheme post-1979 in industries such as telecommunications, transportation and utilities. In Sweden, the state has created a financial system which is less open to M&As compared to the UK system. This relates to the division of shares into 'A' and 'B' shares, with the former having more votes (usually by a factor of 10) (Edwards, 2002). The role of the Swedish state is more participative as it still possesses significant proportions of shares in many large Swedish organisations, including Nordea, Telia-Sonera and Scandinavian Airlines Systems (FT, 2006).

The time horizon in the UK is more short term as the preoccupation of management to deliver shareholder value is a central feature of the UK financial system (Edwards, 2002). The pressure to constantly deliver results and satisfy the market and investors creates a pressure for UK companies to strategise on a short-term horizon. The time horizon in the Swedish financial system is longer than in the UK, which is influenced by the role of investment foundations. One of Sweden's most prominent investment foundations is that of the Wallenberg family, Investor, which possesses a

significant number of shares in many of the largest Swedish organisations, including Ericsson (Edwards, 2002).

In summary, the UK is characterised as having a large and important financial market, 127 percent of GDP. Investments are at arm's length as financial institutions possess 3/4 of all shares on the stock market and 2/3 of shares are held by foreign investors. The time horizon on investments is relatively short. The risk is internalised in the UK as companies generally are owned by many shareholders, each possessing a small percentage of the organisation. Sweden is characterised as having a fairly large and important stock market, though not as important as in the UK (77 percent of GDP). Investments are more integrated as financial institutions possess the same proportion of shares as non-financial institutions and households combined. The risk in Sweden is less internalised as more investors hold a larger percentage of the companies. The time horizon for investments in Sweden is longer than that of the UK.

2.5.3 The Role of the State

This section examines the role of the state in industrial relations in the UK and Sweden. It centres on the extent to which companies operate with autonomy from the state, the state shares risk with companies and whether the policies enacted are long or short-term.

The role of the state in current UK industrial relations is to a large degree historically derived. The Trade Union Act of 1871 paved the way for the voluntary system of collective bargaining without the interferences of the state. Agreements were not legally enforceable but considered as 'gentlemen's agreements' (Clegg, 1979). Voluntarism could be seen as industrial self-government rather than statutory regulation or state intervention (Blyton and Turnbull, 2004:179). In the 1970s the state became more involved with the unions by extending individual employee rights in return for

wage restraints under Labour's income policies (Blyton and Turnbull, 2004:179). The economic problems of the UK spiralled and culminated with the winter of discontent (1978-79). After the election of Mrs. Thatcher as Prime Minister in 1979, the role of the state was rolled back, government intervention was reduced in order for the free market forces to reign the markets, including labour market. This was achieved mainly through deregulation of markets and an extensive scheme of privatisation in the utilities, transportation and finance industries. The opening up of markets, including the labour market, aimed at attracting foreign direct investment and providing UK companies with a competitive advantage over its foreign competitors. After more than a decade of Thatcherism, UK workers had "fewer rights as employees than they did as citizens" and statutory employment rights were far below that of other European countries (Blyton and Turnbull, 2004:179). British workers were also prevented from protection from the EU in the form of the social chapter, as the UK had opted out from it. New Labour did not intend to deviate much from the liberalist approach adopted by the Conservatives. In a speech in 1998 introducing the government's programme on industrial relations, Mr Blair said that "even after the changes we propose, Britain will have the most lightly regulated labour market of any leading economy in the world" (cited in Hyman, 2003:55). Nevertheless, there has been a movement towards an extension of both individual and collective employment rights. However, the origins to these have often come from the EU, as for example, in the form of the directives on European works councils and consultation and participation³.

In the Swedish model of industrial relations the role of the state was remarkably passive which is consistent with the principle of freedom from state intervention underlying the Swedish labour market regime (Elvander, 2002; Kjellberg, 1992). The Swedish system of industrial relations has traditionally been described as a system of

³ Council Directive 94/45 on establishment of a European Works Council was adopted in 1994 implemented in 1996

centralised self-regulation where strong national organizations negotiate freely without government intervention (Delsen and Van Veen, 1992; Kjellberg, 1998; Elvander, 2002). This is based on the historic compromise of *Saltsjöbaden Agreement* in 1938 between LO and SAF codifying negotiating procedure and the handling of disputes between the social partners (Brulin, 1995; Delsen and Van Veen, 1992).

In the 1970s when the Swedish 'model' came under pressure the state adopted a more proactive and interventionist role which ended the self-regulation (Kjellberg, 1998:82). The state passed a number of laws increasing the protection of employees⁴. The state also increased its willingness to share risk with companies on a long-term basis by adopting a solidaristic wage policy with employees receiving equal pay for equal work. The aim was to shift away from low paid industries to high profitable industries. To facilitate the shift from low to high tech industries the government adopted an active labour market policy with the aim of facilitating the mobility of workers. This was achieved through retraining and also by offering relocation grants (Delsen and van Veen, 1992). The state also intended to increase industrial democracy with the wage earner funds (WEF). A 16 percent devaluation of the Swedish *Krona* in 1982 further promoted the transition from low to high productivity industries (Kjellberg, 1992:112). The active labour market policy created another prominent feature of the Swedish model: full employment (Kjellberg, 1992:97). This was facilitated by the Labour Market Board (AMS) which played an active and coordinative role in implementing the policies of full employment and solidaristic wage policy (Kjellberg, 1992).

To sum up, the role of the state in the UK has been 'weak' and the emphasis has been on self-regulation without state interferences. During the 1980s and 1990s the role

Council Directive 2002/14/EC on establishment of an information and consultation framework for employees in the EU was adopted in 2002 and implemented gradually in the UK from 2005 to 2008

⁴ The laws include: law on job security in 1974 (*Lag om Anställningsskydd* (LAS)); law on union workplace representation in 1974 (*Förtroendemannlagen* (FML)); law on Co-Determination in 1976 (*Medbestämmandelagen* (MBL)); law on board representation in

of the state was rolled back and the principle of management's rights to manage without the interferences of the state was upheld. Despite a strengthening of employees' rights under New Labour the role of the state remains largely absent. In Sweden the role of the state changed from absent under the self-regulation period to that of integrated and interventionist from the 1970s and onwards.

2.5.4 The System of Industrial Relations

This section examines the systems of industrial relations in Sweden and the UK. It focuses on indirect employee participation, in particular collective bargaining, and the role played by the state in these matters.

The trend in Sweden has been a move away from peak organisations and bargaining cartels to industry level agreements (Kjellberg, 1998). Sweden currently has a two-level system of collective bargaining with dominance of sectoral bargaining and complimentary bargaining at company level (Kjellberg, 1998; Schulten, 2005). The coverage of collective bargaining is very high in Sweden, with over 90 percent of employees covered by collective bargaining⁵. As long as the employee has joined a trade union he/she has the right to be included in the collective agreement carried out by that trade union (Berg, 2002). In Sweden there is no system of statutory works councils, nor are they established on a voluntary basis. Workplace employee participation and representation is based on the role of the trade unions and their co-determination rights as set out in the 1976 law on co-determination (*MBL*). The law requires the employer, on his initiative, to enter into negotiations with trade unions representatives before taking any significant decisions (section 11). Trade union representatives also have the right to information on the business in general (section 15). Works councils did exist in

the private sector (*Lagen om Styrelserepresentation för Arbetstagare*); and the Work Environment Act in 1977 (*Arbetsmiljölagen* (AML))

⁵ There are no existing official national statistics with information about collective agreements' coverage and no available statistics from trade unions or from employers' associations, either in detail or as a whole in Sweden. The Swedish Statistics has never collected such data (Berg, 2002). The figures given are approximations suggested by Kjellberg (in Berg, 2002)

the 1950s and 1960s, but these disappeared with the implementation of the MBL. Collective agreements are not extendible in Sweden (Berg, 2002).

In the UK, the level of collective bargaining has also decreased, albeit from industry to company level (Kessler and Bayliss, 1998). From the 1960s and onwards the trend has been in most industries away from multi-level bargaining at industry or district level towards single-employer bargaining, at company or unit level (Edwards *et al.*, 1998). Only a very few sectoral agreements exist (e.g. construction and public services) (Schulten, 2005). The coverage of collective bargaining in the UK fell from 80 percent in the 1960s and 1970s to 70 percent in 1980 (Brown *et al.*, 2003). It continued to decrease to 54 and 40 percent in 1990 and 1998 respectively (Millward *et al.*, 2000:197). The decrease has continued into the new millennium as the percentage of coverage dropped to 36 in 2000 and 2001 (Traxler and Behrens, 2002). The decrease is also confirmed by the WERS 2004⁶. Considering collective bargaining as the dominant mode of pay determination the WERSs studies have also revealed a significant shift from multi-employer bargaining towards no bargaining. In 1984 41 percent of employees were covered by multi-employer agreements. By 1998 this figure had more than halved to 13 percent. Instead pay became increasingly unilaterally determined by the employer either at workplace level or at a higher level in the organisation, or otherwise external to the organisation (Millward *et al.*, 2000:186). The shift away from multi-employer bargaining is connected to a decrease in employer solidarity and to the positive reasons allowing employers to promote the internal labour market and link pay to the performance of the company itself (Edwards *et al.*, 1998). Currently, there are no provisions for extending collective agreements. The 1980 Employment Act repealed Schedule 11 of the 1975 Employment Protection Act whereby unions could seek extension of collectively bargaining terms and conditions (Marginson, 2002).

⁶ The WERS 1998 surveys workplaces with 25 employees or more whereas WERS 2004 surveys workplaces with 10 employees or more, which only allows for a trend to be observed.

Employee representation in the UK is a single structure through the trade unions, and the trade union representative, or shop steward, at the individual workplace (Terry, 2003). Employee representation is predominantly not based on statutes but on the voluntarist system of industrial relations prevailing in the UK (Tempel, 2001). With no legal requirement for employee representation, the scale of employee representation is dependent on union strength. The WERS 1998 found that in all workplaces with 25 employees or more only 40 percent of those have a form of employee representative which confirm the downward trend experienced throughout the previous WERS studies (Terry, 2003). The coverage of indirect participation at workplace level in the form of joint consultation committees (JCC) also decreased (Blyton and Turnbull, 2004:264). In 1998, 29 percent of all workplaces had a JCC which is down from 34 percent in 1984 and 1980 (Millward *et al.*, 2000). JCCs appear to be positively linked to the size of the establishment: 66 percent of workplaces of 500 employees or more have some form of joint consultation committees in 1998, a figure which dropped to 54 in 1998 (Cully *et al.*, 1999:99 and 244). JCCs were present in 14 percent of workplaces with 10 employees or more in 2004 which is down from 20 percent in 1998 (Kersley *et al.*, 2005:14). At the same time as indirect participation decreased, direct participation practices were on the increase as indicated in the 2004 WERS (Kersley *et al.*, 2005).

Identifying British and Swedish country-of-origin practices two large-scale surveys – Employee direct Participation in Organisational Change (EPOC) and Price Waterhouse Cranfield (PWC) – are used (Sisson *et al.*, 1997; Brewster and Hegewisch, 1994). The EPOC project is a large-scale survey funded by the European Foundation for the Improvement of Living and Working Conditions examining direct participation in 10 EU countries. The survey is based on approximately 5,800 responses (of which 810 and 730 are from the UK and Sweden respectively) collected in 1996. The PWC survey examines HRM issues in 17 European countries during 1989-1993. Over the three year

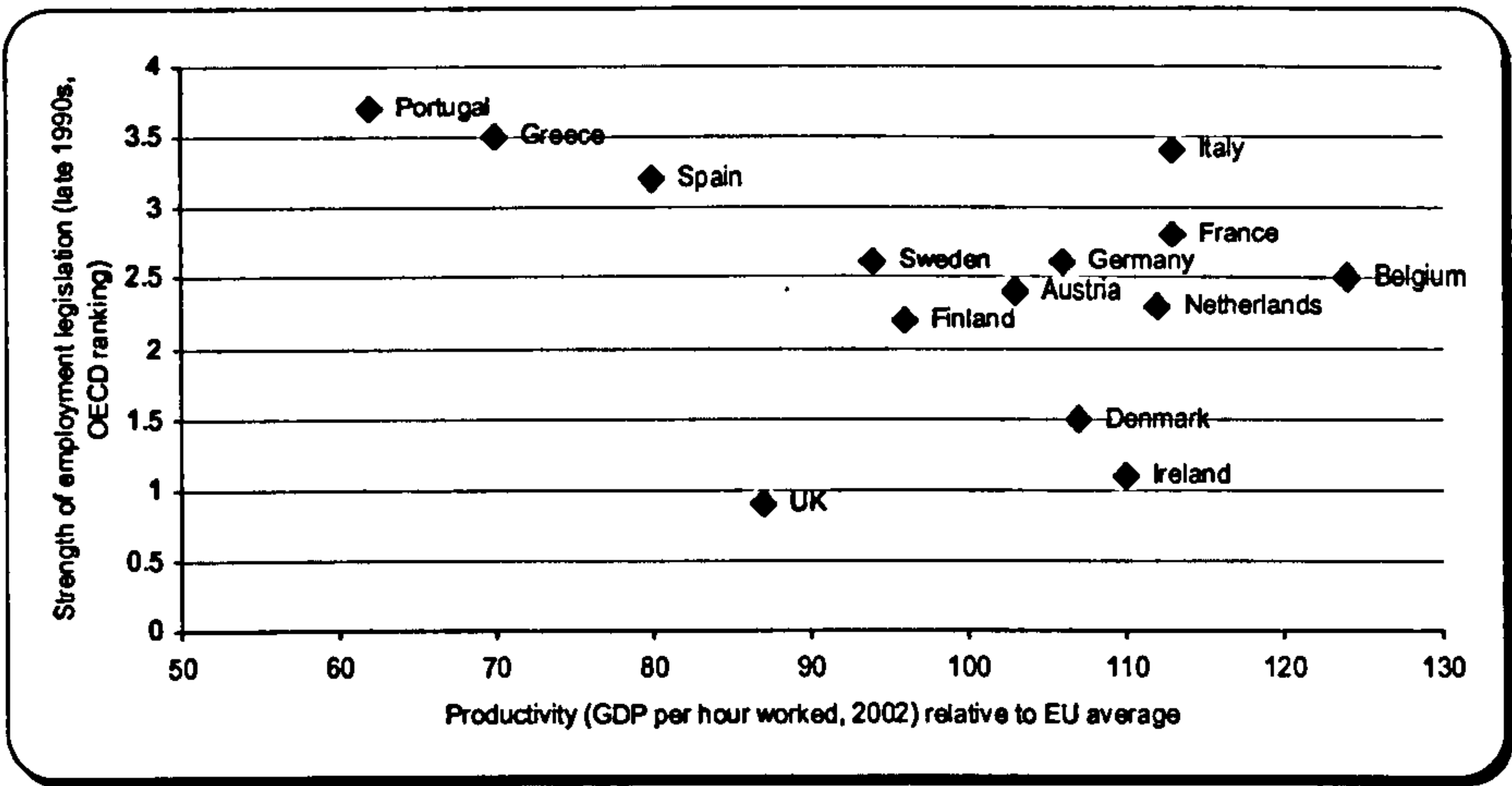
period, more than 15,000 responses have been collected (of which 4,300 and 1,000 are from the UK and Sweden respectively).

Data from the EPOC survey show that 89% of Swedish and 83% of British workplaces have at least one form of direct participation (Sisson *et al.*, 1997:65). Swedish companies have the highest frequency in a number of practices. They come on top with the highest incidence in *delegation of responsibility to individuals* - used in 69% of Swedish firms contrasted to 53% in the UK. Swedish firms also have by far the highest incidence of employee representation in the form of *trade union representatives*. Over 80% of Swedish companies have trade union representatives. In the UK, the figure is around 30% (Sisson *et al.*, 1997:142). According to the PWC survey, Swedish firms are also the most frequent users of *surveys* and *suggestion schemes* (62% and 43% of Swedish firms use these practices respectively) (Brewster and Hegewisch, 1994:165 and appendix 6.6). The same study finds that UK companies have the highest incidence of *group delegation: permanent groups* (41% contrasted to 29% of Swedish firms).

In summary, this section has demonstrated significant differences between the system of industrial relations in Sweden and the UK. It has been shown that companies operating in Sweden face stronger institutional influences compared to companies operating in the UK. Collective agreements are set at a higher level in Sweden, at the sectoral level contrasted to company level in the UK. Agreements also cover more employees in Sweden than in the UK (90 and 40 percent respectively). Employee representatives in Sweden have been granted statutory rights to participate. The Co-determination was one example. In the UK the system is voluntary and JCC exists in just over a quarter of all workplaces. Characterising Sweden as having a more restrictive system of industrial relations than the UK is also in line with the findings of

Blyton and Turnbull (2004) who ranked countries according to the strength of employment legislation⁷.

Figure 2.6: Productivity and Labour Market Regulation in European Countries



Source: Blyton and Turnbull, 2004:188

2.5.5 Summary

It is apparent from the discussion of the three dimensions making up the NBS, the financial system, role of the state and system of industrial relations, that companies located in Sweden are more restricted in their manoeuvrability contrasted to companies located in the UK. This is also reflected in the conceptual model in Figure 2.2 depicting the permissiveness and restrictiveness of the two countries’ NBS to the transfer of employment practices.

The section on financial systems focused on the size and ‘importance’ of banks and capital markets in the financial sector, and on the type of owner and concentration of ownership. The financial market as a percentage of GDP is almost twice the size in the UK as in Sweden (127 and 77 percent respectively). In the UK, investments are at arm’s length as shares are held principally by institutional investors. With the pressure

⁷ Blyton and Turnbull’s figures (2004:188) demonstrated that it is not necessary to have a ‘weak’ employment legislation in order to

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to deliver results satisfying the stock market, the time horizon was characterised as short and investors are only weakly committed in the companies they have invested in. Because of the higher liquidity of shares on the UK stock market and the weaker commitment by investors, investors can easier dispose of shares if the companies fail to deliver the expected returns on investments. In Sweden, financial institutions hold the same percentage of shares as non-financial investors and households combined. This influences the relationship between the shareholder and the company, making the time horizon in Sweden longer than in the UK. Because of the larger size of the stock market, the shorter time horizon and shares being held more at arm's length in the UK, the UK is depicted closer towards the centre on the *X*-axis in Figure 2.7 below. The difference in the financial systems has implications for companies acquired by a foreign investor. For example, when a UK MNC acquires a Swedish company, the acquired company is de-listed from the Swedish stock exchange (if it is a quoted company) and integrated into the acquirer. Despite being physically located in Sweden, the acquired company faces the same set of pressures for return as the UK parent company. This incentivises the transfer of new practices to the acquired company to align it with the rest of the MNC.

The discussion of the role of the state focused on its ability and willingness to influence in the area of industrial relations. In the UK, the state was passive which paved the way for the system of voluntarism. The free market forces were in full force after the election of Mrs. Thatcher, and the role of the state was rolled back. The 'strength' of the UK state was described as weak with few capabilities or intentions to regulate and control private economic players. In Sweden, the role of the state was also passive (up until the 1970s), but differentiated from that of the UK as it had the ability and intentions to intervene if negotiations between the social partners went into

deadlock. Following the erosion of the centralised bargaining structure in Sweden in the 1970s the state became more involved and participative. It passed a number of protective employment laws, adopted a solidaristic wage policy and an active labour market policy facilitated by the AMS. The role of the state has recently been far more participative in Sweden than in the UK, thus imposing more obligations and restrictions on businesses in Sweden. One such example is the law of co-determination which obliges the employer on its own initiative to consult with employee representatives on important issues before a decision is taken. Sweden is, therefore, depicted higher up the Y-axis in Figure 2.7.

The third dimension discussed the system of industrial relations. It concluded that the Swedish system of industrial relations was more restrictive than that of the UK. Swedish employees and their representatives are given more statutory rights than their counterparts in the UK. In the UK, the main level of collective bargaining is at the company level, which gives the employer more freedom to negotiate and to adapt agreements specific to the company. In Sweden, the main level is at industry level and the coverage of agreements is also far greater in Sweden than in the UK. Indirect participation in Sweden is not dependant on the strength of the unions. Statutory rights grant employee representatives co-determination rights, whereas in the UK the JCC are based on the voluntary system. Because there are more agreements negotiated on behalf of the employer as well as the protective employee laws, employers in Sweden are more restricted in their dispositions in the area of industrial relations compared to their English counterparts. In order to illustrate this conceptually, Sweden is located further away from the centre on the Z-axis than the UK in Figure 2.7. The findings for each of the three dimensions are summarised in the table below.

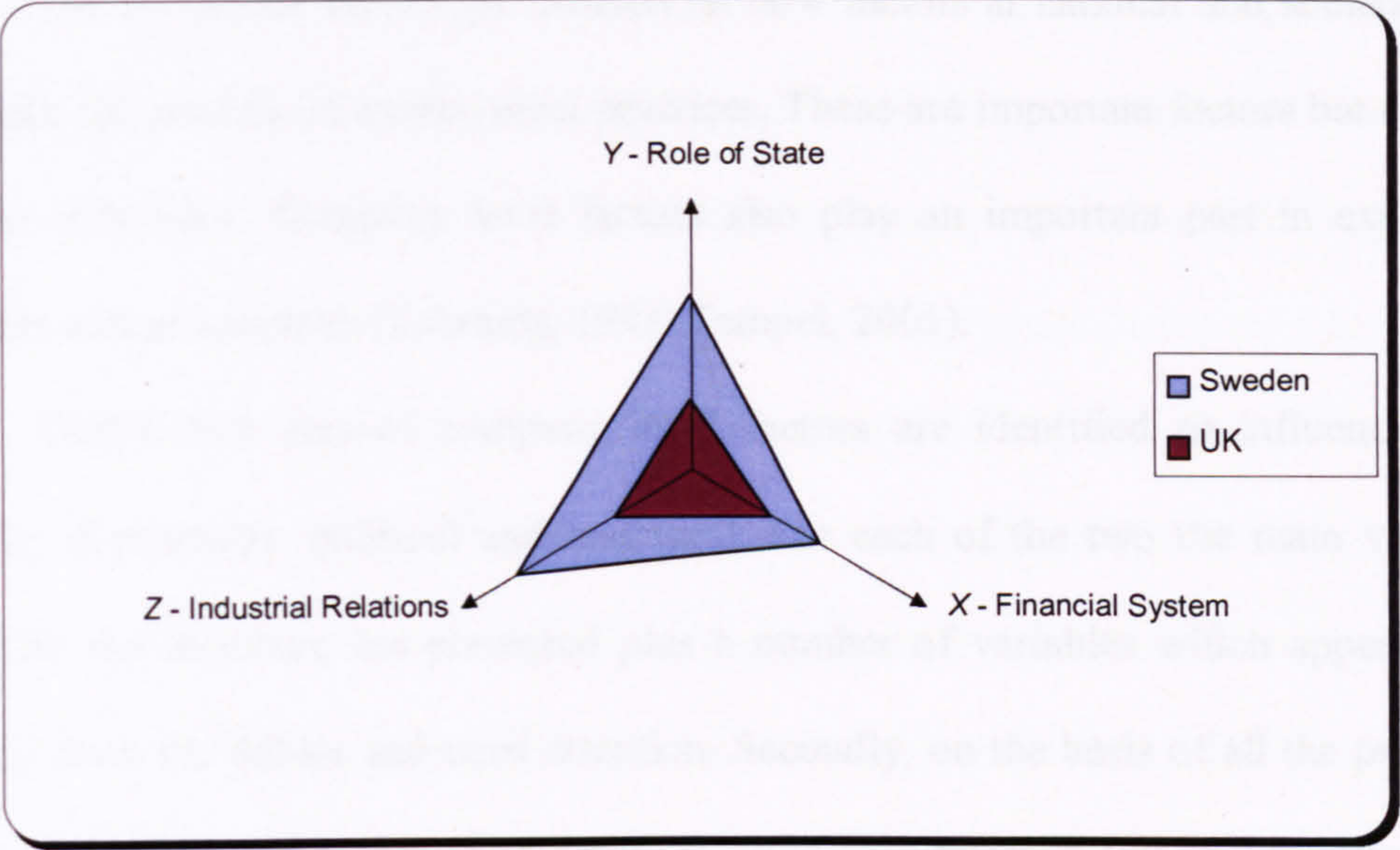
Table 2.3: Overview of the Comparative Findings on the Three Dimensions

Sweden	UK
Financial Systems <ul style="list-style-type: none">• Relatively large stock market compared to GDP• Financial institutions hold same proportion of shares as and non-financial institutions and households combined• Fairly low concentration of ownership of shares• Investments are more integrated	<ul style="list-style-type: none">• Large and important stock market compared to GDP• Shares are held mainly by financial institutions• Low concentration of ownership of shares• Investments are at arms' length
Role of the State <ul style="list-style-type: none">• 'Strong'• Participative• Active labour market policy• Solidaristic wage policy	<ul style="list-style-type: none">• 'Weak'• Maintaining the rule of the law• Liberalism/voluntarism
Industrial Relations Systems <ul style="list-style-type: none">• Industry level as main level of collective bargaining• Collective agreements are legally binding• Employee representation based on statutes• Solidaristic and cooperative• Low income inequality• Full employment policy	<ul style="list-style-type: none">• Collective bargaining at mainly company or plant level• Collective agreements are not legally binding• Employee representation based on voluntarism• Individualistic and adversarial• High income inequality

Source: Author's own notes

The UK was located closer towards the centre on all three axes compared to Sweden, which also gave the UK a smaller surface area in the figure. It follows from the discussion of the three dimensions that because of the larger surface area the Swedish NBS is more restrictive to transfers than that of the UK. This will be used later in the thesis for the formulation of hypotheses and propositions regarding the direction and scope of transfers.

Figure 2.7: The National Business System - UK and Sweden



Source: Author's own model

2.6 The Transfer of Employment Practices

2.6.1 Introduction

The discussion has so far focused on how factors at national and societal level influence the transfer of employment practices. These are important factors but they are not the only ones. Company level factors also play an important part in explaining transfers across countries (Edwards, 1998; Tempel, 2001).

Firstly, two sets of company level factors are identified as influencing the transfer of practices: political and structural. For each of the two the main variables found by the literature are presented plus a number of variables which appear to be missing from the debate and need attention. Secondly, on the basis of all the presented factors the profile of MNCs most likely to engage in forward and reverse transfer of practices is identified.

2.6.2 The Influence of Company-Level Factors on the Transfer of Practices

2.6.2.1 Political Company Processes

Section 2.2.1 examined the influence of institutions and national business systems on the transfer of employment practices. What is needed is a framework detailing how factors at company level influence the behaviour of MNCs and how these factors affect the transfer of employment practices. The framework by Ferner and Edwards (1995) is useful as an analytic tool to examine the transfer of practices between units of the multinational organisation by combining company-level power relations and company characteristics. The starting point is the ability of one actor to overcome the resistance of other actors to achieve a desired result (Ferner and Edwards, 1995:231). They identify four channels of power (*authority relations, resource-dependent power relations, exchange relations, and cultural relations*) in the MNC through which the company can exercise power, including cross-national transfers.

The influence exercised by different parts of the MNC flows in predefined directions. The formal *authority relations* flow in one way, from the centre to the subsidiaries. This may take the form of head office requirements, written company policies and principles, brand standards and guidelines. The *resource-dependent power relations*, *exchange relations* and *cultural relations* are two-way processes of influence. Both the centre and the subsidiaries can exercise some influence in these three channels. Examples of these include compulsory training programmes; international meetings of managers and best practice meetings teaching the 'company way'; hands-on training courses and conferences; exchange of staff and expatriates; and cross-national project meetings. Different combinations and patterns of power relations are likely to characterise different kinds of MNCs (Ferner and Edwards, 1995). The subsidiary may have a stronger influence in cultural relations where it has been acquired rather than set up as a greenfield site as it would have a stronger and pre-existing culture.

Coller (1996) adds to the framework by suggesting that practices are transferred in two ways, either by direct control by the headquarters or in a more indirect way. The former can be exercised by direct involvement in decision-making including procedures such as monitoring, direct surveillance, rules and regulations. The latter, indirect control, can take place either as 'unobtrusive' control or 'coercive comparisons' (Coller, 1996:164). Citing Perrow (1986), Coller (1996:164) defines unobtrusive control as the control exercised by the headquarters ensuring that people's behaviour complies with expectations by controlling the premises underlying decision-making. The exercise of unobtrusive control can take place through international meetings of managers, expatriates and the use of best proven practice (BPP) (Coller, 1996; Coller and Marginson, 1998). The second indirect way practices are transferred is by 'coercive comparisons' by which is understood the headquarters' ability to monitor and collect data of subsidiary performance. On the basis of this information the headquarters

allocate resources, including investments and production allocation, to individual subsidiaries that in turn may have to compete against each other to be considered, or to prevent outsourcing (Mueller and Purcell, 1992; Martinez and Weston, 1994; Coller, 1996; Ferner and Edwards, 1995). Global MNCs with integrated production or services networked and with regular international meetings of managers are more likely to collect data on subsidiaries' labour performance compared to multi-domestic MNCs (Marginson *et al.*, 1995: 712-713).

What are the links between the direction of transfer and the political processes within the MNCs? It is anticipated that FT can occur in any of the above discussed channels. It is only expected to find RT in channels where the subsidiaries can exercise some power. These include Coller's (1996) unobtrusive channels and the two-way channels of *resource-dependent power relations*, *exchange relations* and *cultural relations* by Ferner and Edwards (1995).

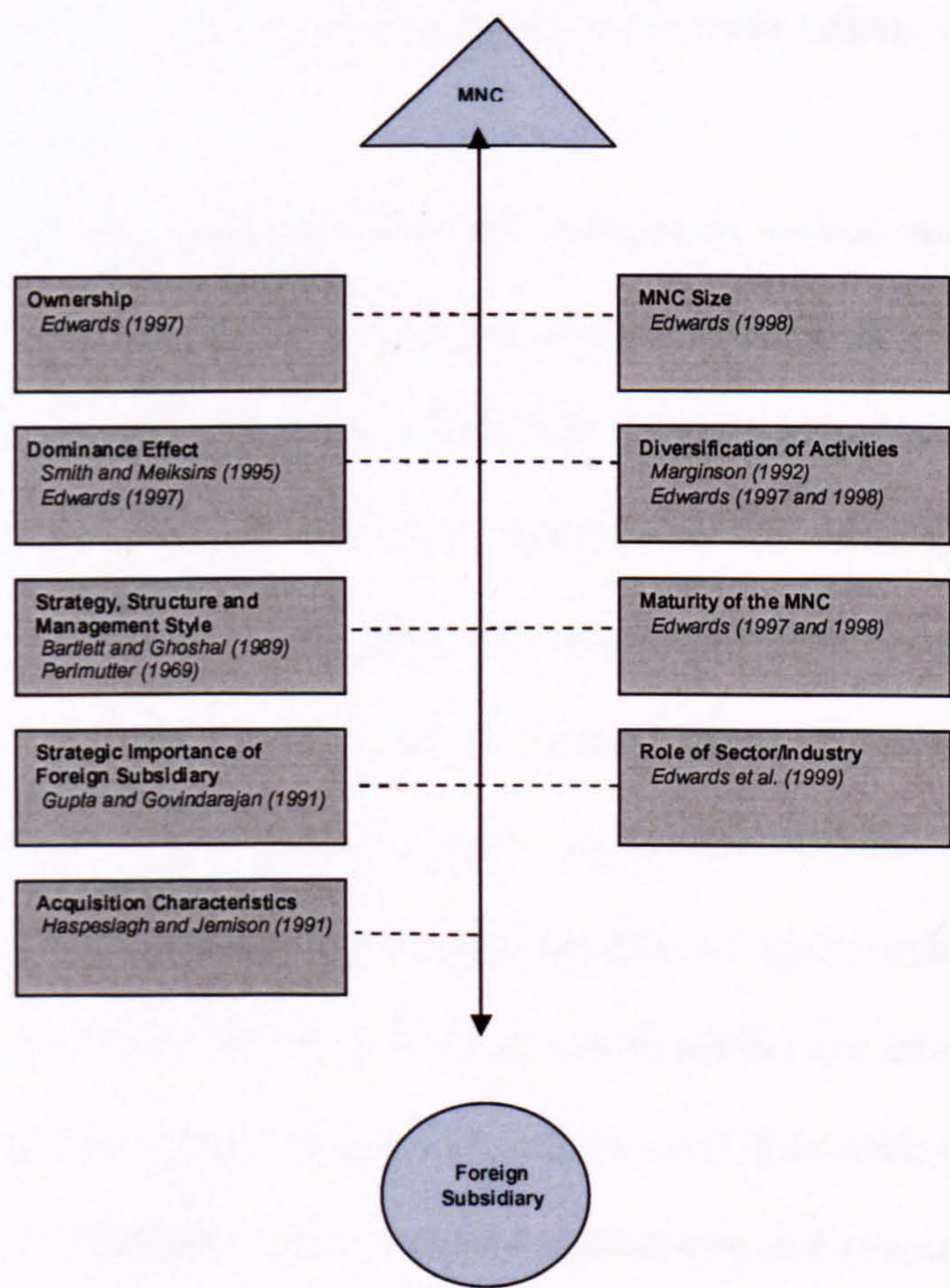
In which MNCs is it most likely to identify the channels of transfer proposed by Coller (1996) and Ferner and Edwards (1995)? Global as opposed to multi-domestic MNCs are more likely to exercise control through the one-way channels of direct control (Marginson *et al.*, 1995) and authority relations. MNCs integrating their acquired subsidiaries by absorption (see section 2.6.2.2.5 for a discussion on integration approaches) are likely to do it through these channels as well. The geocentric and transnational MNC is the MNC likely to make the most use of unobtrusive control and two-way channels of *resource-dependent power relations*, *exchange relations* and *cultural relations*. MNCs which integrate their acquired subsidiaries by symbiotic integration are also expected to have these channels of transfer. It is also in the geocentric and transnational MNC where cross-national project meetings are most likely to be found and used. Cross-national projects within the MNC are a form of cross-border integration, as a way of identifying and transferring practices between the units

of the MNC. Projects only involving staff from one subsidiary in one country are likely to use existing employment practices from that subsidiary, thus limiting the scope for new practices. However, if a project involves employees from two or more subsidiaries working across borders, it is likely that the employees on the project have a number of similar or identical practices to work from. These can be set by the head office as company-wide practices that everyone have to adhere to; they can be from the foreign subsidiaries; or they can be a mixture of practices from different countries involved on the project.

2.6.2.2 Structural Company Characteristics

Transfers in MNCs are not only influenced by the NBS but also specific company characteristics are influential (Edwards, 1997; Tempel, 2001). Section 2.6.2.2 discusses the structural company characteristics applied in this research. The importance of these company characteristics are later examined in relation to transfers. This section has identified 9 company characteristics (Figure 2.8) including: ownership; ‘dominance effect’; strategy, structure and management style; significance of the foreign subsidiary; acquisition characteristics; MNC size; diversification of activities; maturity of the MNC and role of sector/industry.

Figure 2.8: Company Characteristics Influencing Transfers



2.6.2.2.1 Ownership

The ownership of the MNC is a factor influencing transfers (Edwards, 1997). In the 1970s and 1980s research focused on US MNCs' approach to employment practices in their foreign subsidiaries. In his review of the literature Ferner (1997) suggests US MNCs are "relatively centralised and formalised in the management of HR; their headquarters set or influence policy on wage systems, collective bargaining, union recognition, welfare and training policies" (Ferner, 1997:20). This approach indicates that US MNCs are likely to engage in FT. This is also confirmed by more recent research. Child and colleagues (2001:170) finds US MNCs transferring to their foreign subsidiaries a very top-down culture with communication on a 'need-to-know' formal approach. Other research identifies global policies being issued from corporate HQ and implemented locally as well as an attempt to avoid trade unions whenever possible (Almond *et al.*, 2005).

Another prominent country that has featured in several researches is Japan. Again, Ferner (1997) stresses "the strong, but informal centralised co-ordination of their foreign operations, highly reliant on establishing an international network of Japanese expatriate managers" (Ferner, 1997:20). Contrary to US MNCs, Japanese MNCs transfer practices to the foreign operations in an amended form to suit local conditions (Yuen and Hui Tak Kee, 1993, cited in Ferner, 1997). However, there are also "evidence to suggest that Japanese firms commonly diffuse to their overseas subsidiaries other IR practices which are characteristic of Japan, such as quality circles, single status, teamworking, job rotation, functional flexibility and attempts to generate a strong company culture through recruitment and training" (Edwards, 1997).

Research on European MNCs remains underdeveloped (Ferner and Quintanilla, 1998; Ferner, 1997) until the mid-1990s. The emerging research mainly focuses on UK and Germany with smaller countries attracting less attention. The UK is interesting

because its economy is one of the world's most internationalised and is host to a disproportionate number of MNCs. The de-regulated labour market has made it an attractive location for foreign direct investment, especially from the US and Japan (Ferner and Varul, 2000). Because of the influence of foreign MNCs, UK MNCs are expected to behave in a similar fashion. A recent study found UK MNCs being very similar to US MNCs in their employment practices (Child *et al.*, 2001). With UK companies adopting many practices from US and Japanese MNCs, other European MNCs adopt practices from companies located in the UK. This led Ferner and Quintanilla (1998) to argue for an Anglo-Saxonization of practices in the foreign operations of US and UK MNCs as practices are transferred as FT. When the UK subsidiary functions as a 'vanguard' subsidiary, practices are transferred by RT back to the parent company (Ferner and Varul, 2000). This suggests continental European MNCs are more likely to engage in RT than Anglo-Saxon and Japanese MNCs. Swedish MNCs are no exception as Hayden and Edwards (2001) found evidence of RT from the subsidiary in the UK. Following this, we expect UK MNCs to engage in FT and Swedish MNCs to undertake RT.

2.6.2.2.2 'Dominance Effects'

There has always been a hierarchy between economies and at certain points in time some systems are more successful than others, creating the 'dominance effect' (Smith and Meiksins, 1995) as discussed in section 2.2.3.1. Those in dominant positions have frequently evolved methods of organising production or the division of labour which have invited emulation and interest, currently with the Anglo-Saxon system prevailing. Extensive research (as discussed in section 2.6.2.2.1) has been carried out on MNCs from 'dominant' systems transferring practices to parts of the organisation located in 'follower' systems. There is less literature on MNCs from 'follower' systems

engaging in transfers. Following the argument of the ‘dominance effect’ MNCs in ‘follower’ systems are incentivised to emulate practices from firms located in ‘dominant’ systems, hence more likely to engage in RT. Therefore, we expect MNCs from ‘dominant’ systems to be those most likely to engage in FT and MNCs from ‘follower’ systems most likely to engage in RT (Edwards, 1997).

Some practices are more difficult to transfer than others because of the constraints imposed by the host country institutional framework (Rosenzweig and Nohria, 1994). Therefore, the ‘dominance effect’ is stronger on practices not restricted by the host country institutional framework. With this study focusing on Swedish and UK MNCs, creates an expectancy of a flow of practices from the latter to the former, especially direct participation practices.

2.6.2.2.3 Strategy, Structure and Management Style

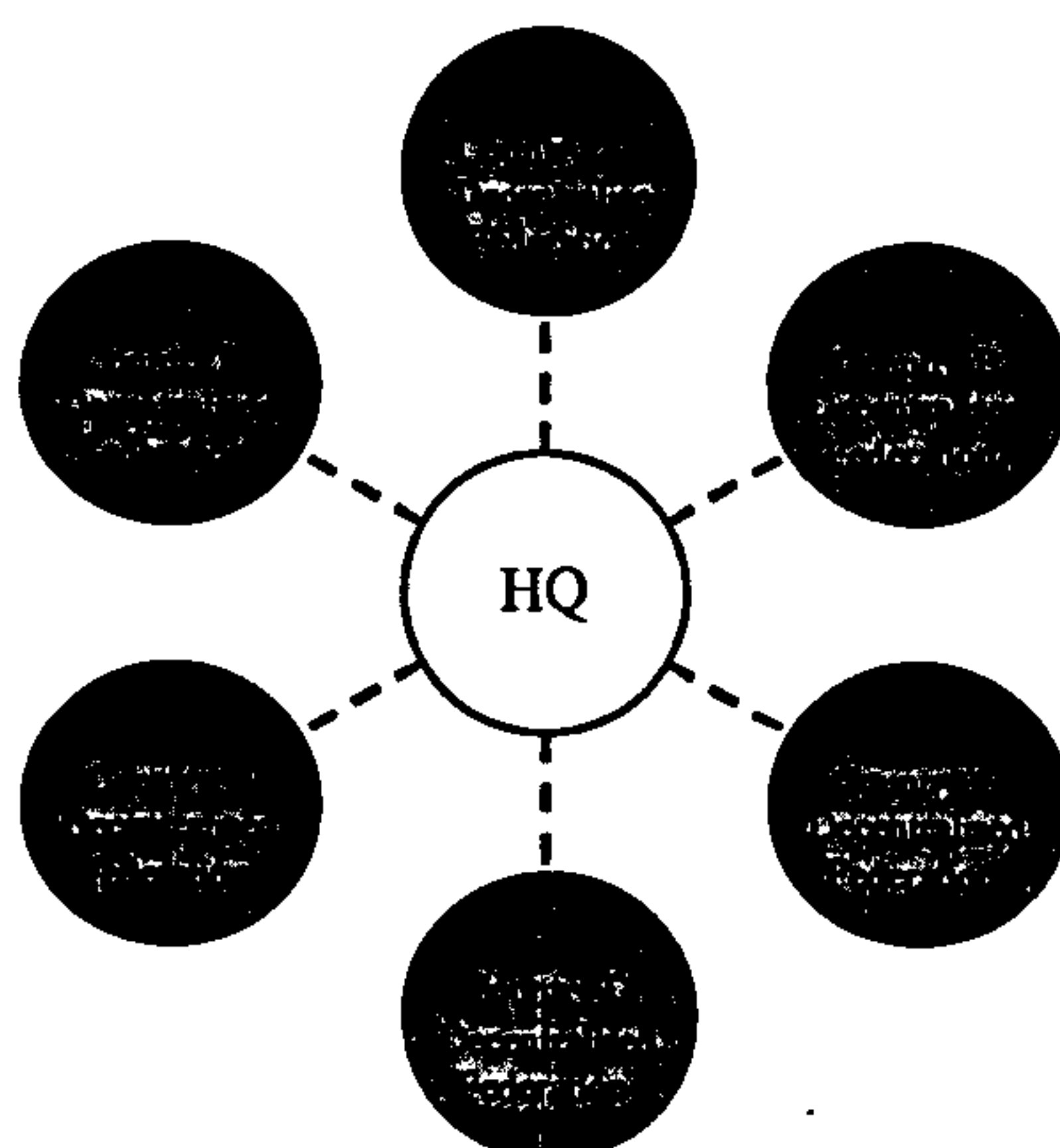
Chandler (1962) suggests the structure of the multinational follows its strategy. Therefore, examining MNCs’ strategy will reveal information about their structure. An influential source on different multinational strategies is the work by Bartlett and Ghoshal (1989). The authors suggest the existence of four different typologies of MNCs: multi-domestic⁸, international, global and transnational. These typologies have overlaps with the ethnocentric, polycentric and geocentric management styles suggested by Perlmutter (1969).

The strategy adopted by ‘multi-domestic’ companies is similar to a polycentric management style. The MNC is likely to be structured according to divisions where each operates independently in each of the MNC’s markets. This allows the MNC to be responsive to the local differences often based on cultural, social and political differences. MNCs with a multi-domestic strategy would build strong national

⁸ The term ‘multi-domestic’ (Porter, 1986) is used as a synonym for Bartlett and Ghoshal’s (1989) ‘multinational’.

companies sensitive to local needs and preferences. The subsidiaries enjoy a great deal of autonomy with little interference from the head office. Competition in one country is not influenced by the competition in a neighbouring country. Accordingly, the organisational structure found in 'multi-domestic' companies can best be described as a 'decentralised federation' (Bartlett and Ghoshal, 1989:56). The foreign subsidiaries would be holding many key assets, responsibilities and autonomy to make decisions. The HQ acknowledges countries and markets are different and it is best to let the local markets be controlled by host country managers, hence the control from the head office is weak and the subsidiaries can be regarded as a portfolio of independent businesses (Bartlett and Ghoshal, 1989). The relationship between the head office and the subsidiaries is laid out in Figure 2.9. The darkness of colour in the different circles refers to where the decisions are taken. Thus, the darker the cell, the more autonomy and decision-making the unit has. The dotted line illustrates little co-ordination and flow of information between the centre and the subsidiaries. MNCs with a multi-domestic strategy or a polycentric management style are not expected to engage in transfers in either directions between the centre and the foreign subsidiaries.

Figure 2.9: Organisational Model of a Multi-domestic Company
or an MNC with a Polycentric Management Style

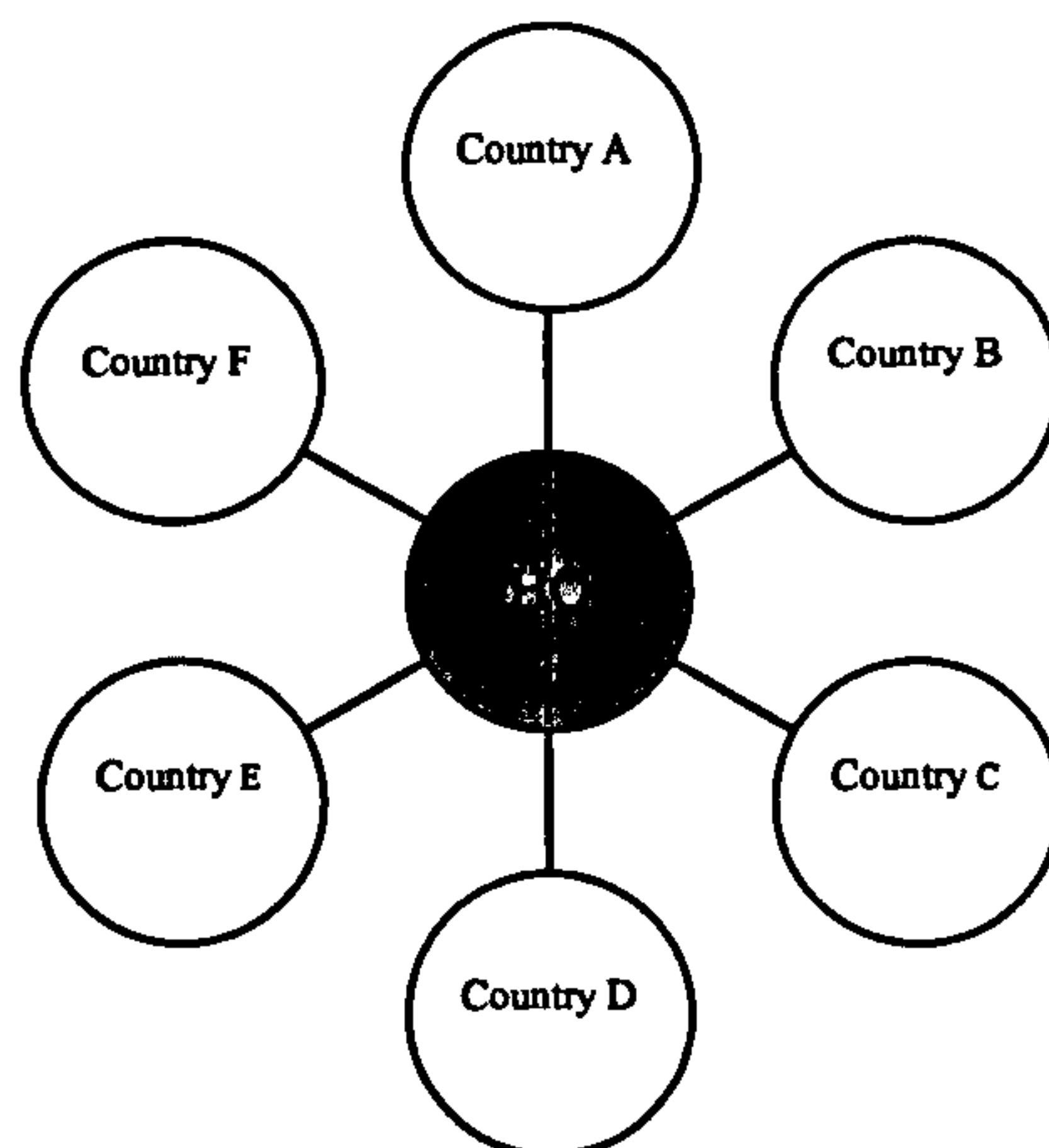


Source: Bartlett and Ghoshal (1989:57)

In their second typology of the MNC, Bartlett and Ghoshal (1989:17) describe a company which is very centralised in its strategic and operational decisions as being 'global'. Companies operating with a global strategy are also primarily organised according to divisions. Products are standardised following assimilating consumer tastes and global MNCs consider the entire world as their market and not the individual national markets. Perlmutter's (1969) ethnocentric management style corresponds to MNCs with a global strategy. Ethnocentric MNCs take the home-country practices as superior to those found and used in the foreign subsidiaries. The location of the HQ determines the management style of the entire organisation. If, for example, the HQ is located in the US, the company will have an American approach throughout the organisation. This is secured through a strong centralised product development, manufacturing operations and marketing strategy. The subsidiaries are controlled by the HQ, often by using home country expatriates in senior positions in the subsidiaries. Subsidiaries in global and ethnocentric MNCs have far less autonomy and freedom of action compared to subsidiaries in the multi-domestic/polycentric MNC. In terms of the flow of practices, it is anticipated that an organisation with a global strategy and an ethnocentric management style is associated with forward transfer of practices with few

or no transfers in the opposite direction. This is illustrated in Figure 2.10 below where the dark colour at the centre shows the control lies with the HQ and the subsidiaries are reduced to sales and service units. The unbroken lines between the head office and the subsidiaries illustrate a tight control from the centre. The flow of information, knowledge and practices is from the centre and out and is best described as a centralised hub.

Figure 2.10: Organisational Model of a Global Company
or an MNC with an Ethnocentric Management Style

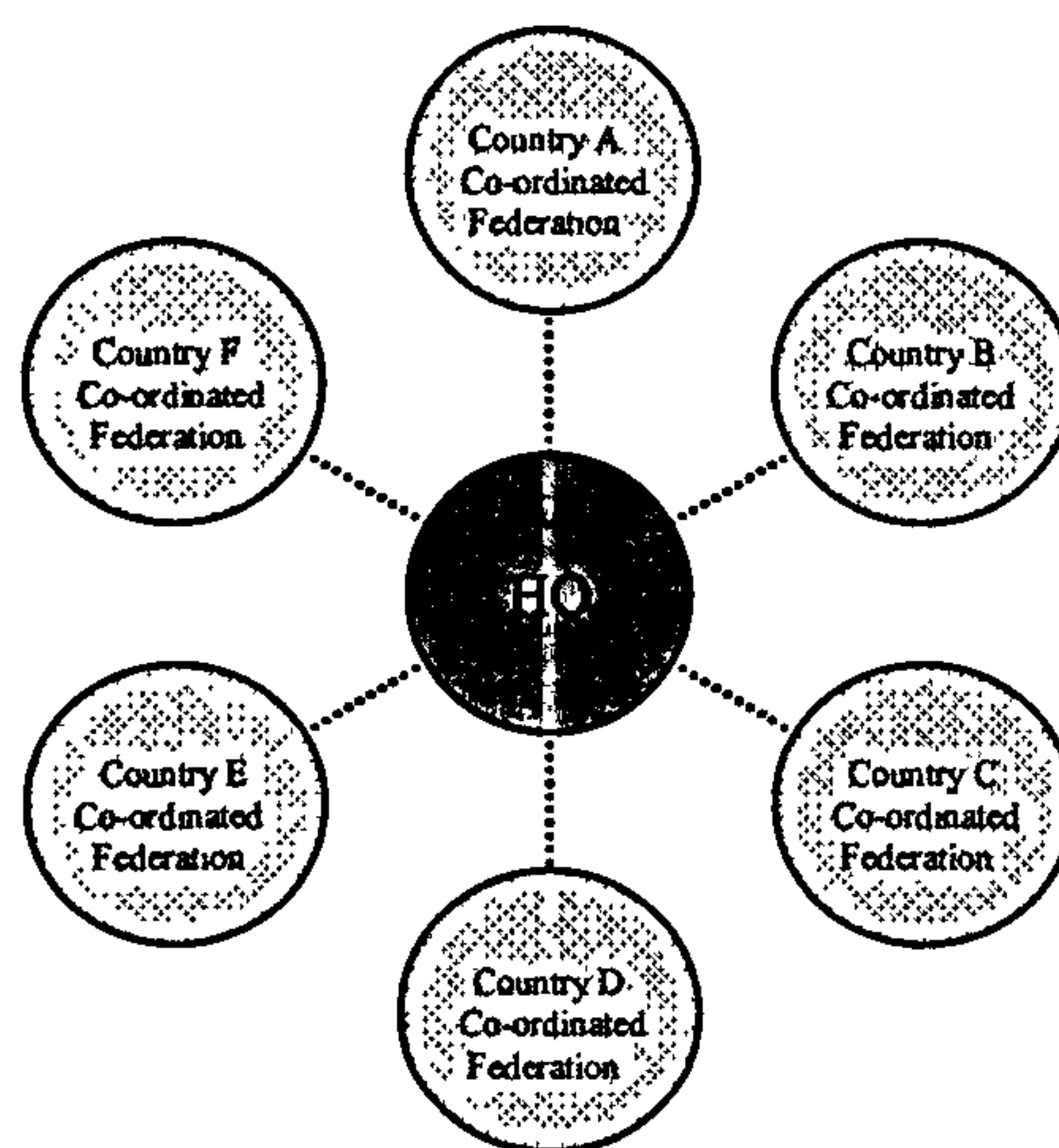


Source: Bartlett and Ghoshal (1989:60)

The third typology, termed international by Bartlett and Ghoshal (1989), is one where the companies start by exploiting the domestic markets and subsequently expand overseas following the international product life cycle. The critical factor for this type of company is their ability to transfer practices and knowledge from the centre and out to the foreign subsidiaries according to the product life cycle. The centre retains a strong position in areas like research and product development for later transferring this knowledge abroad. The subsidiaries rely on the parent company for new products but they enjoy more autonomy than in a 'global' company as they can modify the product

and adapt it to the local environment and consumer preferences. Following this, the organisational structure of an international firm can be described as a coordinated federation (Bartlett and Ghoshal, 1998:57). This is illustrated by the darkness of the colour in Figure 2.11 below, the darker the more power/control the unit retains. Also the dotted lines between the head office and the subsidiaries indicate that some transfers take place. However, this is mainly as forward as promoted by the strategy of the international MNC.

Figure 2.11: Organisational Model of an International Company

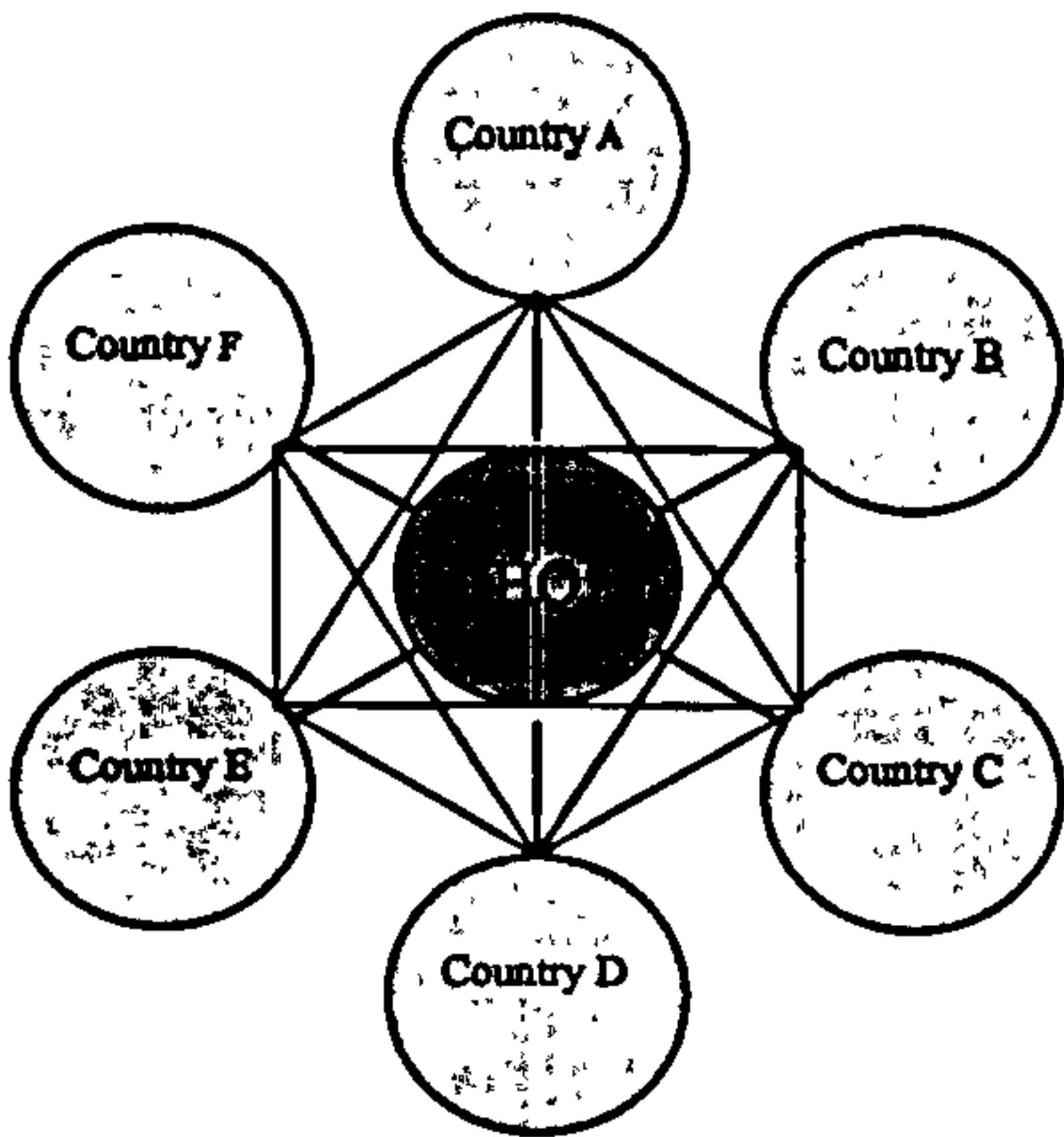


Source: Bartlett and Ghoshal (1989:58)

The fourth and final of Bartlett and Ghoshal's (1989) typologies is the transnational firm. In this type the MNC takes the global approach as in the global firm with a national responsiveness as in the multi-domestic and the transfer of knowledge as in the international firm. This is similar to Perlmutter's geocentric management style. The values and practices of the MNC are not rooted in the home country nor in any specific foreign country, but stem from anywhere in the organisation as long as they help solve the problems anywhere in the world. The transnational/geocentric MNC is not centralised, as in the global, nor is it decentralised, as in the multi-domestic, instead the HQ, together with the foreign subsidiaries, establish universal standards and

permissible local variations. It should be seen as an integrated network of entities, each being good at one particular aspect. Transnational MNCs are likely to have adopted a matrix project structure. MNCs with a matrix structure are expected to run projects across national borders and divisions led by managers from different countries. Also, the workforce is likely to consist of employees from different parts of the MNC with one division or country making up a large proportion of a project. It is expected to find a drive for consistency in terms of working practices within each project. The subsidiaries rely on each other and there is a constant flow of information, knowledge and practices within the organisation. Not only between the head office and the subsidiaries, but also between the subsidiaries themselves. This is illustrated in Figure 2.12 below where each unit has the same colour and one subsidiary is directly linked with the head office and other subsidiaries. This organisational structure is likely to promote three forms of transfer, including: forward transfer, strict reverse transfer, and flow transfer.

Figure 2.12: Organisational Model of a Transnational Company
or an MNC with a Geocentric Management Style



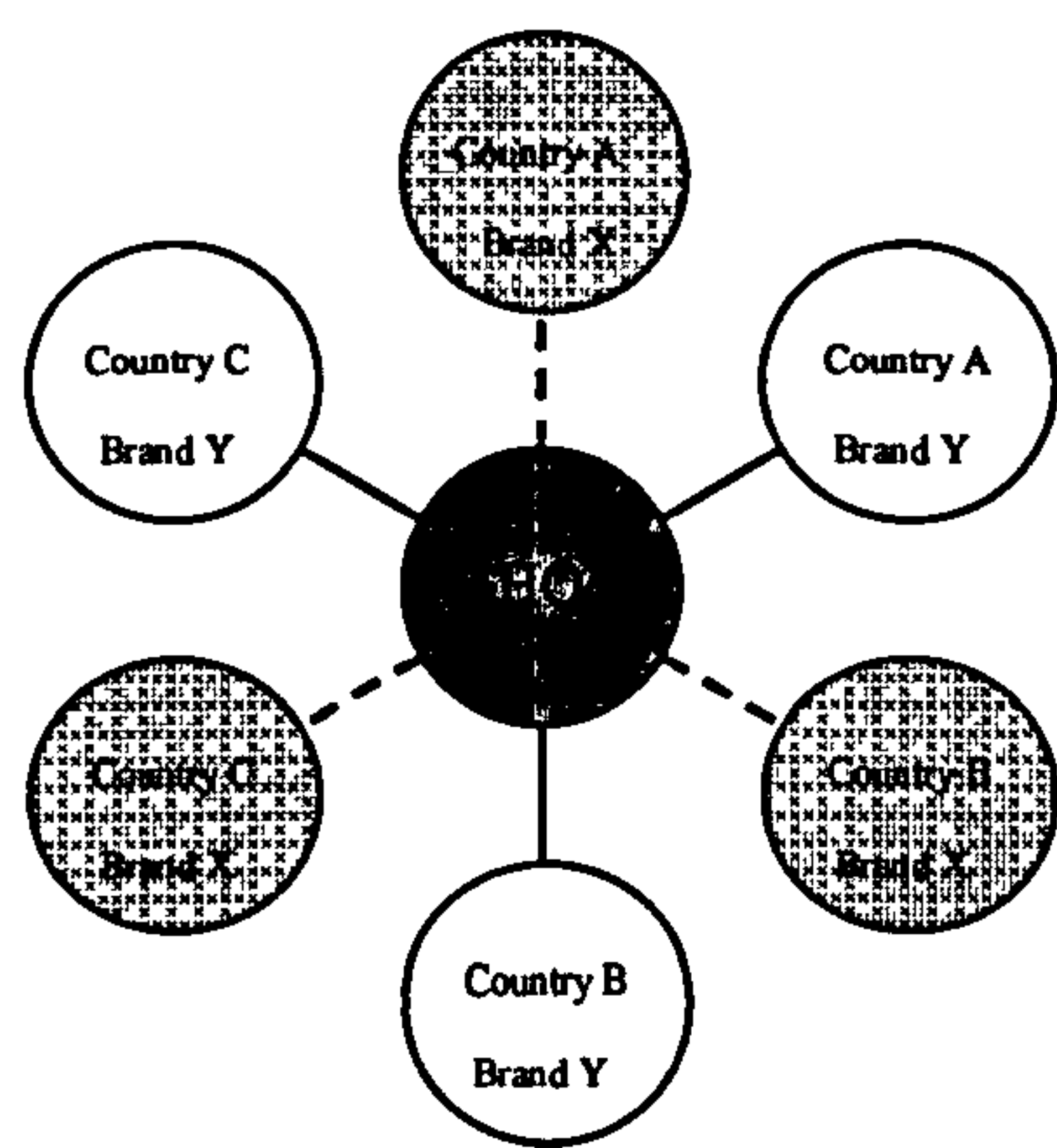
Source: Bartlett and Ghoshal (1989:102)

Bartlett and Ghoshal (1989) failed to examine MNCs organised according to brands. MNCs structured according to brands are expected to operate with consistent practices within each brand to promote and preserve the strength of the brand. It is possible for an MNC to have a number of brands in the same country, each with a distinct appeal to different segments of the market. This in turn requires different working practices for each brand.

Where the brand structured MNC acquires another brand, the integration of the subsidiary units takes place in two ways. One approach is to leave the units independently, continuing to operate in the acquired subsidiary brand. This has similarities to the multi-domestic MNC where units are managed at arm's length and retain a great deal of autonomy. Alternatively, some of the acquired subsidiary units are rebranded into the parent company's brand. In this case, the rebranded units undergo a radical transformation in order to conform to the new brand's specifications. All the practices and brand standards are set at the parent company and transferred to the newly rebranded units. This resembles the global MNC where practices and information derive from the centre.

Figure 2.13 illustrates the brand-structured MNC. Brand X is managed at arm's length and not integrated into the parent company's brand. The brand retains the autonomy to operate independently, as in the multi-domestic MNC. The broken lines between the units indicate no or few transfers. Brand Y, is the parent company brand and rebranded units are managed as in the global MNC. The unbroken lines illustrate transfers between the centre and the units, principally as forward transfers. The brand structure MNC relates to the local-global isomorphism suggested in section 2.2.3.1.

Figure 2.13: Organisational Model of a Brand Structured Company



Source: Author’s own figure

2.6.2.2.4 ‘Significance’ of the Foreign Subsidiary

Looking at intracorporate transactions Gupta and Govindarajan (1991) suggest a conceptual framework on corporate control. The authors assess knowledge flow between the head office and the subsidiaries on two scales: the extent of a subsidiary’s inflow from the rest of the MNC, and the extent of a subsidiary’s outflow to the rest of the MNC. They identify four different typologies: global innovator (high outflow, low inflow), integrated player (high outflow, high inflow), implementor (low outflow, high inflow), and local innovator (low outflow, low inflow).

Subsidiaries carrying out research, having an important production concept, or specialised skills are most likely of high significance to the parent company, raising the potential for reverse transfers (Tempel, 2001:126), thus the global innovator and integrated player in Gupta and Govindarajan’s (1991) framework. Tempel (2001) also hypothesises forward transfers are most likely to subsidiaries of little significance, i.e. the parent company being less dependent on its resources, such as knowledge, material or service. In this study, subsidiary significance relates to the relative size of turnover

and relative number of employees, its possession of knowledge, patents, materials and know-how. Large subsidiaries in relative terms and subsidiaries in possession of knowledge and know-how are classified as ‘significant’ subsidiaries. Small subsidiaries not in possession of skills and knowledge are termed ‘insignificant’ subsidiaries.

Based on the discussion above of Perlmutter’s (1969) three management styles, Bartlett and Ghoshal’s (1989) four types of MNCs, and Gupta and Govindarajan’s (1991) four typologies of intracorporate transactions, it is evident there are certain overlaps and similarities. Perlmutter’s *polycentric* approach and Bartlett and Ghoshal’s *multi-domestic* are similar to Gupta and Govindarajan’s *local innovator*, where the foreign subsidiaries retain a great deal of autonomy and receive little inflow from the parent companies. The *ethnocentric*, *global* and *implementor* also have certain commonalities as the centre is very strong and the flow of information, knowledge and practices is from there and out, with little or nothing in the opposite direction. Finally, similarities also exist between the *geocentric*, *transnational* and *integrated player* types of MNCs. Here, there is a high flow between the centre and the foreign subsidiaries. We can therefore construct Table 2.4 detailing, for each of the typologies, the role the home country and foreign subsidiary, and the in- and outflow of practices.

Table 2.4: Typologies of the MNC

Perlmutter (1969)	Polycentric	-	Ethnocentric	-	Geocentric	-
Bartlett and Ghoshal (1989)	Multinational or multi-domestic	International	Global	-	Transnational	-
Gupta and Govindarajan (1991)	Local innovator	-	Implementor	Global innovator	Integrated player	-
Author's proposed typology	-	-	-	-	-	Brand Structured
Role of home country	Low	Some	High	Low	High	Strong within the brand, otherwise limited
Inflow (flow into the subsidiary)	Low	Some	High	Low	High	
Role of foreign subsidiaries	Independent	Low	Low	High	High	Low
Outflow (flow out from the subsidiary)	Low	Low	Low	High	High	Low
Transfer of practices	Not expected	Forward	Forward	Reverse	Forward, Reverse, Intra-subsidiary	Forward Intra-brand transfers

Source: Perlmutter (1969), Gupta and Govindarajan (1991); Bartlett and Ghoshal (1989)

2.6.2.2.5 Acquisition Characteristics

Section 2.3 identified four post-acquisition integration approaches – preservation, symbiotic, absorption and holding (see Figure 2.5). This section discusses each integration approach in greater detail and predicts the directions of transfers for each approach adopted by the MNC. In *absorption* acquisitions the aim is to eliminate the boundaries between the acquiring and acquired companies. There is a low need for organisational autonomy and a high need for strategic interdependence. The integration implies full consolidation of operations, organisation and culture, hence the parent company imposes its culture and practices on the acquired subsidiary. In this situation the top executive in the acquired company is generally removed (Angwin, 2004). Therefore, it is expected to find forward transfers in this type of integration. In *symbiotic* acquisitions the need for strategic interdependencies and organisational autonomy are high. This form of integration presents the most complex challenges to

management as the two companies first coexist and then gradually become increasingly interdependent. Symbiotic integration requires simultaneous boundary preservation and boundary permeability so transfers are taking place and yet the cultures of the two organisations are preserved (Haspeslagh and Jemison, 1991:149). In symbiotic acquisitions the top executive of the acquired firm remains in the short term (Angwin, 2004). The flow of transfers is expected to take place in both directions, hence a scope for forward and reverse transfers. In the *preservation* approach there is a low need for strategic interdependence and a high need for organisational autonomy. In this form of integration the acquirer aims to keep the source of the acquired benefits intact, including the subsidiary management where the top manager is retained (Angwin, 2004), its practices and structures. The subsidiary is managed at arm's length, hence it is not expected to engage in any transfers, forward or reverse. *Holding* acquisitions are acquisitions where the parent company has no intentions of integrating and creating value through anything except financial transfers, risk-sharing and general management capability. In this case the acquired top manager remains (Angwin, 2004). For these reasons, it is not expected to find any transfers associated with this form of integration (or lack of it). We can therefore construct the following table summarising the expected pattern of transfer for the four integration approaches.

Table 2.5: Post-Acquisitions Integration Approach and Transfers

	FT	RT
Holding	%	%
Absorption	+	%
Preservation	%	%
Symbiosis	+	+

Symbols explained:

+ = Expected to find transfers

% = Not expected to find any transfers

Source: Author's own table

Time is also relevant for the integration approach taken (Angwin, 2000). Where time is scarce the integration is likely to be either of the two in the lower part of Figure 2.5, the holding or absorption integration. Acquisitions where the practices and culture of the subsidiary are absorbed by the parent company can take place relatively quickly. This could be where the acquirer has a set of corporate-wide practices which are applied in all new acquired companies. Symbiotic integration, on the other hand, is more complex and takes longer time to achieve as it requires a deep and thorough understanding of the two companies in order to achieve the synergies. As discussed in section 2.5.2, the UK financial system has a short-term time horizon on investments. This makes absorption acquisitions more likely in the UK than in Sweden where the financial system has a longer time horizon. Similarly, the symbiotic integration approach is therefore also more likely in Swedish MNCs than in British.

The strategic rationale for the acquisition was discussed in section 2.3 as relating to expansion abroad into a new market or adding to the existing business portfolio in the country. MNCs adding to their existing business portfolio in the country are expected to possess experience in handling operations in this country which translates into a higher expectancy of transfers compared to companies which are expanding into a new market for the first time. MNCs which have been involved in previous acquisitions have accumulated a certain know-how and knowledge of how to approach the post-acquisition integration process. Thus, experienced acquirers are believed to engage in more transfers than MNCs undertaking their first acquisition.

2.6.2.2.6 MNC Size

Section 2.3 discussed the importance of the relative size of the acquired company in influencing the post-acquisition integration. It was suggested that the smaller the relative size of the acquired subsidiary the more likely the parent company

falls into the ‘make them like us’ syndrome (Haspeslagh and Jemison, 1991). However, if the acquired subsidiary is relatively large it will enjoy greater autonomy and have the ability to influence practices in the parent company. In this research size is measured on three dimensions: number of employees, turnover and number of foreign subsidiaries. It is therefore expected to find forward transfers in MNCs where the acquired company has a small number of employees relative to overall number of employees in the MNC, a small turnover relative to overall MNC turnover⁹, and is one of many foreign subsidiaries. It is also expected to find reverse transfers in MNCs where the acquired company has a high number of employees and a high turnover relative to the overall number, and is one of a limited number of foreign subsidiaries (or if the acquisition involves several companies, a high percentage of foreign subsidiaries).

A high global spread, i.e. a high percentage of employees working in overseas subsidiaries, is also a factor promoting reverse transfer. Edwards (1998) suggests MNCs whose operations are dispersed across countries, as opposed to being concentrated in the home country, are more exposed to ‘foreign’ practices. Therefore, MNCs with a high global spread are more likely to engage in reverse transfers than MNCs with a low global spread.

2.6.2.2.7 Diversification of Activities

The diversification of activities is linked to the international strategy of the MNC. Pursuing an international strategy can be done through the realizing of synergies through economies of scale and scope, or through the realization of financial economies deriving from the operation of an internal capital market (Marginson *et al.*, 1995). The economies of scale and scope are achieved by a diversification into related business areas (low diversification), either horizontally or vertically (Hill and Hoskisson,

⁹ The only available data for the subsidiary turnover in relation to the overall MNC turnover are from the year when the acquisition took place.

1987:332). MNCs operating with internal capital markets have diversified into unrelated areas (high diversification) where each division retains significant autonomy to conduct its own business (Hill and Hoskisson, 1987:332). The performance of each individual division is assessed by the corporate office as if it was an independent company. Profit from each division is sent to the corporate office which then can distribute funds to the units in the MNC where money is most needed (Marginson, 1992:534). MNCs with an international strategy of achieving synergies from economies of scale and scope from their foreign operations rather than achieving synergies from the operations of an internal capital market are more likely to engage in transfers, both forward and reverse (Edwards, 1998). MNCs with a low level of diversification are likely to be single-product firms rather than diversified conglomerates (Edwards, 1998). They have the scope to exploit the potential synergies presented by the similarity of their operations in different countries (Edwards, 2000:123). This may take the form of standardising production or service provisions, which is likely to be achieved through cross-border transfers.

2.6.2.2.8 Maturity of the MNC

Edwards and colleagues (1996) argue it takes a long time for MNCs to change from one form to another as suggested by Perlmutter (1969). They also show with case study data that MNCs do not progress from one clearly defined state to another. MNCs are changing constantly as acquisitions and divestments take place on a continuous basis. The MNC remains in a state of flux giving it little time to integrate one business before re-structuring again (Edwards *et al.*, 1996:53). Edwards (1998:697) argues that since the “process of experiencing practices in different countries, diffusing information about them and implementing them in home-country plants is likely to take a considerable period of time”. He, therefore, argues that reverse transfers are more likely

in ‘mature’ rather than ‘young’ MNCs. Edwards’ (1998) argument of reverse transfers in mature MNCs can be taken a step further. If practices take considerable time to settle down, the MNC in its ‘infancy’ must therefore be open to new practices from other parts of the organisation, especially if these units are mature companies in themselves with long established practices. Therefore, this research suggests reverse transfers are expected in both young and mature MNCs.

2.6.2.2.9 Role of Sector/Industry

Employment practices are influenced by the sector (‘third-order’ choice) indirectly through ‘first-order’ strategic choices (where to produce) and ‘second-order’ ones (adopted organisational form) (Colling and Clark, 2002). Industries embedded within the traditional system of industrial relations with a high percentage of shop floor workers, high union presence and collective agreements negotiated at sectoral or national levels are stronger rooted in the home country NBS compared to industries with fewer union officials and with contracts negotiated by individuals (first-order). The industry affects transfers if products or services are standardised across markets incentivising the MNC to adopt a global approach which in turn promotes corporate isomorphism (second-order). Conversely, MNCs in industries facing highly specialised and individual customer needs are more likely to adopt a multi-domestic structure, which was suggested above in Section 2.6.2.2.3 not to promote transfers. The influence of the industry is expected to relate to whether transfers take place or not rather than on the direction of transfers.

2.6.3 Summary

Section 2.6 focused on identifying the processes through which MNCs are able to transfer practices from the home country to its foreign subsidiaries and from the

foreign subsidiaries to other subsidiaries or the parent company. It was suggested that two factors influence the transfer of practices: political and structural. The former is concerned with the processes through which practices are transferred and presented the framework by Ferner and Edwards (1995) in which MNCs exercise power through four different channels: *authority relations*, *resource-dependent power relations*, *exchange relations* and *cultural relations*. It was suggested practices are transferred either directly or indirectly with the latter split into two: unobtrusive and coercive bargaining (Coller, 1996).

Section 2.6.2.2 suggested the transfer of employment practices is not only influenced by institutions and other factors at national level. Company characteristics also influence the scale, scope, and direction of transfers. The discussion identified 9 different company characteristics promoting the transfer of employment practices. The discussion in the two sections on ownership and ‘dominance effects’ hypothesised that forward transfers are most likely from parent companies located in ‘dominant systems’ and reverse transfers from subsidiaries in ‘dominant systems’. The section on strategy, structure and management style identified a number of similarities between the different typologies. It highlighted that MNCs characterised with a global strategy and an ethnocentric management style are more likely to engage in forward transfers. MNCs with a transnational approach or a geocentric management style are expected to engage in both forward and reverse transfers. The polycentric and multi-domestic MNCs are not expected to engage in any form of transfers. A gap in the literature was identified by adding a typology, the brand structured, to Bartlett and Ghoshal’s four existing. The significance of the foreign subsidiaries was also highlighted. Those possessing important knowledge, skills and information are more likely to engage in reverse transfers than those without. The section on the post-acquisition integration approach highlighted the expected scope for transfers in the four identified typologies. Symbiotic

acquisitions are the most complex to integrate but also the ones where transfers in both directions can be experienced. The relative size of the acquired company is important. Reverse transfers are expected from larger subsidiaries whereas smaller subsidiaries are only expected to be at the receiving end of transfers. It was also suggested that low diversified MNCs are more likely to transfer practices, both forward and reverse, contrasted to highly diversified MNCs. Reverse transfers are likely in both young and mature MNCs. Eight of the nine different company characteristics (left column) and their impact on transfers are summarised in Table 2.6¹⁰. The company characteristics in the middle column promote forward transfers and those to the right support reverse transfers. It is not necessary for the MNC to possess all the characteristics in order to engage in forward or reverse transfers. Similarly because an MNC possesses the characteristics promoting reverse transfers is not a guarantee that it will undertake reverse transfers.

¹⁰ It is not anticipated that the industry effect influences the direction of transfer but only whether transfers take place or not.

Table 2.6: Company Characteristics Promoting Transfers

Company Characteristics	Characteristics Facilitating Forward Transfer (transfer from parent to subsidiary)	Characteristics Facilitating Reverse Transfer (transfer from subsidiary to parent)
Ownership	US, UK, Japanese parents	US, UK and Japanese European subsidiaries
‘Dominance effect’	Parent located in ‘dominant system’	Subsidiary located in ‘dominant system’
Strategy, Structure and Management Style	<ul style="list-style-type: none">• Global• International• Transnational• Ethnocentric• Geocentric	<ul style="list-style-type: none">• Transnational• Geocentric
Significance of the Foreign Subsidiary	Low	High
Acquisition Characteristics	<ul style="list-style-type: none">• Absorption and symbiotic acquisitions• Adding to business portfolio in foreign country• Past experience in handling acquisitions	Symbiotic acquisitions
MNC Size	Small subsidiary	<ul style="list-style-type: none">• Large subsidiary• High global spread
Diversification of Activities	Low Diversification	Low Diversification
Maturity of the MNC	Mature	<ul style="list-style-type: none">• Mature• Young

Sources: Summarised from the literature

2.7 Research Questions, Hypotheses and Propositions

Chapter 1 outlined the researcher's view that people work differently in different countries. This led to the initial research questions driving this research. The first question was 'do NBS and company characteristics affect the transfer of employee participation practices following acquisitions?' In cases where transfers do occur in the MNCs lead to the second research question: 'how do MNCs engage in transfer of employee participation practices with their acquired foreign subsidiaries?'. The final research question was derived from the observation that not all practices are transferred: 'Why are some employee participation practices transferred and others not?'

Chapter 2 discussed the exogenous (institutions and NBS) and endogenous (company characteristics) factors influencing the transfers in MNCs. The purpose of section 2.7 is, based on the discussion so far, to construct a number of hypotheses and propositions on transfers. The former hypothesises about some general expectancies whereas the latter are more specific in what is expected to be demonstrated empirically.

Section 2.2 discussed differences between countries. According to the institutionalists, MNCs are under pressure for assimilation from three forms of isomorphism. It is not only institutions which shape national differences. Also differences in the social relationship between employers, employees, providers of capital and the state create different typologies of capitalism. It was discussed how differences in NBSs stem from the different interrelationships of the financial systems, the role of the state and the systems of industrial relations. This led to the construction of a more flexible way of assessing a country's restrictiveness or permissiveness to transfers as changes can be plotted over time. Assessing the NBSs of Sweden and the UK on the three dimensions found the latter more open and the former more restricted to transfers. The differences in NBSs are at the centre of the global-local debate. MNCs

are under different pressure to follow local norms, standards and laws in different countries. This leads to the first hypothesis:

Hypothesis 1:

Some countries are more institutionally permissive to the transfer of employment practices than other countries

The discussion in section 2.2.3.1 focused on the local-global debate and the extent which MNCs can introduce corporate-wide practices or follow local standards and norms. It was suggested that some employment practices are more likely to exhibit local isomorphism than others. Hypothesis two follows from this.

Hypothesis 2:

The transferability of employment practices across national borders depends on the type of employment practice.

Section 2.2 also discussed the hierarchy between economies. Those at the top of the hierarchy have evolved practices considered superior by less successful economies and used as 'models' for other less successful economies. The US enjoyed this position immediately following the Second World War, followed by Japan in the 1980s and 1990s. Currently, it is the Anglo-Saxon system which is being copied around the world. The discussion of the 'dominance effect' led to the third hypothesis.

Hypothesis 3:

Some countries have 'dominant' systems and transfers are more likely from these countries to countries with 'follower' systems.

The discussion in section 2.6 focused on the relationship between power structures in MNCs explaining the channels through which practices are transferred. The section also discussed nine different structural characteristics at company level influencing transfers. This is the basis for hypothesis four.

*Hypothesis 4:**Company and acquisition characteristics affect the transfer of employment practices.*

We now turn the attention to create specific propositions based on the four general hypotheses. This research examines employee participation practices in detail. As discussed in section 2.4, employee participation practices can be divided into two general categories: direct and indirect participation. The latter depends more on the institutional and legal support in order to be transferred, contrasted to the former which depends on management's voluntary discretion. We can therefore construct the first proposition

*Proposition 1:**Direct employee participation practices are more likely to be transferred, forward and reverse, than indirect participation practices.*

Proposition two is based on hypothesis 3 and relate to the 'dominance effect'. Hypothesis 3 reads that transfers are most likely from countries with dominant systems to those with follower systems. Since the UK belongs to the former and Sweden to the latter, we can therefore expect the following proposition.

*Proposition 2a:**Forward transfers of employee participation practices are more likely from the UK to Sweden.**Proposition 2b:**Reverse transfers of employee participation practices are more likely from the UK to Sweden.*

Section 2.5.4 identified delegation of responsibility to individuals as a Swedish employee participation practice. Delegated responsibility is linked to direct participation and is less dependent on the institutional and legal support than indirect participation practices. The transfer of this practice is expected to be subject to few restrictions in the NBS in the host-country. Since, it is a Swedish practice it is more likely to be Swedish

MNCs bringing this practices along with them when acquiring in the UK, hence proposition 3.

Proposition 3:

Transfer of 'delegated responsibility' to individuals is more likely from Sweden to the UK.

Propositions four to eight are all based on hypothesis four, that company characteristics affect transfers. Section 2.6.2.2.3 suggested an extra dimension to Bartlett and Ghoshal's (1989) already four existing, the brand structured MNC. It described how the MNC is structured around brands where each brand is an autonomous entity within the MNC. The brands are controlled from the 'brand-centre' from where information, policies and practices flow. In order to maintain the distinctiveness of each brand, there are few overlaps between them. Therefore,

Proposition 4a:

Transfer of employee participation practices in brand structured MNCs is more likely to be intra-brand than inter-brand.

Proposition 4b:

Transfer of employee participation practices in brand structured MNCs is more likely to be forward rather than reverse.

The significance of the subsidiary in relation to the parent company or the unit in which it is to be integrated is a further factor influencing forward and reverse transfers. The subsidiary significance relates to the relative size of turnover and number of employees, and its possession of knowledge, patents, materials and know-how. Subsidiaries carrying a high significance are more likely to engage in reverse transfers to share their 'advantage' with the rest of the MNC. This leads to the fifth proposition.

Proposition 5:

Reverse transfers are most likely from 'significant' subsidiaries, which are measured in terms of relative number of employees, relative turnover, skills possession, know-how and materials.

Depending on the need for strategic interdependence and organisational autonomy, four different post-acquisition approaches were identified in section 2.6.2.2.5. Where the need for strategic interdependence is low, there is also a low expectancy of transfers. Similarly, where the need is high, the MNC is expected to engage in transfers. Where the high strategic interdependence is paired with a low need for organisational autonomy, the parent company imposes its culture and practices on the acquired subsidiary which is to be absorbed into the acquiring unit. In cases with high need for strategic interdependence and organisational autonomy the boundaries of the two companies are preserved but they are penetrable for an influx and outflow of practices. When the time factor is coupled with the integration approach, the absorption integration can be swift whereas symbiotic acquisitions are expected to have longer timeframes. Time also links to the different NBS. We can therefore construct hypothesis six.

Proposition 6a:

Forward transfers are most likely in absorption and symbiotic acquisitions.

Proposition 6b:

Reverse transfers are most likely in symbiotic acquisitions.

Proposition 6c:

Absorption acquisitions are more likely in UK MNCs.

Proposition 6d:

Symbiotic acquisitions are more likely in Swedish MNCs.

The final proposition relates to the maturity of the MNC. The propositions goes against Edwards (1998) argument of reverse transfers are expected in mature MNCs. Here, it is proposed that when MNCs are in their 'infancy' and they undertake an acquisition they

are open to new practices from the acquired company. From this follows proposition seven.

Proposition 7:

Reverse transfers are likely in 'young' MNCs.

All the research questions, hypotheses and propositions are summarised in Table 2.7 below.

Table 2.7: Research Questions, Hypotheses and Propositions**Research Questions**

- RQ 1** Do national business systems and company characteristics affect the transfer of employee participation practices following acquisitions?
- RQ 2** How do MNCs engage in transfer of employee participation practices with their acquired foreign subsidiaries?
- RQ 3** Why are some employee participation practices transferred and others not?

Hypotheses

- H 1** Some countries are more institutionally permissive to the transfer of employment practices than other countries.
- H 2** The transferability of employment practices across borders depends on the type of employment practice.
- H 3** Some countries have 'dominant' systems and transfers are more likely from these countries to countries with 'follower' systems.
- H 4** Company and acquisition characteristics affect the transfer of employment practices.

Propositions

- P 1** Direct employee participation practices are more likely to be transferred, forward and reverse, than indirect participation practices.
- P 2** a) Forward transfers of employee participation practices are more likely from the UK to Sweden.
b) Reverse transfers of employee participation practices are more likely from the UK to Sweden.
- P 3** Transfer of 'delegated responsibility' to individuals is more likely from Sweden to the UK.
- P 4** a) Transfer of employee participation practices in brand structured MNCs is more likely to be intra-brand than inter-brand.
b) Transfer of employee participation practices in brand structured MNCs is more likely to be forward rather than reverse.
- P 5** Reverse transfers are most likely from 'significant' subsidiaries, which are measured in terms of relative number of employees, relative turnover, skills possession, know-how and materials.
- P 6** a) Forward transfers are most likely in *absorption* and *symbiotic* acquisitions.
b) Reverse transfers are most likely in *symbiotic* acquisitions.
c) *Absorption* acquisitions are more likely in UK MNCs.
d) *Symbiotic* acquisitions are more likely in Swedish MNCs.
- P 7** Reverse transfers are likely in 'young' MNCs.

2.8 Conclusion

Chapter 2 has reviewed the relevant literature in the area of the thesis. The review served two purposes: setting the foundations for the theoretical framework and identifying gaps in the literature, some of which this thesis aims to cover, and drawing up hypotheses and propositions to be tested empirically.

It was demonstrated in section 2.2 that countries and capitalist systems differ and it was proposed to capture this difference by examining countries on three dimensions – *financial system*, *role of the state* and *system of industrial relations*. Applying this framework to the NBS of UK and Sweden concluded that the UK is more permissive to transfers than Sweden. This was also illustrated graphically as the UK has a smaller surface area than Sweden in Figure 2.7.

Section 2.2.3 discussed the tensions in the globalisation debate: the challenges MNCs face between global corporate strategy and serving local markets with local practices. The section suggested that MNCs are embedded in their home country which led Ferner and Quintanilla (1998) to identify four different forms of isomorphism. The author identified a gap in the literature, as it had ignored diversified MNCs (either by industry or by brand) with subsidiaries in the same foreign country engaging in transfer in one industry or brand and not undertaking any transfers in the other industry or brand. This was termed global-local isomorphism by the author. The section also presented the argument of ‘dominance effect’ whereby MNCs from ‘potential follower’ systems copy practices from MNCs located in more successful systems. The fact that MNCs are embedded in their home country, and currently the Anglo-Saxon system prevails, makes it more likely with transfers from MNCs in the UK to other countries. It was suggested this could take place as either forward or reverse transfers.

The pattern of transfers expected following an acquisition is linked to the post-acquisition integration approach taken by the parent company. Four different typologies

were presented, two of which were linked to transfers: absorption and symbiotic. By examining the post-acquisition integration approach taken by the MNC should inform about the likelihood of finding forward and/or reverse transfers.

It was put forward in section 2.6 that company characteristics also are useful in explaining why practices are transferred and equally important why some practices are not transferred. 9 different company characteristics were identified and discussed. In chapter 4 these are applied to each of the case study MNCs.

The second purpose of the literature review is to allow the construction of hypotheses and propositions which are to be tested in the thesis. Hypotheses and propositions aim to reflect and highlight the differences in the NBS between Sweden and the UK, and at the same time examine company characteristics to determine if they have the potential to override the pattern of transfers influenced by forces at national level. The research framework, the research method, how data were collected, displayed, reduced and analysed, and how conclusions were reached are the focus of the next chapter.

CHAPTER 3

METHODS

3.1 Introduction

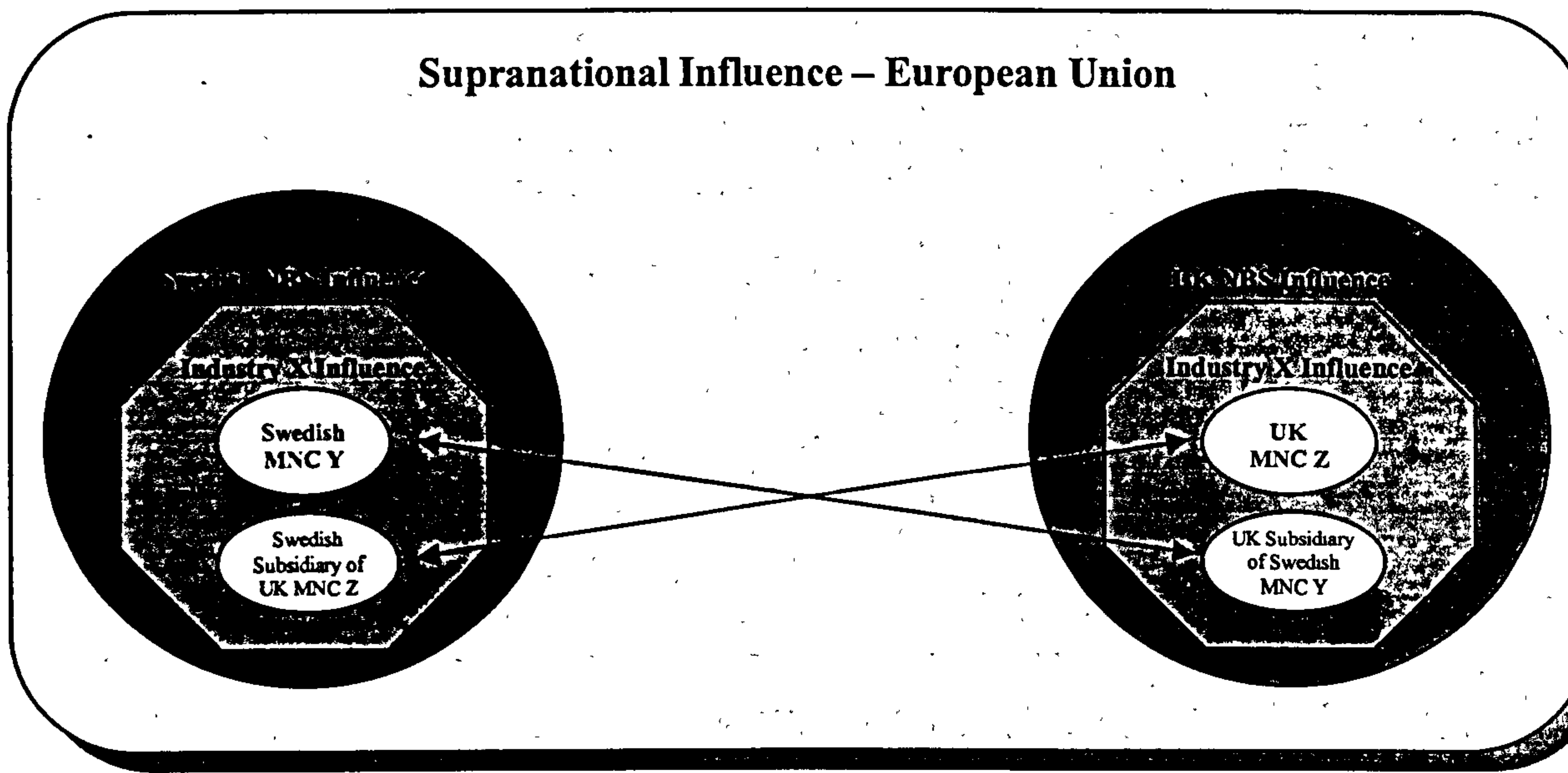
The purpose of Chapter 3 is fourfold. Firstly, outlining the research framework – to place the examination of transfer of employment practices within a wider context based on the literature reviewed in chapter 2. Secondly, it aims to justify the choice of the research method. Thirdly, it presents the criteria for selecting the countries, time frame, industries, companies and employment practices. Finally, accounting for how the raw data were collected, displayed, reduced, analysed and how conclusions and verifications were reached.

3.2 Research Framework

The framework of the research is encapsulated in Figures 3.1 and 3.2 below. Both Sweden and the UK are members of the European Union (EU) and the EU can be seen as a player at the supranational level (however, the EU is not the focus of this research and its role will not be analysed in great detail). Directives and regulations decided at the EU level are applicable in all the member countries¹. It was suggested in Chapter 2 that MNCs are embedded in the NBS of the country of operation, this applies to both the parent company (home country NBS) and their foreign subsidiaries (host country NBS). The NBS affects also the various industries in each country differently. This in turn makes the impact of the industry on individual companies to differ from industry to industry and country to country. The industry influence can also be cross-national and not just a within country influence. Finally, the transfer of employment practices is influenced by the different company characteristics found in each company, as identified in section 2.6.2.2. The arrows, in Figure 3.1, between the parent companies and their foreign subsidiaries indicate transfer of practices either forward or reverse. At the four levels (supranational, national, industry and company level) there are variables, as discussed in Chapter 2, influencing the transfer of practices. It is the equivalent to a Russian Matryoshka doll where several layers have to be unwrapped in order to get into the centre.

¹ Except under certain circumstances where countries can opt-out and refrain from implementing or delaying their implementation.

Figure 3.1: Transfer of Employment Practices within MNCs



Source: Author's own figure

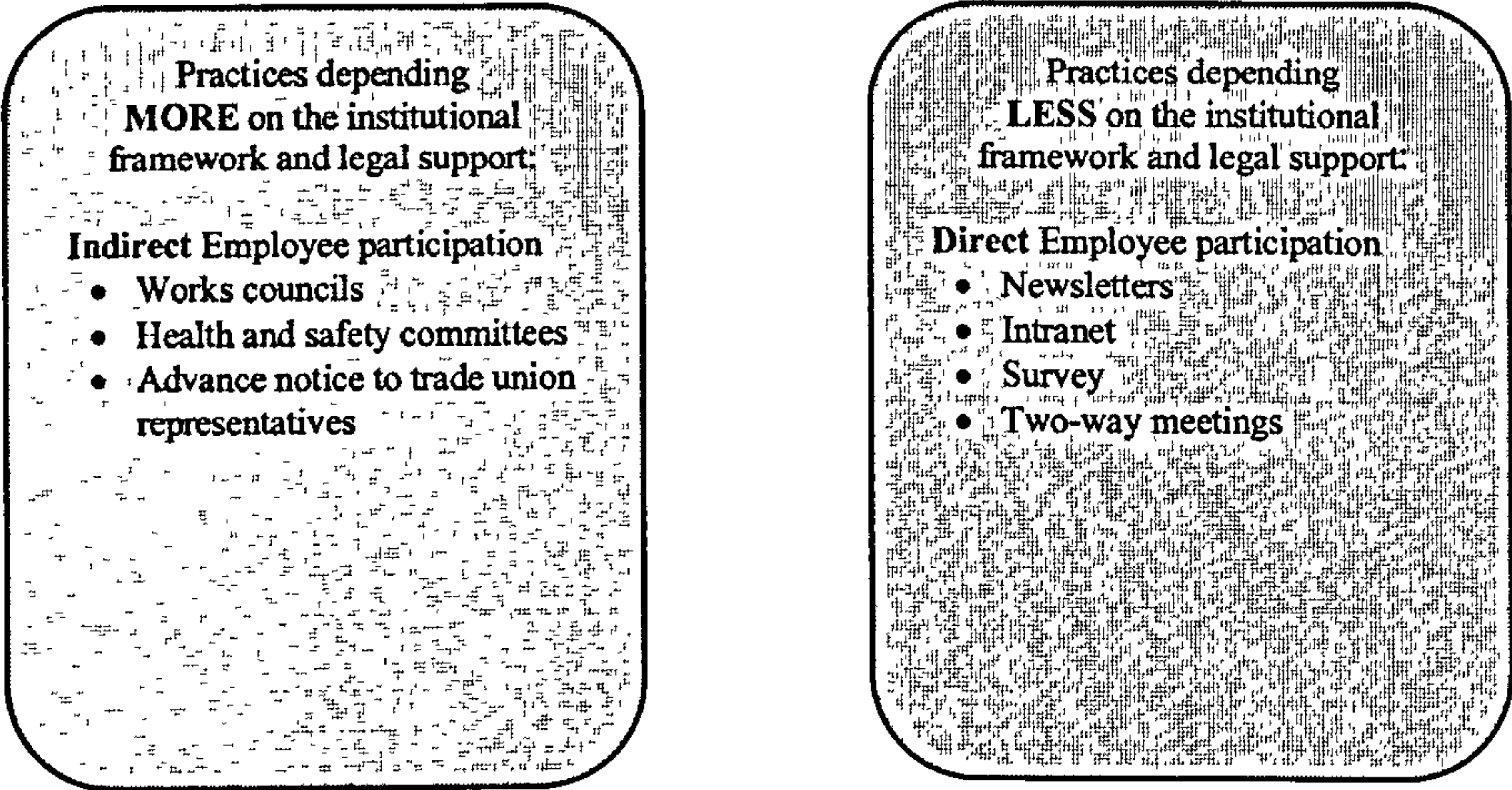
Turning to the transfer of employment practices it was established in Chapter 2 that the transferability of some practices is dependent on supportive and distinctive extra-firm structures including the legal framework of employment relations, the nature of labour market institutions and the attitudinal behavioural norms that characterises employment relations in a particular country (Hayden and Edwards, 2001).

Local isomorphism is more likely in certain areas of HR/IR than others because of the constraints imposed by the host country regulations on practices (Ferner, 1997; Rosenzweig and Nohria, 1994). The employee participation practices presented in the box to the left in Figure 3.2 are more difficult to transfer as they are closely tied to the legal or institutional framework of a country. For example, employee representation is often settled by law and/or collective agreements.

Other practices are transferred more easily across national borders. The box to the right in Figure 3.2 lists practices depending less on the institutional framework and are, therefore, expected to be transferred more easily. There are fewer constraints for foreign MNCs to engage in employee participation through newsletters, intranet and

surveys. It is expected to find more transfers of employee participation practices from the box to the right than from the box to the left (as suggested by proposition 1 in Table 2.7)

Figure 3.2: Transferability of Practices



Source: Author’s own figure

3.3 Research Design

3.3.1 Case Study as Research Design

Chapter 1 outlined the initial research questions of the thesis which were recapitulated in Table 2.7:

- Do national business systems and company characteristics affect the transfer of employee participation practices following acquisitions?,
- How do MNCs engage in transfer of employee participation practices with their acquired foreign subsidiaries?,
- Why are some employee participation practices transferred and others not?

The complexity in answering the research questions is also reflected in the research method. Qualitative case studies by in-depth interviews permit the flexibility in uncovering these questions which a structured questionnaire does not permit. Interviews were carried out at different levels in the MNC ranging from CEO in one company to cleaners at subsidiary level in another company. In one case, Hilton, interviews were also conducted at the subsidiary head office in the host country. By carrying out interviews at both parent and subsidiary levels in the MNCs, the researcher was able to uncover the intended corporate HQ's strategy and policies and see if they matched those identified by respondents in the foreign subsidiaries. At the same time, speaking to employees at the shop floor, the researcher was able to verify if the intended transfers were also implemented at the lowest level in the organisation.

The research was based on these interviews as the primary source of data. The researcher also relied on secondary sources of information. Both prior and after the interviews the researcher searched the internet and the case study companies' homepages for information. The latter often included the latest annual reports, corporate social responsibility reports, mission statements and other information about the companies. This information is considered important to test and back-up findings from

the interviews. If the company's public information and the respondents' answers correspond the researcher is confident about the validity of the findings.

Yin (2003) argues that a case study approach is the most suitable to answering the 'how' and 'why' questions, where a survey is more appropriate for the 'who', 'what', 'where', 'how many' and 'how much' questions (Yin, 2003:5). A number of studies attempting to uncover 'how' and 'why' employment practices were transferred also adopted the qualitative case study approach. Tempel (2001) examined the transfer of HRM practices in German and British MNC by in-depth interviews at parent and subsidiary level in 5 MNCs. Edwards (1997) adopted a similar approach in his examination of the transfer of industrial relations practices in 10 mini case studies. Ferner and Quintanilla (1998) based their investigation of isomorphic pressures and anglo-saxonization on in-depth interviews since "this is seen as the most appropriate tool for getting at the complex processes of mutual influence between the headquarters and subsidiary, [...] and between these and their home- and host-country environments respectively" (Ferner and Quintanilla, 1998:712).

The transfer of practices is often a subtle and under-the-surface process which, in order to fully understand it, requires a qualitative in-depth investigation. Conducting interview based case studies the researcher opens up complex linkages, explores processes, and uncovers how decisions really are made (Ferner, 1997). The interview based studies are the best suitable method for disclosing knowledge about intangible features such as the transfer of employment practices. It facilitates an examination of the influence and impact of the NBS on the cross-national transfer of employment practices.

The advantages of interview based studies are also measured in their ability to uncover new and unforeseen material. This is underlined by the work of Coller (1996) who demonstrated, in his examination of an MNC in the food industry, how an international team of internal consultants roamed between plants to identify best proven

practices, which were subsequently reported back to the headquarter (Coller, 1996:166). This type of information would have been very difficult to detect prior to entering the company and almost impossible to explore in depth by a survey.

A further advantage of conducting face-to-face interviews is the possibility for the researcher to clarify any uncertainties the respondents may have to a question. In particular specific terminology which may seem obvious to the researcher may not appear so evident to a respondent. The problem of terminology becomes extra important in cross-national research projects. The field of industrial relations contains numerous terminologies which do not always have an equivalent in a foreign language. An example is the term 'industrial relations' which translates literally into 'industrielle relationer' in Swedish – a term which very few respondents would know what encompasses.

To test the quality of empirical social research four tests can be applied including: construct validity, internal validity, external validity and reliability (Yin, 2003:34). Yin (2003) points out that construct validity is especially problematic in case study research because of the difficulty of defining the constructs being investigated. The qualitative case study method has often been criticised for failing to develop sufficiently operational sets of measures and that "subjective" judgements are used to collect the data. Therefore, to meet the test of construct validity the researcher must satisfy two criteria: select the specific types of changes that are to be studied, and demonstrate that the selected measures of these changes do indeed reflect the specific types of changes that have been selected (Yin, 2003:35).

The second point relates to internal validity which is where the researcher attempts to show whether event x led to outcome y . If the researcher incorrectly concludes that there is a causal link between the two without realising that factor z

actually caused y , then the research design has failed to deal with some threats to internal validity.

The third of Yin's (2003) tests, external validity, deals with the generalisation beyond the immediate case study. It is incorrect, according to Yin (2003), to use case studies for statistical generalisation, i.e. use case study results to generalise to cover a larger universe, for example an industry or country. Instead, they should be used as analytical generalisation, "in which a previously developed theory is used as a template with which to compare the empirical results of the case study" (Yin, 1989:38).

The fourth and last test concerns the reliability of the research. The ultimate objective is to be sure that if another researcher duplicates the research methods and followed the exact same procedures would come to the same findings and conclusions (Yin, 2003).

For this research the researcher attempted to exploit the advantages associated with the qualitative research method, and compensate for the shortcomings in the following ways. The research responded to the test of construct validity by defining the constructs studied as the influence of the NBS and company characteristics on the transfer of employment practices. The variables are for the NBS: the role of the state, system of industrial relations and financial systems. The influence of company characteristics, include the variables discussed in section 2.6.2.2. To increase the validity, the research adopted a systematic approach to treating the collected data (further explained in section 3.6). The amount of data was reduced by coding in a systematic manner and displaying the data using tables. The conclusions were displayed in matrices for easy overview. The way in which the data was treated will allow the researcher, and any 3rd party, to easily trace a transfer back to the original sources. The point of generalisation is dealt with by using multiple case studies aiming for analytical generalisation. If the results from several cases turn out as predicted in the propositions,

this can be used to generalise to the theory in question. The research uses cases (MNCs) from Sweden and the UK to test the propositions on, amongst others, the theory of flow of practices from a 'dominant system' to a potential 'follower system'.

The reliability test is dealt with by keeping a record of all contacts with potential case study companies and respondents. All the acquisitions of Swedish companies by UK MNCs and UK companies by Swedish MNCs were identified. Every contact the researcher made to the short listed companies requesting their participation was recorded with the company's answer. For all the companies where interviews were carried out a record was maintained for when interviews were carried out, with whom, how long it took, and the set of questions asked, in which language and at which point they were translated into English. All the discs containing the recorded interviews are still held by the researcher.

The vast amount of raw data is treated in a structured and rigorous fashion. The researcher followed the suggestions by Miles and Huberman (1994) of data reduction, data display, and data conclusions and verifications. In this way the researcher is confident that all the data is exposed and treated so conclusions are not based on selected statements and those statements not supporting the argument left out or hidden. Despite all the efforts by the researcher to enable a duplicate research it is far from possible to reach identical results as some of the identified companies may themselves have been acquired or ceased to exist, not allowing access for another researcher, respondents who also worked for the acquired company before the acquisition may no longer work there, the policies have changed etc. Every effort was made to avoid, or at least limit, researcher bias by applying the same set of basic questions for every interview.

It is generally assumed that triangulation involves more than one method in the study of the same phenomenon (Denzin, 1978:236). With metaphoric reference to

geometry and navigation this method can be used to locate with greater accuracy an object's position. Triangulation increases the validity of the research findings (Jick, 1979:602). Using a study on mergers Jick (1979:604) highlights the advantages of using different methods and suggests that "the weaknesses in each single method will be compensated by the counter-balancing strengths of another". Using several different methods is often referred to as 'between methods' (Jick, 1979; Denzin, 1978) but as Denzin (1978) suggests it is not the only form of triangulation. Four types of triangulation exist: data-, investigator-, theory- and methodological triangulations (Denzin, 1978:237). The research used data triangulation to increase the validity of the findings. Data triangulation takes place in 3 ways: time, space and person (Denzin, 1978). Due to limitations in time of the fieldwork the time triangulation was not exploited in its fullest. As described in Table 3.3 the interviews were done in bulk, thus limiting the time triangulation to the time between interviewing at corporate and subsidiary level. Interviews were conducted at different levels in the MNC: at corporate, at subsidiary head office in host country and plant level. Interviews also took place in three countries (space triangulation). Finally, respondents were drawn from different hierarchical levels of the MNCs (person triangulation). Interviews were conducted with MD (general managers in the hotels), line managers, non-managerial employees and employee representatives. Further, the respondents came from different departments of the plant/hotel, were of different sex and age, and with different length of employment in the MNC.

3.3.2 Selection Criteria

A number of selection criteria were applied before interviews were carried out in the companies. The research examines the transfer of employment practices in MNCs' expansion abroad through acquisitions. This led to the first criteria: the identification of countries to be examined, including the home and host country. The second criterion was the 'time frame' during which time period acquisitions were to be considered. Thirdly, acquisitions from the chosen countries within the set time frame were identified. Thereafter, the industries were selected. Once the countries, time frame, deals, and industries were identified, the researcher contacted individual companies to request their participation. The final criterion was the type of employment practices to include.

3.3.2.1 Selection of Countries

Sweden and the UK which are in stark contrast to each other were selected to enhance the exposure of transfers. Choosing countries with distinct NBS facilitates the identification of transfers contrasted to examining countries with similar NBS (Muller-Camen *et al.*, 2001). The main differences of the two countries were outlined in section 2.5. As proposed in Chapter 2, countries diverge and the NBS shapes countries differently.

Further, selecting countries from contrasting NBS poses challenges to the transfer of employment practices. Can practices relying on institutional support in the home country be transferred to countries without this support? Similarly, is it possible for MNCs from the deregulated labour market to circumvent the stringent laws and regulations in the highly regulated labour market? Examining companies from the UK and Sweden the researcher is able to answer those and other similar questions.

Moreover, some countries have had a high representation in studies of employment practices and their transfers. This group of countries include the largest and most important western economies such as the US, UK, Germany, France and Japan. Countries which have not featured much in research include countries from the Nordic area, former eastern European economies and developing countries. Examining the UK and Sweden draws on established literature and adds to areas which have remained underdeveloped.

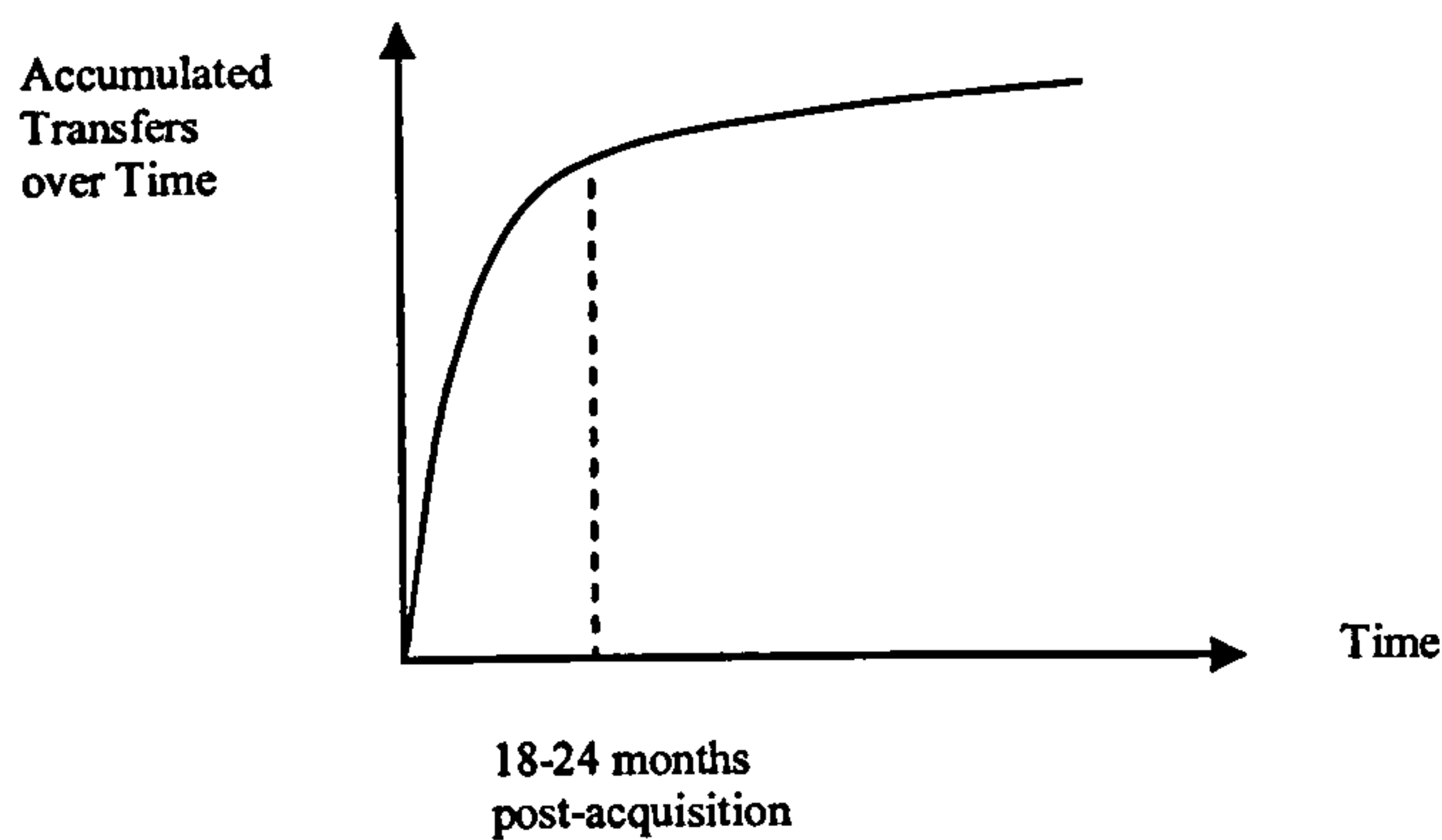
Finally, the UK is one of the most internationalised economies in the OECD and has been extremely open to foreign direct investment (Ferner and Varul, 2000). It accounted for a quarter of European mergers and acquisitions (M&A) operations (target and bidder combined) in 1999 (European Commission, 2000:10). Sweden, on the other hand, only accounted for 7 percent of European M&A operations in 1999, but contrasted to GDP, it was the most active country, only to be surpassed by Luxembourg (European Commission, 2000:10). Sweden, with its small home market, is more likely to be 'international' in terms of the proportion of their foreign operations and likely to expand through acquisitions and engage in transfers (Ferner, 1997:24-31). The internationalisation of Swedish companies, with a high percentage of the workforce employed abroad, is also a factor facilitating reverse diffusion (Hayden and Edwards, 2001).

3.3.2.2 Selection of Time Frame

Having established the countries participating in the project the researcher identified the time period to examine acquisitions. Most changes and transfers are initiated within the first 18-24 months after the deal is closed (Angwin, 2000) as depicted in Figure 3.3. However, the implementation process may take a long time. As suggested in section 2.6.2.2.5, some integration approaches take longer to achieve than

others. If one does not allow for sufficient time, it can be difficult to identify symbiotic acquisitions, for example. In a similar vein, reverse transfers are not expected immediately after the acquisition but only after some time lapse.

Figure 3.3: Transfers and Time



Source: Author’s own graph

The fieldwork was carried out in 2003 and to allow time for transfers to take place it was estimated that the latest acquisitions to be considered should have taken place during 2001. In their study, Child *et al.* (2001) examine transfers following acquisitions into the UK. They allow 2 years to elapse for cases to be included in the research “so that changes would have had a chance to be implemented” (Child *et al.*, 2001:64). This research could not examine acquisitions taking place too long ago as employees would have left the companies restricting the number of respondents. Respondents may also forget events or have distorted pictures of what were indigenous and transferred practices. It was therefore decided to consider acquisitions back to 1993. Child *et al.* (2001) have a similar time frame as they examine acquisitions which are up to 10 years old. The year 1993 was also chosen as it marked the beginning of the single European market. By 1 January 1993 obstacles to the free movement of goods, services, people, and capital between member states of the EU were removed. This was the core of the process of European economic integration involving the elimination of customs barriers,

the liberalisation of capital movements, the opening of public procurement markets, and the mutual recognition of professional qualifications.

3.3.2.3 Identification of Acquisitions

With the countries and the time frame selected the researcher identified cases of acquisitions of Swedish companies by UK MNCs and UK companies by Swedish MNCs. This was achieved through two sources: Acquisitions Monthly and the Swedish Stock Exchange. The latter recorded all transactions of companies listed on the Swedish Stock Exchange but not all acquired companies are listed on the stock market. The former, Acquisitions Monthly, monitored acquisitions around the world tracking amongst others (see Appendix 3.1 for full details):

- Acquisitions of private companies resulting in change of control at the ultimate parent level
- Demergers
- Divestment of company, division or trading assets resulting in change of control at ultimate parent level
- Mergers
- Stake purchases and repurchases:
 - 5% or more
 - 3% or more with value over US\$ 1 million
 - less than 3% but result is majority ownership of more than 50%
 - acquisition of remaining interest

Source: Acquisitions Monthly

The data from Acquisitions Monthly were obtained by manually looking through the issues of the journal. It is believed that the data collection was done very accurately, but it is not guaranteed to be error free. Firstly, there was the possibility of the journal omitting some acquisitions (c.f. Angwin (1999) for main sources of error in this database) and secondly, the researcher overlooking others. However, cross checking with the data from the Swedish Stock Exchange confirmed the high accuracy of the data

recorded for Sweden. Despite the possible errors, it is believed the data were close to representing the population.

The process identified 103 acquisitions between the two countries during the period 1993-2001 (see Appendix 3.2 for a full list). Of those, 59 were made by UK MNCs acquiring into Sweden and 44 by Swedish MNCs acquiring UK subsidiaries (Table 3.1). Throughout the 1993-2001 period the number of acquisitions stayed at a stable level of around 10 per year (both countries combined) with the exception of 2000 where 20 acquisitions were recorded. Year 2000 is also the year in which level of M&A activities (in terms of value) peaked (UN, 2005).

Table 3.1: Number of Foreign Acquisitions by UK MNCs into Sweden and Swedish MNCs into the UK 1993-2001

Year	UK Parent Acquiring into Sweden	Swedish Parent Acquiring into UK	Total Year
1993	6	3	9
1994	7	5	12
1995	7	3	10
1996	8	4	12
1997	5	4	9
1998	7	3	10
1999	8	5	13
2000	4	16	20
2001	7	1	8
Total	59	44	103

Source: Acquisitions Monthly (1993-2001)

3.3.2.4 Selection of Industries

Initially the Standard Industrial Classification system (SIC) codes were used to classify companies into industries (OSHA). This caused problems as the SIC classifies companies very narrowly and oftentimes MNCs fit into several categories, especially if they are very large and diversified. In their examination of M&As Child *et al.* (2001)

used three major industry categories (high-tech, services and manufacturing). The researcher used the same industry categories (but changed the names slightly) and adding a fourth one, finance, which gives the following industries:

- Services
- Manufacturing, Engineering and Production (MEP)
- Finance
- Knowledge Intensive (KI)

Of the 103 identified acquisitions in Table 3.1 not all were suitable for the research for a number of reasons. Some of the acquired subsidiaries were subsequently resold to other companies, spun-off, the parent company itself was acquired, some had gone out of business, and others were not possible to track down. In some cases the acquisition only involved a 50% stake or lower percentage which gave the acquirer a majority stake. The number of suitable companies then dropped to 28 MNCs - 17 UK and 11 Swedish MNCs. These were then grouped according to industry and produced Table 3.2 below.

Table 3.2: Suitable Swedish and UK MNCs for the Research

Industry	UK Bidder	Industry	Swedish Bidder
Services	Airtours PLC	Services	No cases
Services	Carphone Warehouse	Services	
Services	Hilton Group	Services	
Services	ISA International PLC	Services	
Services	Teleca	Services	
Services	WSP Group	Services	
MEP	Alvis	MEP	Allgon AB
MEP	Bodycote International	MEP	Assa Abloy
MEP	BPB Industries	MEP	Atlas Copco AB
MEP	Charter PLC	MEP	Cardo
MEP	Deltron Electronics	MEP	Elanders Kommunikation AB
MEP	Filofax Group PLC	MEP	Gunnebo
MEP	Hozelock Group PLC	MEP	Höganäs
MEP	IMI	MEP	Nobia
MEP	McLeod Russel Holdings PLC	MEP	Svenska Cellulosa
MEP	William Baird	MEP	Trelleborg
KI	Smith & Nephew	KI	Medivir
Finance	No cases	Finance	No cases

Source: Acquisitions Monthly (1993-2001)

With no Finance MNCs and only UK Service MNC, the research would need two MEP, two KI and one Service MNC to have representatives from both countries and all the available industries. The next section outlines the selection process of participating MNCs detailing the problems experienced gaining access to desired MNCs.

3.3.2.5 Selection of Companies

The researcher set one criterion which had to be satisfied for all the participating companies and one desired criteria to be fulfilled. Firstly, the research only considers acquisitions where the parent company acquired a 100 percent stake in the foreign subsidiary. Acquisitions where the parent company acquired a majority of shares

putting it into a controlling position or cases where it acquired any outstanding shares from an earlier bid were not considered. In the first case the acquiring MNC might be influenced by other minority shareholders trying to get their views through. In the other scenario an MNC could have merged with another company on a 50:50 percent stake and after several years bought out the partner. This puts it into 100 percent control of the subsidiary but affects the flow of practices as some would have taken place at the time of the merger and as a consequence the 'acquisition' yields fewer transfers, thus distorting the picture.

Secondly, a desirable, but not an essential, criterion is the concept of 'pure players'. It is possible to control for influence from other countries than the two examined by considering the concept of 'pure players'. In very large MNCs with subsidiaries around the world it can be difficult to determine from where a practice originates. It may well be that it originates in a country from another continent and is transferred back to the HQ to be transferred out to the subsidiaries in Sweden or the UK. From the respondents' point of view the practice originates from the HQ and would argue so in an interview but the reality might be different, and very difficult to detect.

With the globalisation of competition and opening up of markets around the world the concept of 'pure players' is more and more difficult to apply. If the concept is to be followed to the extreme then participating MNCs should be present in the UK and Sweden and nowhere else. Controlling for this external influence might cause other problems. It would eliminate larger MNCs as they would most certainly have operations in more than two countries. When a company is identified it would most likely not be very large in terms of number of employees. This raises the question of whether there is anything to investigate as the company might be too small in size. The research acknowledges the concept of 'pure players', but at the same time accepts it will be

difficult to implement for practical reasons. Social science is not like clinical science where all unwanted items can be removed.

The head offices of the 28 remaining MNCs were contacted by letter requesting their participation at the end of April 2003 (see Appendix 3.3 for a standard letter). The letters were sent to the corporate HR director or in smaller companies to the CEO. Prior to sending the letter the researcher always contacted the company to obtain the name of the intended recipient. The letters were followed up by phone calls and/or emails.

It was only in very exceptional cases that the researcher was actually able to speak to the corporate HR director in UK MNCs. In most cases the contact was with his/her secretary. In one UK MNC the researcher made contact to the company (letter, email and phone) on 17 occasions and was never connected to the HR director. Another UK MNC refused to give the name of the HR director and the researcher was told to put “HR Responsible” as the receiver of the letter and email. As no reply was received a follow up phone call was made but again the researcher was denied connection to the HR responsible without his/her name. The company’s answer was that since that person had not replied it meant the company was not interested! Contacting Swedish MNCs was an entirely different experience. Generally, when calling the company the researcher was connected directly to the HR director. In some cases the researcher had to pass the secretary first, oftentimes because the HR director was engaged in meetings or on the phone.

Swedish companies were also found to give a straight answer regarding their attitude towards the research. They would either confirm or reject participation when confronted. One HR director said that they were too busy at the moment but in 4-6 months they would be interested in participating (which they did). UK companies rarely gave any definite answers, mainly because the person who could take the decision was not reachable. Instead the researcher was constantly told “call back later”, “he is in a

meeting”, or “send him an email and he will consider it” (a reply was rarely received). The extensive network of the Warwick University’s current MBA students was explored and a request for contacts was posted on the university’s MBA intranet. This did not yield any positive results. Personal networks of friends and family were also used. The researcher also searched the alumni database of the University of Warwick and Warwick Business School for alumni working for the short-listed companies, which did prove useful.

Swedish MNCs were found to be more interested in participating in the research. More than half the short listed Swedish companies expressed an interest in participating in the research. Initial interviews were carried out with the corporate HR director in the following Swedish MNCs: Atlas Copco, Cardo, Elanders, Gunnebo, Höganäs and Medivir. On the basis on these interviews, promise of further access and the MNC’s company characteristics, a decision was made by the researcher which MNCs to conduct further interviews in. The acquired subsidiary in Atlas Copco had been closed and it was only the brand which ‘survived’. It was difficult, if not impossible, to find suitable respondents for the research. The interviews in Elanders and Gunnebo proved interesting but further access could not be guaranteed. Access was arranged in both UK and Sweden for Cardo, Höganäs and Medivir. Cardo and Höganäs were companies from the MEP category and Medivir was the only possible KI case study company.

As described above it was far more difficult to gain access to the UK MNCs. The Warwick University alumni database was very useful to ‘open doors’. However, it was through the ‘backdoor’, through the Swedish subsidiary. One MBA alumnus working for Scandic in Sweden granted access to respondents at 2 hotels in Stockholm and at the Scandic head office. Through these respondents access was also negotiated in Hilton in the UK and Denmark. Another Warwick University alumnus working for Smith & Nephew also accepted to participate. This also permitted interviews to be

carried out in the company’s subsidiary in Sweden. Finally, the corporate HR director of WSP, who was a Swede, accepted to be interviewed. A further interview was carried out in the company’s Swedish subsidiary. No more interviews could be guaranteed in neither the UK nor Sweden which is why WSP was dropped as a case study company. The researcher conducted further interviews in Höganäs, Cardo, Medivir, Smith & Nephew and Hilton during an 8-month period from June 2003 to February 2004 as detailed in Table 3.3.

Table 3.3: Number and Dates of Interviews in the 5 Case Study Companies

Company	Number of Interviews	Date
Höganäs Sweden	2 interviews	17 Dec. 2003
Höganäs UK	7 interviews	17 & 27 Nov. 2003
Cardo Sweden	2 interviews	12 & 18 Dec. 2003
Cardo UK	2 interviews	6 Jan. 2004
Medivir Sweden	5 interviews	12 June 2003
Medivir UK	4 interviews	24 June 2003
Smith & Nephew UK	1 interview (1 by phone)	19 Nov. 2003
Smith & Nephew Sweden	3 interviews (3 by phone)	16 Dec. 2003, 12 & 26 Jan. 2004
Hilton London	1 interview	20 Nov. 2003
Hilton Malmö	3 interviews (1 by phone)	19 Jan. 2004
Hilton Copenhagen Airport	2 interviews (1 by phone)	19 Jan. 2004, 6 Feb. 2004
Scandic Park & Continental, Swe.	14 interviews	6 & 7 Nov. 2003
	46 Interviews	12 June 2003 – 6 Feb. 2004

Source: Field Notes

As can be seen from Table 3.3 most of the interviews were done in ‘bulk’. The researcher often visited one company/subsidiary and conducted all the interviews during one day (sometimes over two days). The reason for doing it in this way was due to financial considerations of travel and subsistence.

Collecting data according to this approach gives a detailed snapshot of the situation at one particular point in time and comparisons can be made between statements from respondents knowing that differences are not due to issues developing and changing over a period of time had the data been collected over several visits. However, it constrained the use of time triangulation as discussed in section 3.3.1.

There is also the issue of some cases being over-represented in terms of interviews and others under-represented. 20 interviews were carried out in Hilton and only 4 in Smith & Nephew and Cardo. This opens up the possibility that the Hilton case being far more detailed than the other two. On the other hand, the Hilton case is also more complex as there were many different hotels to visit. There were the Hilton hotel in the UK, the ‘constructed’ Hilton hotel in Copenhagen and the ‘rebranded’ Hilton hotel in Malmö. Further, there were also the two Scandic hotels in Stockholm. Whereas, in the case of Smith & Nephew, interviews were carried out in their only Swedish subsidiary (less than 30 employees) and at the divisional head office in Hull.

Table 3.4 below details the dates of the acquisitions and the period during which interviews were carried out in the case study companies. In one company, Smith & Nephew, interviews were carried out 6 years after the acquisition. This makes the acquisition ‘mature’ and some practices may be difficult to detect for the respondents. Another complication is that there may be few employees who work for Smith & Nephew now and also worked for Perstorp before the acquisition. Interviews in the other four companies were carried out 2.5 to 4 years after the acquisition which, as discussed in 3.3.2.2, is a good time period following an acquisition.

Table 3.4 Timing of Interviews after the Acquisition

Company	Date of Acquiring the Subsidiary	Interviews Carried out During	Timing of Interviews after the Acquisition
Höganäs	8 August 2000	November-December 2003	3 years
Cardo	16 February 2000	December 2003-January 2004	4 years
Medivir	27 March 2000	June 2003	3 years
Smith & Nephew	8 December 1997	November 2003-February 2004	6 years
Hilton	11 June 2001	November 2003-January 2004	2.5 years

Source: Field Notes

3.3.2.6 Selection of Employment Practices

To limit the researcher bias it was decided to examine practices depending on the institutional and legal support in the home country, and also practices which did not depend on this support. From the propositions developed in section 2.7 it is expected that direct participation practices are less influenced by the institutional framework and are more easily transferred across nations. Further, indirect participation practices are deeper rooted in the countries' NBS and depend more on the institutional support of the home country and thus less likely to be transferred between countries. Employee participation was considered to offer practices from both sides, as discussed in section 3.2 and illustrated in Figure 3.2.

Selecting countries, industries, companies and practices with different characteristics enables the researcher to examine the transfer of employment practices and the influence of the NBS with greater validity contrasted to examining countries, industries, companies and practices where the researcher at the outset of the research can predict the outcome. In the latter case the researcher is able to influence the raw data into supporting or rejecting the research questions and hypotheses.

Section 2.4 discussed the various forms of employee participation. Based on this discussion it was decided to group employee participation into five main categories: downward, upward, two-way, delegated responsibility and indirect participation (see

Table 4.24 in Chapter 4 for a full list of examined practices). The former tracks the communication from the management *down* to the employees. The second category concerns the employees’ possibilities of raising their voice *up* to the management. In the third it is the *two-way* participation between management and the employees. The delegated responsibility category concerns practices which give employees more, or less, *responsibility* to carry out their daily duties and routines. The final category contains practices where employees participate *indirectly* through their elected or nominated representatives.

Based on the discussion in sections 2.2 and 2.4 of employee participation practices and country-of-origin influence there are only seven employee participation practices from this research with identifiable country-of-origin influence. Four practices are ‘Swedish’. These include the use of a survey, suggestion schemes, delegated responsibility to individuals and trade union representatives. Three practices are ‘British’ and include HR council, its elected representatives’ and continuous improvement teams (what the EPOC study (Sisson *et al.*, 1997) refers to as group delegation). Table 3.5 below summarises the practices for which cross-national isomorphism (or country-of-origin influence) can be found. The rest of the practices it is only possible to talk about corporate-isomorphism in cases of transfer.

Table 3.5: Swedish and British Country-of-Origin Practices

Downward								Upward			Two-Way				Delegated		Indirect																																											
	Newsletter		Notice boards		Intranet		Emails		Video		Memo		Sigge School		Hilton University		Welcome day		Survey	Swedish		Suggestion box	Swedish		Monthly reports		Kick-off meetings		Big meetings		Open door policy and meetings with immediate managers		Video conference		Continuous improvement teams (CIT)	UK		HR manager		Delegated Responsibility	Swedish		Use of supervisors		Works council		Trade union representative	Swedish		Elected employee representatives	UK		Advance notice for trade union or employee representatives		Health and safety committees		Collective agreements		HR committees	UK

3.4 Who to Interview in the Companies

Once the company had agreed to cooperate in the project the researcher started arranging interviews. In some companies the participation started with one interview, in others several interviews were arranged at once. In the former the researcher tried to establish further connections in the company and the foreign subsidiary through the initial respondent. In one company, the researcher started with one contact who provided another three contacts who again provided more contacts. Thus, applying the 'snowball' effect led from 1 interview to a further 19 interviews in 4 other subsidiaries in 3 countries. In other companies the researcher negotiated all the access with the corporate HR director in the parent company who also arranged interviews in the foreign subsidiary.

The researcher aimed at interviewing respondents from different parts of the organisation working at different levels. Attempts were also made to interview the corporate HR directors as they would be able to give an overall account of the MNC's HR policy. They would be in a position to discuss the company's integration strategy of acquired foreign companies etc. HR personnel were also a priority to speak to in the subsidiaries. They would be able to comment in more detail on what had happened specifically in this company with regards to transfers. Further, the researcher also wanted to speak to other employees working in the company to seek their points of view on how the policies were perceived by those who felt the direct implications of any transfers. Therefore, interviews were also scheduled with line managers and other non-managerial employees.

Attention was also put on speaking to employees from different departments of the company. In Hilton, for example, the researcher spoke to managers and non-managerial employees working in the restaurant, kitchen, front desk, reservation, housekeeping, conference, finance in addition to the senior managers such as hotel- and

duty-, and general managers. This gave a very detailed account of the employee participation practices seen by employees according to vertical and horizontal hierarchical lines in the company. It also facilitated the data triangulation within the MNC.

Despite having the profile of the ideal respondents it was not always the best person to interview. In one subsidiary of a Swedish MNC the HR manager had only been employed for one day (no interview was made with this HR manager). In other companies there were no HR managers at subsidiary level.

In some cases it was very challenging to arrange the needed interviews. This was often linked to the small size of the subsidiary or the best suited respondents being unavailable. In case of the latter it was often possible to arrange with other respondents. Overall, the researcher feels that the interviews have given a true and representative account of the employee participation practices and their transfers in the five case study companies. Limitations are treated at the end of this chapter.

3.5 Interview Questions

The researcher asked open ended questions allowing respondents to come up with their own answer, i.e. asking ‘what upward communication practices does the company use?’ rather than ‘does the company use an employee attitude survey?’ In the latter case, the researcher would probably get a yes or a no answer which are unlikely to spur any new or unknown practices, which the former can. Once a practice had been revealed by the respondent, he/she was then asked to explain about it in more detail. Subsequent questions were asked about how long the practice had been used at this workplace; where it was first used; was it used in other countries, and if so, was it used there prior to being used at this workplace. Asking questions like these revealed information about the origins of the practice. Of course, not all respondents were able to answer these questions as they were not all sufficiently informed. However, triangulating the respondents, i.e. interviewing people from different departments, in different hierarchical positions, of different sex and age etc, pieced together a clearer picture. A set of standard questions is attached in Appendix 3.4. In most cases the questions were adapted to fit individual companies according to information collected prior to the interviews.

The interviews (except in five cases) were recorded digitally on a MiniDisc for later transcription. The non-recorded interviews were twice due to malfunction of the recorder and three times the respondents refused to have the interview recorded. In all cases notes were taken during the interview. All the recorded interviews were transcribed by the researcher. In cases where the interview was in English it was transcribed word by word. In cases where the interview was in Danish or Swedish it was translated at the point of transcription by the researcher. Because the interviews were recorded onto a digital media the sound was of very high quality eliminating problems of hearing what respondents said which is a common problem with analogue

recorders. All the interviews were conducted at the premises of the company with a few exceptions where the interview was done over the phone (see Table 3.3).

Recording the interviews gives the researcher the opportunity to write down every word of the interview, so nothing is missed. On the other hand it may deter some respondents to express themselves and withhold important information as they feel insecure of who will have access to the recordings and they may get themselves into troubles. The researcher assured respondents anonymity which is also why a set of randomly chosen two-letter synonyms are used with quotations in Chapter 4 (see Appendix 3.5 for list of respondents and their position).

Most of the interviews were conducted in the respondents' native language, however, some interviews with Danish or Swedish respondents were conducted in English. The researcher is fluent in English, Danish and Swedish. For the English speaking respondents there were no issues relating to the language. When the respondent was Danish or Swedish and the interview was conducted in their native language it allowed them to speak and express themselves freely. The interviews later had to be translated which potentially could cause a problem for the coding. If the codes relate to specific words and sentences the researcher can not be sure that the translated words would have been the exact words of the respondents had the interviews been in English. Overcoming this problem by staging the interview in English would create another problem. The respondents may not be good enough in English to express their exact feelings and thoughts. This could lead to a limitation in the quality of the content of the interview. These issues are always present when conducting cross-national research. The researcher found that the best solution was when the respondents spoke their native language which also happened in the majority of the cases.

3.6 Analysis of Data

This section addresses some important issues of how to analyse the collected data for the thesis. It outlines how the researcher draws conclusions from more than 400 pages of transcribed interviews into supporting or rejecting the propositions of the thesis.

How can the researcher be sure that all the data have been analysed in order to arrive at the final conclusions and similar how can the researcher justify to a third party that the analysis is not biased by only looking at selected material supporting or rejecting a specific argument? The research addresses these questions by adopting a structured way of handling the raw data. This approach serves two purposes. Firstly, it gives the researcher a good overview of the depth and width of the collected data. Secondly, it also helps minimising researcher bias.

At first the analysis of qualitative data appears chaotic and overwhelming but using an explicit and systematic method satisfies the above mentioned concerns. However, unlike quantitative research, where clear and well defined conventions of how to analyse the data exist, researchers doing qualitative research lack established procedures and agreed canons governing the conduct of enquiry (Dey, 1993:221; Peräkylä, 1997:201). In fact, “the field of qualitative research badly needs explicit, systematic methods for drawing conclusions and for testing them carefully – methods that can be used for replication by other researchers, just as correlations and significance tests can be by quantitative researchers” (Miles and Huberman, 1984:16).

Most textbooks on qualitative data analysis devote more attention to describing how to gain access and avoid researcher bias than actually how to interpret the collected data (Miles and Huberman, 1984:16). The authors propose a three staged process to analyse the raw data: data reduction, data display and conclusion/verifications. This approach is adopted for this research.

The first point, data reduction, refers to the process of selecting, focusing, simplifying, abstracting and transforming the raw data that appear in written-up field notes. This process can, and should, take place before, during and after data collection. It is important to make it clear that data reduction does not necessarily means turning words into numbers, but simply reducing and transforming qualitative data into, for example, a summary form or paraphrases (Miles and Huberman, 1984:21).

Miles and Huberman's (1984) second point of the data analysis is data display. The authors argue that collected data are not solely used in a narrative text but also displayed in for example, matrices, graphs, networks and charts. Doing so helps the author organising the data into a more accessible and compact form which eases the drawing of conclusions.

The first two parts of the process outlined so far aid the researcher in reducing the cumbersome field notes down to something more tangible in order to arrive at a conclusion. The final point the authors make is about drawing conclusions and verification of data. One thing is, of course, to arrive at *a* conclusion after having gone through the data collection. However, a more important thing to do is to arrive at *the right* conclusion. In which ways have the data been used to arrive at this conclusion? Has the researcher taken ALL statements into account or just those which supported a specific argument? It is important that the researcher has analysed all the data in a systematic way and displayed this to any outside reader because it is very easy to pay more attention to the evidence that confirms the theory, than to the part which contradicts it (Dey, 1993:222). The conclusions have to be tested for their plausibility and robustness. Otherwise, we are left with interesting stories about what happened, of unknown truth and utility (Miles and Huberman, 1984: 22).

3.6.1 Data Reduction

The researcher conducted interviews in 9 different British and Swedish multinationals in the period from June 2003 to February 2004. A total of 51 interviews were conducted, of which 46 were recorded and subsequently transcribed. The spread of interviews is as follows: Hilton (20), Medivir (9), Höganäs (9), Smith & Nephew (4), Cardo (4) and four other companies with either one or two interviews in each company (see Tables 3.3 and 3.4, and Appendix 3.5). The location, subsidiary or corporate, of interviews is given in Table 3.6 below.

Table 3.6: Location of Respondents

UK MNC	Number of Interviews	Swedish Subsidiary	Number of Interviews
Hilton – UK	1	Scandic Continental - Sweden	10
		Scandic Park - Sweden	3
		Scandic Head Office - Sweden	1
		Hilton Malmö – Sweden	3
		Hilton Copenhagen - Denmark	2
Smith & Nephew – UK	1	Smith & Nephew - Sweden	3
Swedish MNC	Number of Interviews	UK Subsidiary	Number of Interviews
Höganäs Sweden	2	Powdrex – UK	7
Cardo Sweden	2	PC Henderson – UK	2
Medivir Sweden	5	Mimetrix – UK	4

Source: Field notes

All the recorded interviews were transcribed by the researcher into a standardised tabular form in Word. First column consisted of the researcher’s question; the second column had the respondent’s answer; and the third column was reserved for the coding. The interviews resulted in more than 400 pages (230,000 words) of transcripts. In order to get anything meaningful out of such vast amounts of data, the

data need to be reduced in quantity and arranged into groups and sub-groups. In order to do so the researcher applied a set of codes.

The initial set of codes used in the data reduction process was drawn up after the data collection and transcription of interviews. It was based mainly on each practice and channel of transfer. Codes for each practice were categorised according to the main practice groups, i.e. downward participation practices, upward participation practices, two-way participation practices, delegated responsibility, indirect participation and a miscellaneous section. Within each of these categories every practice was then given a code, so extracts of text relating to, for example, the employee attitude survey was coded UP-SUR (see Appendix 3.6 for a full list of codes). See Figure 3.3 for an extract of a coded passage.

The coded interviews were typed and saved in Word. The codes were kept as auto texts for consistency in their use. The level of coding was mainly into two layers, but in some cases into three.

The actual coding was done by reading through interview by interview and passages relating to a practice were assigned the appropriate code(s). The researcher had an initial start-list of codes and others were made up as the interviews went along. This opened up for the possibility of miscoding some extracts of text as new codes emerged at a later stage. However, a second coding, with revised codes, was done limiting the miscoding.

The first part of the data analysis reduced the amount of data by grouping extracts of interviews according to the codes. However, the data were still scattered throughout all the interviews and in this form not offering much help to the analysis. Therefore, a more stringent display was needed.

Figure 3.4: Extract of a Coded Interview

Interviewer: Do you have regular meetings with your subordinates?	Respondent: I have a one-to-one appraisal system that runs through the year and that is a more formal means of performance review and managing the way people work. Say that we have 3 one-to-one per year and one annual appraisal and that is always minuted with action plans following it. It is quite a dynamic process and certainly I feel it makes me fairly in touch with the people in my group and that is on top of the daily contact of wandering around the lab and talking to people. We also have group meetings as well for... to discuss science, project group meetings and I have a line group meeting.	Codes: TWO-APP 1 yearly and 3 follow ups TWO-GRP
Interviewer: That is between managers then or?	Respondent: The project meetings would be between all the members of the project. My group meeting would be me and the 10 people in the group where we discuss all the projects going on in the group and we also discuss group matters that not necessarily apply to the sciences. At the moment with our impending move to a new building we are spending a lot of our group meeting time discussing the design of the new laboratories.	Codes: TWO-MEET Project meetings Group meetings
Interviewer: There you have a great say of designing your new place.	Respondent: I hope so [laughing]. They have promised to listen and we have seen the plans evolve according to the suggestions we are making. From what I can tell people feel they are being given responsibility and being heard.	Codes: TWO-GRP Moving office
Interviewer: Is that through the HR council where you discuss in the group and then it will be taken on by the HR manager?	Respondent: No that is separate	
Interviewer: It is perhaps more specific as it is a one-off project?	Respondent: Yes it is a one-off project. The sort of thing people would go to HR? I am not sure. I guess if they had a problem with their line manager, they would go to the HR and ask for support. If they had some sort of personal problem potentially they could go to their HR, but equally they could go to their line manager. I do not how much HR is actually used in this company. Not much I would imagine. I have used HR as a sounding board to sort of discuss what I have done in my group and how I have been managing my people. What are the best practices because they have access to that sort of information.	Codes: TWO-HR Best practice in HR

Source: Field notes

3.6.2 Data Display

Using matrices offered a very useful way of displaying data. Since the research examines the transfer of practices from one site to another, the list of companies is listed vertically to the left. The research not only examines companies but individuals within each company, so these also appear to the left under their respective company (see Table 3.7 for an extract of the matrix).

Each code refers in general to one type of practice (the exception is in the category “Miscellaneous” where codes do not reflect practices). All the identified practices were listed horizontally grouped in their respective categories. This gave the researcher a good overview of who said what about which practice and what practices were transferred. Further, it showed whether the transfer was supported by only one respondent or by several. In fact, there could even be respondents denying or questioning the transfer which would also show up in the matrix. These are important issues for drawing valid conclusions.

To retrieve the respondents’ answers the interviews were searched for codes by using the software’s search and display function. The coded passage was copied directly into the matrix. It was a time consuming and laborious process but was important to undertake as it grouped all the relevant information about each practice into categories from which conclusions are drawn.

Table 3.7: Extract of the Data Display Matrix

	Open door policy TWO-OPEN	One-to-one meetings TWO-ONE	Group meetings TWO-GRP
Medivir			
DB – Non-Managerial Employee			Do you use supervisors? Our group meeting is the most useful. That is when we as a group sit down and discuss what we have done as a group and what we are going to do next. That is where you get your drive from and what you are going to do next and how you are going to do it. It comes from discussing with colleagues and you come up with ideas and ask people if that is the right way to do it. If you are totally stuck on something and do not know how to solve it you just throw it up and ask what do you think?
DB – Non-Managerial Employee		3 times a year we have a short how is it going talks with our manager	
GP - Manager		I have a one to one with my AD in England once a month	
GP - Manager		When I have the meetings with my AD I have to ask and ask all the time to make sure I do not forget something	
GP - Manager	If an employee has anything they want to have changed they should come and see me. It is very open		
RE - Manager	You can basically raise any issue when you want. It is not a big company. Just talk to anyone you want		
HJ – Non-Managerial Employee	You can just go and see the MD and propose something		

Source: Researcher’s own table and codes

3.6.3 Data Conclusions and Verifications

Once all the data was displayed in the matrix according to the practice in question and which respondent who talked about it, it was easier to determine when a transfer took place. It would be down to a few lines or paragraphs making it easy to oversee and draw conclusions from.

Part of the data conclusions is to make another matrix in which cases of transfer are indicated by symbols. Once again the companies are listed vertically and all the practices displayed horizontally. For each company/practice a symbol is inserted

according to what was found. This gives a very quick overview of when a practice was transferred, in which direction, or if nothing happened.

Table 3.8 below is an extract of the matrix which can be found in its full in Table 4.24 in Chapter 4. A number of symbols have been applied and will be explained here. Each company has two rows; one for the parent company and one for the foreign subsidiary (in the case of Hilton the two rows represent the transfer of practices to the Hilton branded hotel and the Scandic branded hotels respectively). The symbols should be interpreted as what practices were found on each site and which were transferred. For example, the symbols in the row for Höganäs Sweden refer to what practices were found at the company in Sweden and similar what was found in the UK in the row for Höganäs UK.

The ‘●’ indicates that the practice was transferred either in its original or modified version. The second symbol, ‘◐’, means that parts of the practice were transferred or other similar parts already existed. The third symbol, ‘○’, indicates that the practice was identified on site but the researcher found no evidence of it being transferred. The fourth symbol, ‘⊗’, is linked to the third. However, the difference is here that respondent(s) rejected that a transfer took place. In the fifth case, the researcher found no signs of the practice which is marked with ‘□’ in the table. Finally, if the researcher did not obtain any information or data were missing about a practice it has been indicated with a ‘◇’. Missing data can happen because the researcher did/could not ask about this particular topic for various reasons (for example running out of time), or it could also be due to a topic being ‘discovered’ during the data collection process and it was, therefore, not possible to enquire about this in the first companies but only in subsequent companies.

The arrows ‘↔’ and ‘→’ show the direction in which the transfer took place. The former indicates a transfer from the subsidiary to the parent company (reverse

transfer) and the latter is from the parent company to the subsidiary (forward transfer). The symbol, '+', shows transfers confirmed by more than one respondent. If the '+' is missing, it has then only been reported by one respondent.

The 'R' indicates that the practice transferred replaced an existing practice. It is suggested that replacing an existing practice by transfer is a higher degree of transfer. One thing is that the head office decides to transfer a practice into one part of the organisation because it does not exist there. However, replacing an existing and working practice with another (supposedly) better practice is a different matter. The intentions and commitment from the head office are greater in replacement transfers. For example, the 'R' in Smith & Nephew's intranet (in Table 3.8 below) indicates that the Swedish subsidiary already had an intranet which was replaced by one from the corporate head office. Replacement transfers are linked to potential transfers. Where a practice is identified in both the parent company and subsidiary but not following a transfer, we have two potential transfers. For a transfer to occur, the practice in either the parent company or the subsidiary must be replaced with the practice from the other part, hence replacement transfers.

Table 3.8: Extract of the Summary Matrix of Transfer of Practices

	Newsletter	Notice Boards	Intranet	Emails	Video	Memo	Sigge School	Hilton University	Welcome Day	Survey	Suggestion Box
UK MNC											
Hilton – Hilton	●→+R	◐→+	●→+R	◐→	○	□	◐	●→+R	○	●→+R	◐
Hilton – Scandic	◐	◐	◐	◐	◐	□	○	◐	◐	◐	○
Smith & Nephew – UK	●→	□	●→+R	◐	□	□	□	□	□	●→+	
Smith & Nephew – Sweden		□		◐	□	□	□	□	□		
Swedish MNC											
Höganäs – Sweden	●→+	◐	●→+	◐	□	□	□	□	□		
Höganäs – UK		◐		◐	□	□	□	□			
Medivir – Sweden	□	□	□	◐	□	□	□	□			
Medivir – UK	□	□	□	◐	□	□					
Cardo – Sweden	●→+	◐	◐	◐							
Cardo – UK		◐	◐	◐							

Symbols explained

●

Full transfer

◐

Partial transfer

○

No evidence of transfer found

⊗

Transfer was rejected by respondent

□

Practice was not found

◇

Data about this practice are missing

←

Reverse transfer

→

Forward transfer

+

Transfer supported by more than one respondent

R

Replacement transfer

In cases of transfer

□

Clear transfer

◐

Intermediate transfer

◐

Potential transfer

Source: Researcher’s own table and symbols

Inserting the data into matrices as described above assists the researcher to draw conclusions, and hopefully the correct conclusions in relation to the research questions. The summary table gives a very good overview of what practices were transferred and from which country and in which direction. Further, the rigid and thorough way of treating and presenting the data also makes it possible to trace back to see who actually said what about each practice. So, if a third party wants to check about a particular practice, it is very easy to go back and find the transcribed text explaining what each respondent actually said.

3.7 Strengths and Limitations of the Collected Data

A number of strengths of collecting the data are identified. Using a qualitative case study method has the advantage over structured questionnaires in that it is more suitable for answering 'how' and 'why' research questions (Yin, 2003:5). It also allows for greater depth and flexibility of questioning in order to uncover nuances and the unexpected. Interviews provide accounts which more accurately reflect the social phenomena in question, and hence their validity is higher (Edwards, 1997:103). In order to examine the processes of transfer, the qualitative approach is preferred to the quantitative as it allows the researcher to probe deeper and uncover the subtle processes in the parent-subsidiary relationship (Ferner and Quintanilla, 1998). It also permits for the generation of new theories which may be tested in subsequent studies.

The same basic framework of questions was followed for each interview (see Appendix 3.4 for a set of standard interview questions). The interviewer asked open ended questions rather than questions with 'yes' and 'no' answers. Asking identical questions to every interviewee gave the research a focused approach making the comparison of companies easier than had the researcher followed a less structured approach. However, the set of standard questions also permitted specific questions relating to each company to be asked.

The researcher also spoke to respondents in their native language (Danish, Swedish and English) which ensured that respondents understood the questions and were able to express themselves freely. Data collected during one-day visits represent a snapshot of the company on that particular day. The advantage is that comparisons can be made between statements from respondents in one particular company knowing that differences are not due to issues developing over a long period of time.

Weaknesses and limitations also exist in the data collection. One limitation of adopting a qualitative research method is that findings can often not be generalised to a

wider population. Instead, the case study research method aims for analytical generalisation. This means that the results can be used to generalise to the theory in question. The limitation in collecting data during one-day visits is that it constrains the use of time triangulation. Further, recent events taking place at the workplace or elsewhere in the organisation may affect respondents in their answers. In the UK subsidiary of a Swedish MNC, the management had on the day of the visit been in tough negotiations with the unions over pay and other IR issues. The arranged meeting with the union representative was therefore cancelled on the grounds that the management felt that 'his views would be distorted today'.

Prior to starting the fieldwork the researcher was not skilled or trained in conducting interviews and as a consequence opportunities in achieving richer and more detailed information were missed in the early interviews. Time was also a factor limiting the scale and scope of the interviews. Most of the interviews were conducted one after the other during a one day visit to the company. Often a timetable was set up and in some cases time was limited for each interview (some respondents were very talkative, others revealed a significant amount of new material) which had two implications. It constrained the number of interest areas which could be examined (the scale or width). It also limited the number of questions which could be asked in each of the interest areas and gave the researcher less opportunity to explore new and uncovered grounds, thus limiting the scope or depth of the interviews (this relates also to the point explaining the missing data). It also meant the researcher had very little time to reflect over new findings as the respondents came in one after the other with little time in between.

The spread of interviews in the five case study companies was outlined earlier. The highest number of interviews was carried out in Hilton and fewest in Smith & Nephew and Cardo. The high number of interviews in Hilton can be justified as it is the

largest and most complex MNC of the five case study companies. However, Smith & Nephew and Cardo are not the smallest of the five so more interviews in those two MNCs would have been preferred. Similarly, it would have been desirable to have conducted interviews in the Belgian plant of Höganäs as it is the divisional head quarters. However, the findings presented in Chapter 4 show the number of interviews is not negatively related to the number of transfers observed.

3.8 Summary

Chapter 3 has developed a research framework that encapsulates the debate of transfer of employment practices from one country to another. It identified the levels which are expected to exercise influence and those which are considered in the research. It was suggested that the isomorphic pulls vary according to the employment practice in question. The research focuses on one type of employment practice, employee participation, as it is under dual isomorphic pressure.

The qualitative research method is adopted as it is considered the most appropriate method for uncovering the complex and often under-the-surface processes governing transfers. The UK and Sweden are chosen because previous studies have mainly focused on the UK and US, and Japan, and paid less attention to other continental European countries. Further, both countries are very active in international M&As. They are also examples of permissive and restrictive systems which facilitates comparisons. Acquisitions of Swedish companies by UK MNCs and acquisitions of UK companies by Swedish MNCs were identified in the 1993-2001 timeframe. This allows sufficient time for subsidiaries to be integrated into the MNC and eventual transfers to take place. On the basis of the identified acquisitions, the case study MNCs were selected and subsequently key informants identified and contacted.

The chapter also described a very rigorous and thorough approach to handling the collected data. Using a three-staged approach assures that all the information has been displayed and taken into account in order to arrive at a conclusion. It also allows for any 3rd party to trace back what individual respondents said. The chapter concludes with a discussion of the strengths and weaknesses of the collected data.

CHAPTER 4

PRESENTATION OF CASE STUDY COMPANIES, EVIDENCE OF
TRANSFER AND FACILITATORS OF TRANSFER

4.1 Introduction

The purpose of chapter 4 is to present, in detail, each of the five case study companies. The outline of this serves as the foundations for the comparative analysis and testing of propositions and hypotheses in chapter 5 and 6.

Chapter 4 is divided into three main sections. The discussion commences with the structural company characteristics of the case study companies in section 4.2. The presentation of each case study company follows an identical structure. In this way each case study company is discussed according to the points outlined in section 2.6.2.2 and figure 2.8. The findings of each case study company are summed up in tabular form for an easy overview.

Section 4.3 outlines the political company processes. This section facilitates the analysis of whether the number of facilitators is positively linked to the number of transfers. The section is concluded with a table presenting all the identified facilitators.

Section 4.4 presents practices and transfers within each of the five MNCs. Again, the section concludes with a table of the transfers for the five companies.

4.2 Structural Characteristics of Case Study Companies

Before presenting the case study companies and the findings it is important to clarify a number of terms used throughout Chapter 4. The *subsidiary* refers to the acquired foreign subsidiary. The *parent company* refers to the company in the home country or the corporate head office. The *MNC* or the *organisation* include the parent company and all its subsidiaries (including the acquired foreign subsidiary).

The presentation of each case study company follows the same structure. The part on *history* describes the history of the acquiring company up until the time of the acquisition. Due to space restrictions it only focuses on the parent company, not on the acquired foreign subsidiary. The *industry* section details the industry in which the MNC (parent company and acquired subsidiaries) operates following the acquisition. The third part details the *acquisition* itself and the rationale for acquiring the foreign subsidiary. The sections on *MNC size*; *organisational structure*; *management style*; and *diversification of activities* focus mainly on the parent company both before and after the acquisition, and describe any change over time. The penultimate section presents the post-acquisition integration approaches. Instances where the text refers to an event taking place a number of years ago is not in relation to today but at the time of conducting the interviews.

4.2.1 Höganäs' Acquisition of Powdrex

4.2.1.1 History of Höganäs

Höganäs is one of the world's largest metal powder producers, set up in 1797. By the turn of the 20th century Höganäs moved into sponge iron works and in 1946 production from the sponge iron powder plant started. Höganäs had its first overseas plant in Riverton, USA, where production started in 1950. From 1980 and the following two decades, Höganäs expanded mainly by acquisitions (see Appendix 4.1) and is considered as an experienced acquirer.

4.2.1.2 The Industry

The MNC Höganäs operates in two markets: iron powder and high-alloy metal powder. Powdrex, the UK subsidiary, operates in the high-alloy metal powder market. The global high-alloy metal powder market was in 2003 worth SEK 5 billion of which Höganäs had a total market share of around 25 percent (Höganäs, 2003:22). For this research the MNC is classified in the Manufacturing, Engineering and Production (MEP) industry.

4.2.1.3 Acquisition Characteristics

On 8 August 2000 Höganäs acquired Powdrex from Wilshaw Plc. for approximately £8 million, payable in cash (Wilshaw, 2000a). At the end of 1999 Powdrex had a turnover of £ 4.2 million. The company operated in a small niche market and a very high proportion of the turnover was based on one single customer. Due to being a niche market producer and its small size in terms of turnover and number of employees, Powdrex plays a limited 'significance' to Höganäs.

Höganäs was already present in the UK prior to the Powdrex acquisition, hence the acquisition of Powdrex adds to Höganäs' business portfolio in the UK.

4.2.1.4 MNC Size

Höganäs had for the first time in its 200-year history more employees working abroad than in Sweden in 2003. Of the 1,649 employees 858 (52%) of them worked outside Sweden (Table 4.1). In 2003, Powdrex employed 30 people of whom 25 worked in the production. The number of people working in Powdrex as a percentage of total number of employees in 2003 is only 1.8.

The turnover of Höganäs doubled from 1996 to 2003 from SEK 1,839 million to SEK 3,778 million (see Appendix 4.2 for turnover per division). At the end of 1999,¹ Höganäs and Powdrex had a turnover of £173 million and £4.2 million respectively which makes Powdrex’ turnover as a percentage of Group turnover 2.4 (for further details on exchange rates and calculations for all 5 MNCs see Appendix 4.7).

Table 4.1: Employees and Financial Results of Höganäs, 1996-2003

	1996	1997	1998	1999	2000	2001	2002	2003
Total number of employees (abroad)	1,072 (269)	1,031 (275)	1,028 (277)	1,110 (372)	1,371 (602)	1,456 (675)	1,426 (641)	1,649 (858)
Turnover (million SEK)	1,839	2,127	2,210	2,392	3,070	3,245	3,249	3,778
Percentage of employees working abroad	25	27	27	34	44	47	45	52
Turnover, M SEK	1,839	2,127	2,210	2,392	3,070	3,245	3,249	3,778
(% of sales outside Sweden)	(97)	(97)	(97)	(97)	(98)	(98)	(98)	(98)
Number of foreign countries where Höganäs has subsidiaries and sales offices	N/A	13	13	13	13	13	13	13

Source: Höganäs Annual Reports 1997-2003

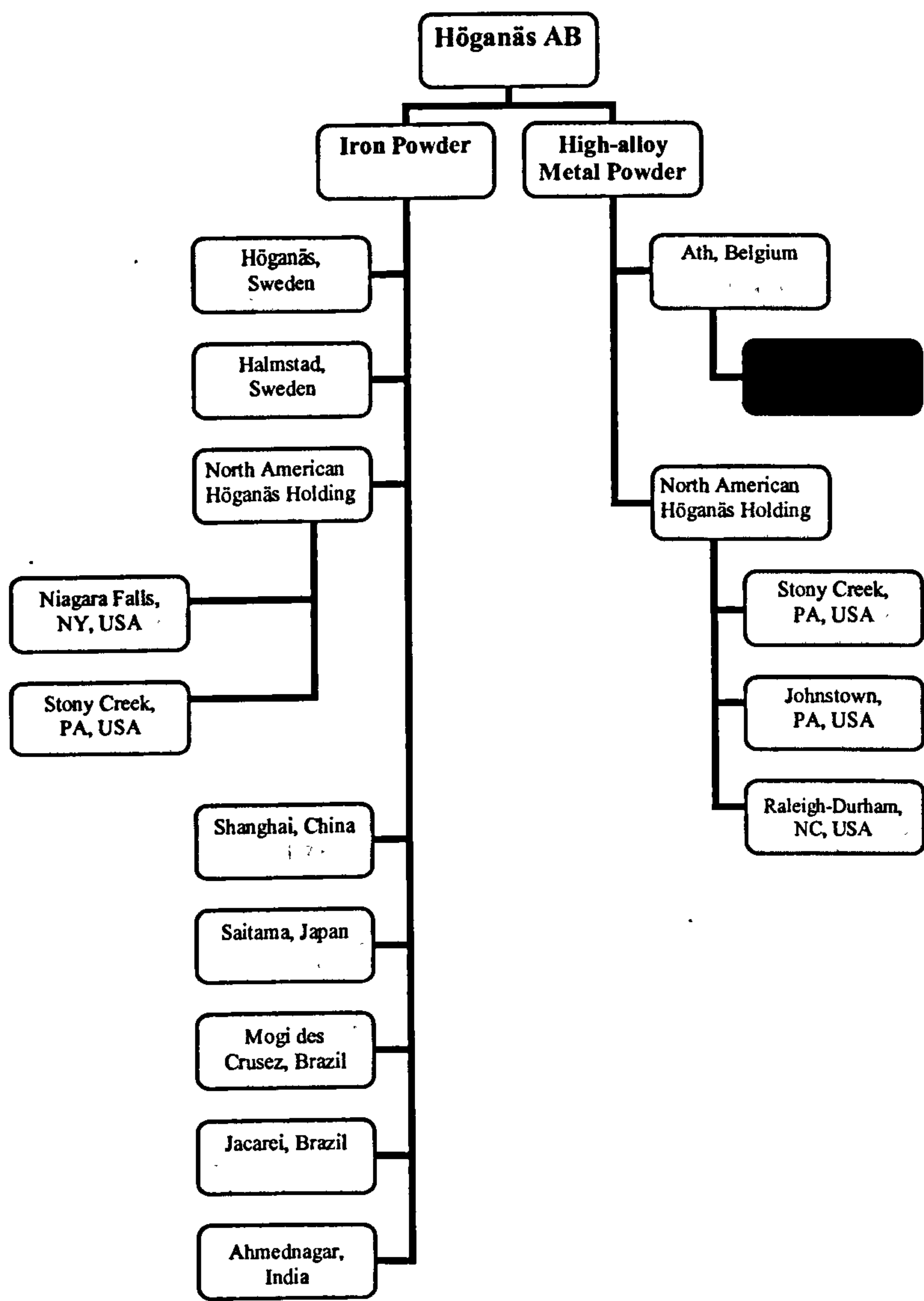
4.2.1.5 Organisational Structure

Höganäs reduced its number of divisions from four to two in a series of organisational changes from 1996 to 2003. The Coldstream division, in which Powdrex was integrated, had production spread over four countries. The Belgian plant became the European Head Office for the Coldstream division when production ceased in

¹ It was only possible to get comparable data on subsidiary turnover for all case study MNCs from the year before the acquisition.

Sweden. Powdrex would report to Högånäs Belgium which then made it a subsidiary of a subsidiary of Högånäs AB.

Figure 4.1: Högånäs and its Subsidiaries – Post Acquisition



Högånäs Annual Reports 2000-2003

4.2.1.6 Management Style

The management style of Högånäs is global and ethnocentric. Many of the products manufactured by Högånäs are standardised products and do not follow specific country preferences. For example, 90% of powders produced by Powdrex are used in

the manufacture of valve seat inserts for aluminium cylinder heads in internal combustion engines, mainly for the automotive industry. Each automobile engine requires a specific designed valve seat but once it has been designed it can be supplied to any plant around the world where this engine is manufactured. Höganäs also relies on Swedish managers in charge of foreign subsidiaries. There are Swedish managing directors at the subsidiaries in Japan, China, South Korea, Taiwan and the USA (Höganäs, 2002).

4.2.1.7 Diversification of Activities

The activities of Höganäs are related to each other. The MNC is principally engaged in producing iron and non-ferrous metal powders. If the activities were grouped according to the SIC codes they would be classified under the Major Group 33: 'Primary Metal Industries'.

4.2.1.8 Post-Acquisition Integration Approach

The acquisition of Powdrex by Höganäs is an example of a symbiotic integration. The organisational autonomy is high as the parent company did not change the MD of the subsidiary (see section 2.6.2.2.5) and the organisational structure remained intact after the acquisition. The subsidiary is integrated in the High-Alloy metal powder division, reporting to the European divisional head office in Belgium. However, the influence from there is very limited. The strategic interdependence between Höganäs and Powdrex is also high. Powdrex specialises in manufacturing valve seats for combustion engines for the automotive industry and its products are world leaders. Joining Höganäs, Powdrex benefits from access to larger resources in R&D and networks of automobile engine manufacturers around the world. At the same time Höganäs benefits from Powdrex' knowledge and experience in the field of

moulding high-alloy metal powders which can be applied to other foreign plants in the division.

4.2.1.9 Summary

This section on Höganäs' acquisition of Powdrex has established the MNC operates with a global and ethnocentric management style. It is classified as an MEP company with a low diversification of activities. It has been an MNC for over 30 years and has mainly grown through acquisitions. Powdrex was integrated through by symbiotic integration. It is structured into 2 divisions and has manufacturing facilities in 7 different countries on 4 continents. Just over half of the 1,649 strong workforce is employed outside Sweden (52 percent). The 'significance' of Powdrex is low. The company characteristics are summarised in Table 4.2 below.

Table 4.2: Company Characteristics of Höganäs

Höganäs	Ownership	Strategy and Structure of MNCs • Management Style • Organisational Structure	Strategic Rationale for Acquisition	Prior Experience in Handling Acquisitions	Post-Acquisition Integration Approach	Degree of Diversification of Activities	Maturity of the MNCs	MNC Size				Sector or Industry	'Significance' of the Subsidiary
								Turnover of Group and Subsidiary (£ million)	Total Number of Staff, Total Abroad, and in Case Study MNC's Foreign Subsidiary (2003)	Percentage of Staff Abroad	Number of Foreign Subsidiaries		
	Swedish	<ul style="list-style-type: none"> • Global • Ethnocentric • 2 divisions according to product 	Adding to business portfolio in host-country	Experienced Acquirer	Symbiotic	Low	Mature 30 ⁺ years	Group: 173 Subsidiary: 4.2 Subsidiary as percentage of total: 2.4	Group: 1,649 Abroad: 858 UK Subsidiary: App. 30	Employees abroad as % of total workforce: 52 UK subsidiary as % of total workforce: 1.8	Manufacture: 7 countries on 4 Continents Sales Offices: 14 countries	Manufacturing, engineering and production	Low

4.2.2 Cardo's Acquisition of PC Henderson

4.2.2.1 History of Cardo

Cardo's history dates back to 1918. Growth in the early stages was achieved organically. Later, especially during the 1980s and 1990s, growth was achieved through acquisitions. Of the 20 companies joining the Cardo group since the introduction on the stock market in 1995, 17 were through acquisitions, 2 were greenfield investments and 1 was a joint venture (see full list in Appendix 4.3), hence Cardo is an experienced acquirer.

4.2.2.2 The Industry

The company is divided into two business areas: Cardo Door and Cardo Pump, with PC Henderson in the former. Cardo Door is one of Europe's largest manufacturers of industrial doors and a European leader in supplying dock loading systems. The markets on which Cardo Door competes are fragmented and consist of many small players. For this research the MNC is categorised in the Manufacturing, Engineering and Production (MEP) industry.

4.2.2.3 Acquisition Characteristics

On 16 February 2000 Cardo acquired all the shares in PC Henderson from Hepworth Plc. for £9.8 million. PC Henderson was the UK's leading manufacturer of residential garage doors (Cardo homepage). The acquisition decreased Cardo Doors' dependence on the *Industrial Door* business area which up until the acquisition accounted for more than 50 percent of sales. PC Henderson is of 'significance' to Cardo as it possesses knowledge and know-how important to the rest of the MNC.

Cardo did not have any subsidiaries in the UK prior to the acquisition and the acquisition of PC Henderson extended Cardo's business activities into a new country.

4.2.2.4 MNC Size

The number of employees in Cardo increased from 5,700 in 1995 to 6,203 in 2003, an increase of 503². The company has subsidiaries in 30 countries besides Sweden (see Appendix 4.3 for a full list of countries). Most of the foreign subsidiaries are only sales offices as production is carried out in China, Denmark, Finland, Germany, Ireland, the Netherlands, Sweden, the UK and the USA (Cardo, 2003). Despite being a Swedish MNC Cardo considers its homemarket to be Europe where the company also generates 85 percent of its turnover (Cardo, 2003). Further, the company employs most of its workforce outside Sweden. Over the nine year period from 1995 to 2003 Cardo has consistently employed over 75 percent of its employees abroad. The turnover increased steadily from 1995 to 2002 from SEK 6.1 billion to over SEK 10.3 billion (Table 4.3). After 2002 and the disposal of the Rail business the turnover dropped around 25 percent to SEK 7.6 billion. The number of people working in PC Henderson as a percentage of total number of employees in 2003 is 4.0. At the end of 1999 Cardo and PC Henderson had a turnover of £ 688 million and £ 23.6 million respectively. PC Henderson’s turnover as a percentage of Group turnover equals 3.4.

Table 4.3: Number of Employees and Turnover (SEK million) Cardo, 1995-2003

	1995	1996	1997	1998	1999	2000	2001	2002	2003
Turnover (SEK million)	6,165	6,371	7,983	8,994	9,489	9,786	10,777	10,376	7,687
Employees Sweden	1,334	1,463	1,604	1,625	1,594	1,605	1,572	1,474	1,332
Employees Abroad	4,366	4,716	5,773	6,230	6,149	6,530	6,607	6,377	4,871
Employees Total	5,700	6,179	7,377	7,855	7,743	8,135	8,179	7,851	6,203
(% abroad)	(76)	(76)	(78)	(79)	(79)	(80)	(81)	(81)	(79)

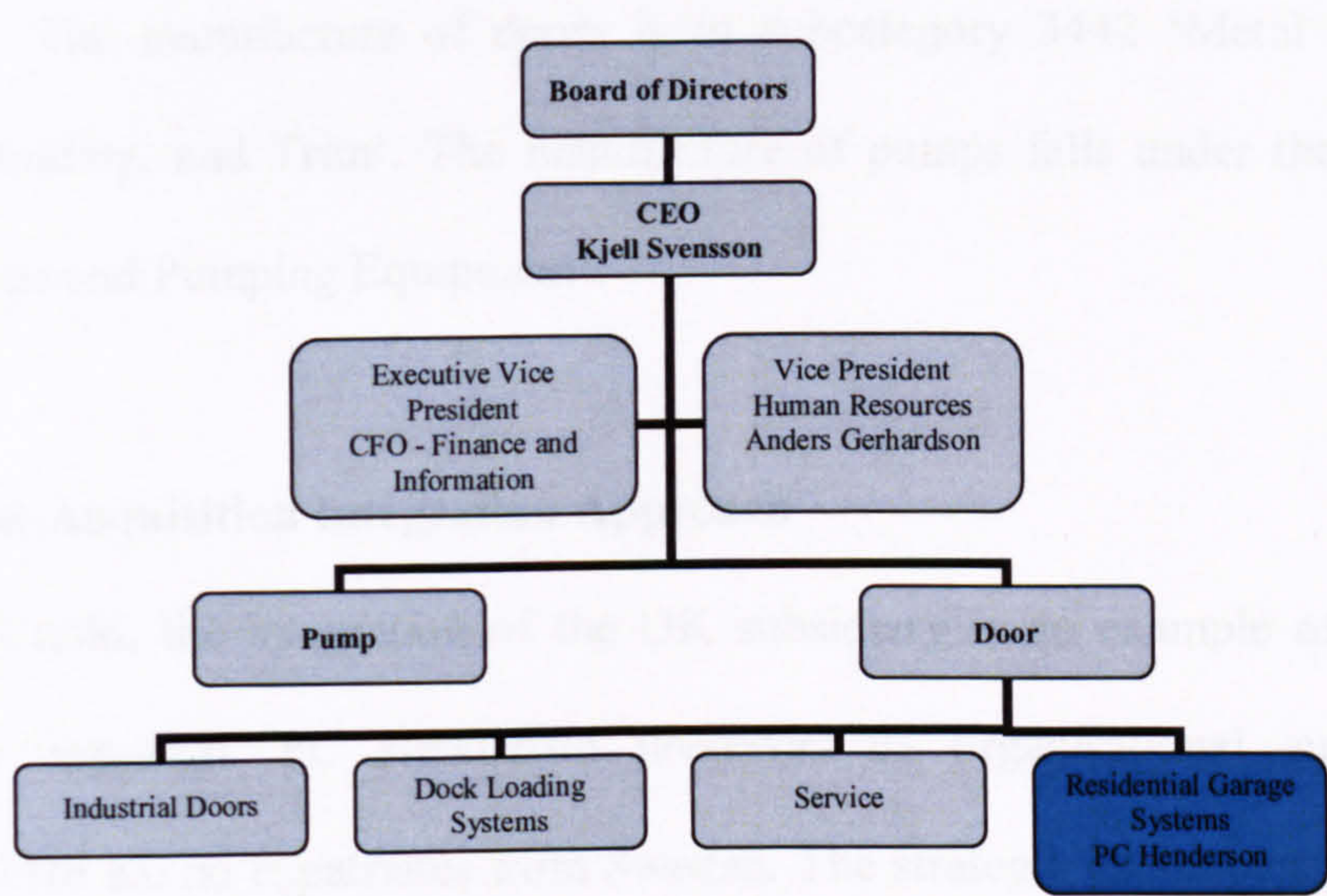
Source: Cardo Annual Reports (1995-2003)

² The figures are not entirely comparable since the figure from 1995 included the three business areas (Rail, Pump and Door) whereas the 2003 figure was taken after the disposal of the Rail business area.

4.2.2.5 Organisational Structure

In 1995, when Cardo was introduced on the Stockholm Stock Exchange the company had three business areas: Rail, Door and Pump. The organisational structure changed in 2002 when the Rail business area was divested (Cardo, 2002). Cardo Door is divided into four different business units: Industrial Doors, Dock Loading Systems, Residential Garage Systems and Service.

Figure 4.2: Organisational Structure of Cardo (as per 31/12-2003)



Source: Cardo Homepage; Annual Report 2003

4.2.2.6 Management Style

Cardo’s management style is global and ethnocentric. The company considers Europe as its homemarket. Several of the policies originate from the HQ and are implemented directly in all the subsidiaries. On day 1 after a company is acquired Cardo instructs it to change the financial reporting to correspond to the ‘Cardo way’ of reporting financial figures. Cardo also demands all its production companies to have the same production concept, a lean manufacturing system. It is not a ‘pure’ ethnocentric style as it also contains elements of the transnational style. The HQ often plays a subtle

role in transfers by providing contacts and creating a network of peers whom subsidiary managers can contact and learn from.

4.2.2.7 Diversification of Activities

The diversification of activities is high, with the two business areas: Door and Pump, being unrelated as “there is actually no overlaps as it is totally different markets, very different types of products and very different types of customers” (KK, Manager). Grouping the activities according to SIC codes also classifies the two business areas differently. The manufacture of doors is in subcategory 3442 ‘Metal Doors, Sash, Frames, Molding, and Trim’. The manufacture of pumps falls under the subcategory 3561 ‘Pumps and Pumping Equipment’.

4.2.2.8 Post-Acquisition Integration Approach

In Cardo, the integration of the UK subsidiary is an example of a symbiotic integration approach. PC Henderson preserves its organisational autonomy. For example, there are no expatriates from Sweden. The strategic interdependence between the two units is also high. PC Henderson possessed valuable knowledge about lean manufacturing that the corporate HQ needed for the implementation of the same lean manufacturing system throughout the MNC. The UK subsidiary benefits from sales and distribution networks by the parent company. The cultures of the two units are preserved and the parent company allows for practices to be transferred to/from PC Henderson as needed. The subsidiary has the ‘freedom under responsibility to perform’ to implement superior practices from other subsidiaries.

4.2.2.9 Summary

The section on Cardo's acquisition of PC Henderson has demonstrated the MNC operates with a global and ethnocentric management style. It is classified as a manufacturing, engineering and production MNC with a high diversification of activities. The business areas of Door and Pump are unrelated. It is a mature MNC and has mainly grown through acquisitions. PC Henderson is integrated by the symbiotic approach. Cardo is structured into 2 divisions and has manufacturing facilities in 9 different countries on 3 continents. Of the 6,203 employees, 79 percent of them work outside Sweden. The 'significance' of PC Henderson is high. The company characteristics are summarised in Table 4.4 below.

Cardo	Ownership	• Strategy and Structure of MNCs • Management Style • Organisational Structure	• Global • Ethnocentric • 2 divisions according to functions	Extending presence into new country	Experienced Acquirer	Symbiotic	Degree of Diversification of Activities	Maturity of the MNCs	MNC Size				Sector or Industry	'Significance' of the Subsidiary
									Turnover of Group and Subsidiary (£ million)	Total Number of Staff, Total Abroad, and in Case Study MNC's Foreign Subsidiary (2003)	Percentage of Staff Abroad	Number of Foreign Subsidiaries	Manufacturing, engineering and production	High
									Group: 688 Subsidiary: 23.6 Subsidiary as percentage of total: 3.4	Group: 6,203 Abroad: 4,871 UK Subsidiary: App. 250	Employees abroad as % of total workforce: 79 UK subsidiary as % of total workforce: 4.0	Manufacture: 9 countries on 3 Continents Sales Offices: 30 countries		

4.2.3 Medivir's Acquisition of Mimetrix

4.2.3.1 History of Medivir

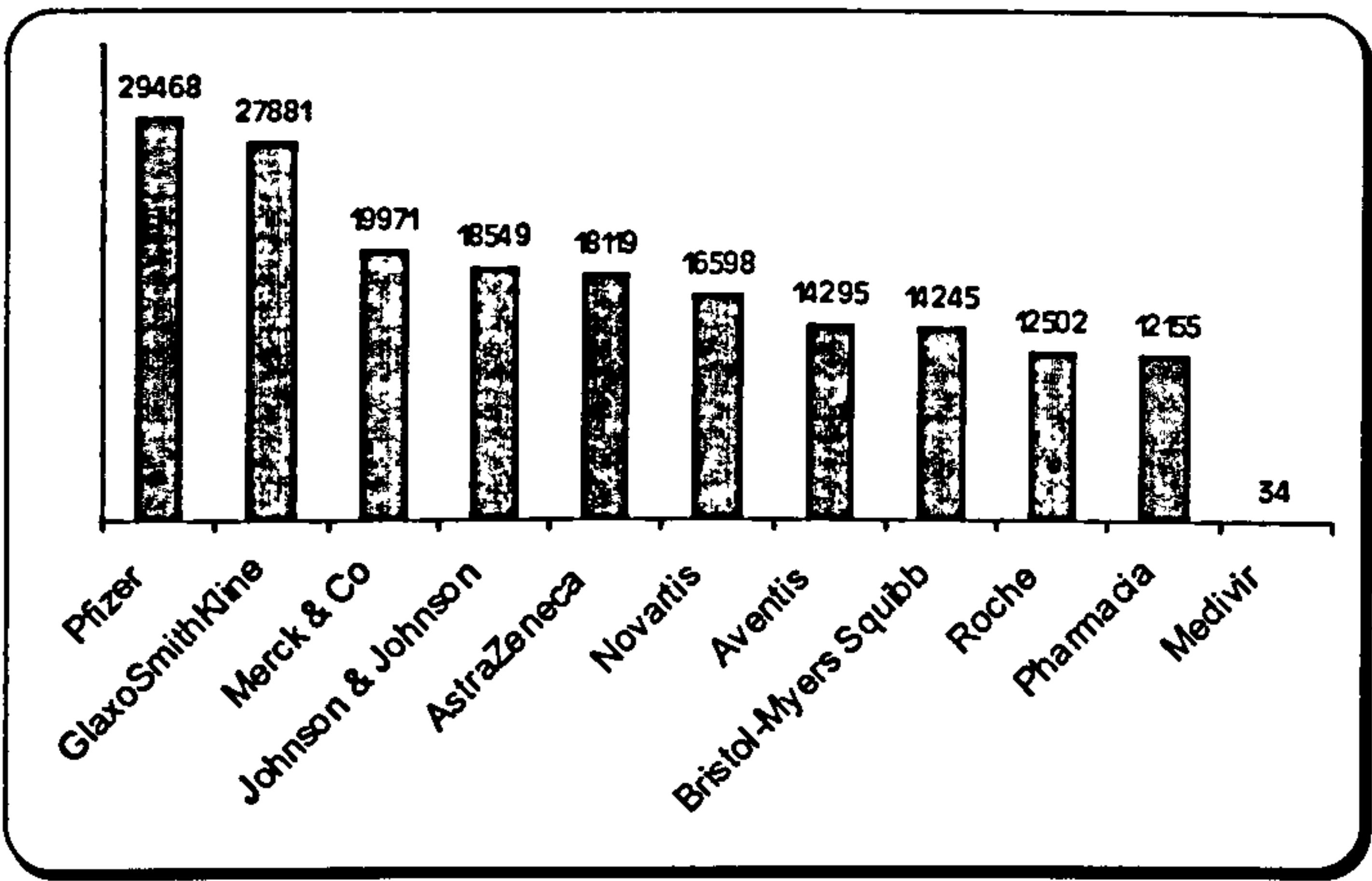
Medivir AB is a pharmaceutical research company focusing on infectious diseases and autoimmune disorders. Medivir was created as a spin off company from Astra when it decided to cease its antiviral activities in 1988. The acquisition of Mimetrix was the first cross-border acquisition Medivir undertook, thus it is an inexperienced acquirer.

4.2.3.2 The Industry

The pharmaceutical industry is a capital intensive industry with very high entry barriers and newcomers are limited. There are possibilities for small research companies to enter the market but they are not able to sustain the costs throughout the development phase and will, therefore, have to sell their candidate drugs or potential pharmaceuticals to larger pharmaceutical companies (see figure in Appendix 4.4). The global pharmaceutical market is fragmented with no company having more than a 10 percent market share. The 'top ten' of truly global companies jointly make up only 45 percent of the world market (ABPI, 2002). Medivir is classified in the Knowledge Intensive (KI) industry.

Figure 4.3: The World’s 10 Largest Pharmaceuticals and Medivir – 2002

Sales of Medicines in million \$US



Source: Läkemedelsindustriföreningen, 2003

4.2.3.3 Acquisition Characteristics

On 27 March 2000 Medivir AB acquired Mimetrix from Peptide Therapeutics for £2 million worth of shares in Medivir and a further £4 million in cash in milestones and royalty payments from Mimetrix’ existing projects (Peptide homepage and Financial Times, 2000). The acquisition of Mimetrix compliments Medivir’s existing business portfolio as the Medivir CEO, Jonas Frick, commented “the two companies are a good fit – our attentions are focused on the same research spheres, and we have got a lot to offer each other” (Medivir, 2000:6). Mimetrix is of ‘significance’ as it runs projects, has know-how and certain patented research technologies are highly useful to Medivir

4.2.3.4 MNC Size

The number of employees at Medivir increased steadily over the four year period 1997-2000 from 72 to 122. The large increase from 1999 to 2000 is linked to the acquisition of Mimetrix. Of the 122 employees working for Medivir at the end of 2000 24 worked at the premises in the UK (Amadeus Database; Medivir Annual reports).

Medivir employs highly skilled workers as 55% possess a PhD (two are professors), 35% are graduates with other background than PhD and a further 10% with other educational backgrounds (Medivir, 2002). The number of people working in Mimetrix as a percentage of total number of employees is 19. At the end of 1999 Medivir and Mimetrix had a turnover of £ 13.9 million and £ 5.6 million respectively. Mimetrix’ turnover as a percentage of Group turnover equals 28.8.

Table 4.5: Financial Figures for Medivir and Number of Employees, 1996-2003 (SEK millions)

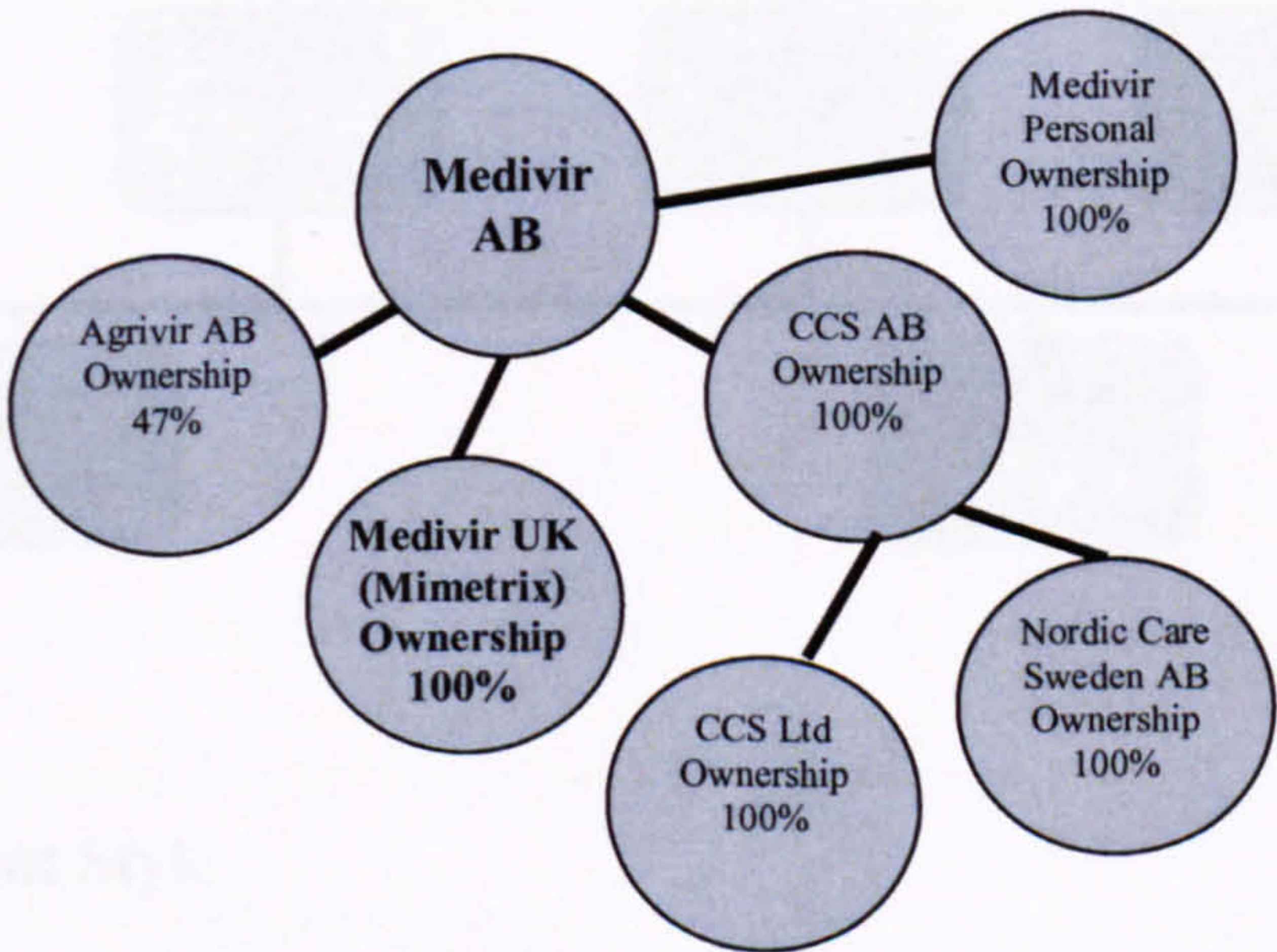
	1996	1997	1998	1999	2000 (UK Site)	2001 (UK Site)	2002 (UK Site)	2003 (UK Site)
Turnover	81.9	81.4	70.0	191.4	112.9	126.8	259.4	152.6
Total number of employees	N/A	72	84	94	122 (24)	179 (33)	194 (37)	99 (37)

Source: Annual Reports 1997-2003

4.2.3.5 Organisational Structure

The company structure of Medivir changed after the acquisition of Mimetrix in March 2000. The acquired company was integrated as a subsidiary within the Medivir group with a direct link to the parent company (Figure 4.4).

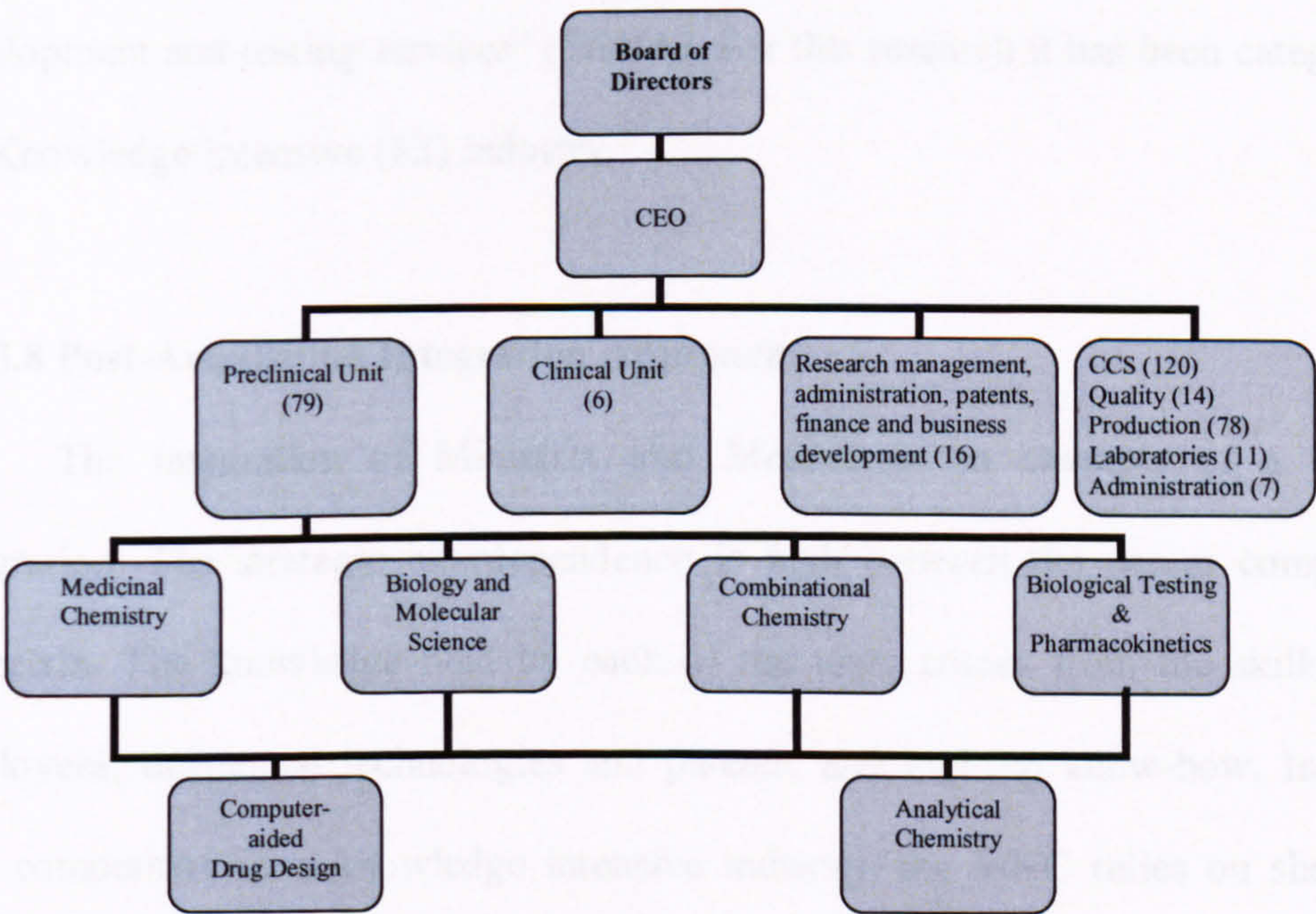
Figure 4.4: Medivir and its Subsidiaries (as per 31/12-2002)



Medivir, 2000-2003

As Medivir grew ‘older’ as an organisation it started to have candidate drugs approaching market launch and consequently the organisational structure changed. Prior to the acquisition, the research part of Medivir only included chemistry, biology and development. With the creation of the pre-clinical unit and the extra input in employees following the acquisition, the research part of Medivir was divided into six units (Figure 4.5). Projects running in the four departments are headed by a project manager from either Sweden or England and involve researchers from one or both sites. Some projects runs across both sites and draws on the experience and expertise of employees in both Sweden and the UK. These projects are headed either by a Swede or an English project manager.

Figure 4.5: Organisational Structure of Medivir as per 31/12-2002
(Figure in bracket denotes number of employees)



Medivir, 2002

4.2.3.6 Management Style

The transnational and geocentric typologies come closest to describing Medivir. There are project teams working across the two sites involving employees from both the

Swedish and the English sites. Projects are managed by both Swedish and English managers. When the company decides to start a new project as part of developing a new candidate drug, the project is allocated the site which is best suited, either by employees or by equipment. In some cases this is best done by running projects on both sites. The transnational/geocentric company utilises resources where these are best available.

4.2.3.7 Diversification of Activities

The diversification of activities in Medivir is low. When Medivir acquired Mimetrix it bought a company in the same research sphere. Both companies focus on enzymes (proteases and polymerases) as target molecules for their pharmaceutical research, and in this sense Mimetrix compliments rather than expands Medivir's research. This has not changed since the acquisition. Using the SIC codes the activities of Medivir are categorised in the main category of '873' which covers "research, development and testing services" (OSHA). For this research it has been categorised in the Knowledge Intensive (KI) industry.

4.2.3.8 Post-Acquisition Integration Approach

The integration of Mimetrix into Medivir is an example of a symbiotic integration. The strategic interdependence is high between the parent company and Mimetrix. The knowledge held by each of the units comes from the skills of their employees, developed technologies and patents, and built-up know-how. In order to stay competitive in a knowledge intensive industry, the MNC relies on sharing and exchanging this knowledge across organisational and national borders. The organisational autonomy is also high as Mimetrix is not dependent on the inflow of knowledge, products and information from the head quarters. The MNC operates with a project management structure where projects run across national borders. The boundary

preservation is still high as the project management interactions are horizontal rather than hierarchical.

4.2.3.9 Summary

The section on Medivir described the company as a transnational MNC with a geocentric management style. The diversification is low, as the two sites compliment each other. It is located in the KI industry. It is a young MNC, 3 years old, and only 19 percent of its 194 employees work abroad. Mimetrix is of ‘significance’ to Medivir and is integrated by the symbiotic approach. The number of staff and turnover of Mimetrix as a proportion of total is also significant. The details on Medivir are summarised below in Table 4.6.

4.2.4 Smith & Nephew's Acquisition of Perstorp Pharma

4.2.4.1 History of Smith & Nephew

Smith & Nephew was founded in Hull in 1856 and listed on the London Stock Exchange in 1937. The company did its first overseas greenfield investment in 1953 when it expanded to New Zealand³ (Smith & Nephew homepage). Expansion in the 1970s and 1980s was achieved by both greenfield investments and acquisitions. The company set up subsidiaries in Gothenburg and Stockholm in 1979. This changed over the last 10-15 years with the company primarily engaging in acquisitions (Smith & Nephew homepage), hence it is an experienced acquirer.

4.2.4.2 The Industry

Since 2002, Smith & Nephew is organised into three global business units (GBUs) of Orthopaedics, Endoscopy and Advanced Wound Management (AWM). This section only outlines the industry of the latter as it is in this GBU where the acquired company operates. Smith & Nephew is a medical company designing and manufacturing medical devices. Smith & Nephew's AWM business supplies a range of products and clinical support services for the treatment of chronic and acute skin wounds. It is estimated that the sales value of the AWM market worldwide is £1.6 billion a year. The AWM business of Smith & Nephew had in 2003 a turnover of £354 million translating into a 20 percent world market share.

4.2.4.3 Acquisition Characteristics

On 8 December 1997 Smith & Nephew announced it had purchased the wound care business of Perstorp Pharma, a division of Perstorp AB, the Swedish chemicals and materials technology group, for £12 million cash.

Smith & Nephew was already present in Sweden prior to the acquisition of Perstorp Pharma, hence the acquisition adds to Smith & Nephew’s business portfolio in Sweden. Due to its small size in terms of turnover and number of employees it is seen as ‘insignificant’ to the parent company.

4.2.4.4 MNC Size

The number of employees in Smith & Nephew decreased almost every year from 1995 to 2003. In 2003, the total number of employees in Smith & Nephew was 7,351, down from 12,081 in 1995. Of the 7,351 employees only 1,600 worked in the UK. The remaining 5,751 worked abroad constituting 78 percent. The turnover during the 9 year period from 1995 to 2003 only changed slightly from £1,026 to £1,178 million but was achieved by 39 percent fewer employees. The subsidiary turnover and number of staff are very insignificant contrasted to Group figures. The number of people working in the Swedish subsidiary as a percentage of total number of staff in 2003 is only 0.4. At the end of 1996 Smith & Nephew and Perstorp had a turnover of £ 1,069 million and 6 million respectively. Perstorp’s turnover as a percentage of Group turnover is 0.6.

Table 4.7: Number of Employees and Turnover (£ million) Smith & Nephew, 1995-2003

	1995	1996	1997	1998	1999	2000	2001	2002	2003	Change '95-'03
Turnover	1,026	1,069	1,048	1,053	1,119	1,134	1,205	1,109	1,178	+ 15 %
Employees UK	3,809	3,588	3,289	3,209	2,973	2,589	1,810	1,740	1,600	- 58 %
Employees Abroad	8,272	8,815	9,051	9,147	8,240	7,846	6,116	5,766	5,751	- 30 %
Employee Total	12,081	12,403	12,340	12,356	11,213	10,435	7,926	7,506	7,351	- 39 %
% abroad)	(68)	(71)	(73)	(74)	(73)	(75)	(77)	(77)	(78)	

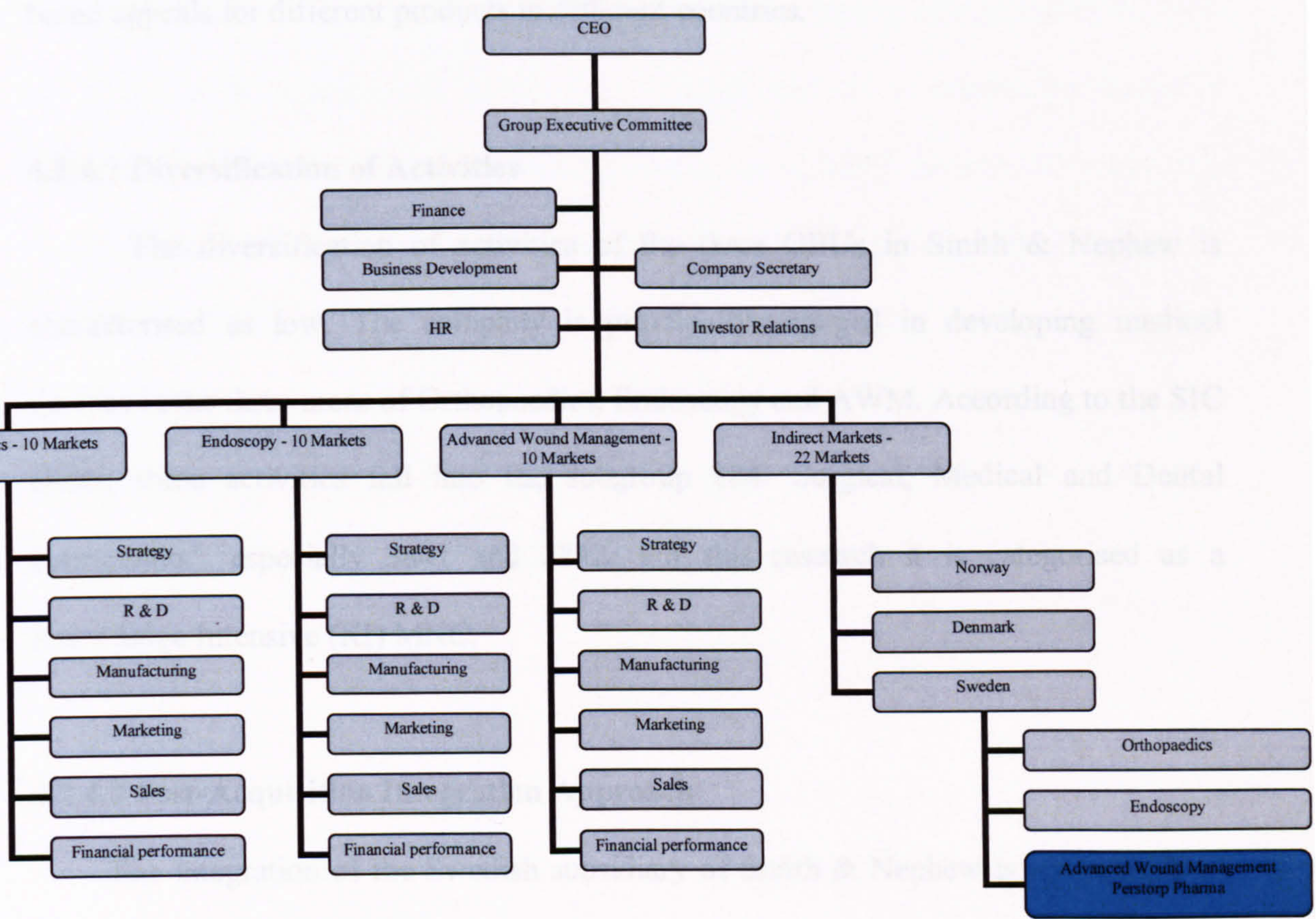
Source: Smith & Nephew Annual Reports (1997-2003)

³ The expansion to New Zealand was the first overseas expansion according to the information on the company’s homepage. There was a gap between 1930-1950 during which other greenfield investments could have taken place. However, this is not too crucial as the greenfield investment in 1953 already established the company as being a mature MNC.

4.2.4.5 Organisational Structure

In the period 1997-2003 the company underwent a number of organisational changes. It went from having two divisions to three. After the restructuring the GBUs were delegated more autonomy by becoming directly responsible for strategy, R&D, manufacturing, marketing and sales worldwide (Smith & Nephew, 1998b). Each of the three GBUs manage the sales in the 10 Direct Markets – US, Canada, UK, Germany, Japan, Australia, France, Italy, New Zealand and Ireland. The remaining 22 markets (Appendix 4.5) are managed by country managers (with business responsibility for the whole of the Group's product range) and are located in the Indirect Market unit. Sweden, which is in the Indirect Markets, is managed by a country manager. Being in the Indirect Markets the country manager relies heavily on the corporate HQ for services in HR, R&D, marketing, manufacturing, finance and legal affairs.

Figure 4.6: Organisational Structure Smith & Nephew, 2003



Source: Smith & Nephew Annual Report, 2003

4.2.4.6 Management Style

The management style of Smith & Nephew is global and ethnocentric as the company is structured according to three GBUs, each responsible for the total sales of its products in the 10 direct markets. The flow of information, policies and guidance is from the centre and out. The head office has also created a number of centrally designed guidelines for conducting the business. One such example is the Code of Business Principles putting down the basic foundations of how the company as a whole must treat its shareholders, employees, customers, the environment, other stakeholders and the wider community in which the company is engaged. The company launched in August 2003 a new corporate brand. The new brand was developed centrally and spread

out to all the subsidiaries. Prior to this, the company had several different logos and brand appeals for different products in different countries.

4.2.4.7 Diversification of Activities

The diversification of activities of the three GBUs in Smith & Nephew is characterised as low. The company is principally engaged in developing medical devices in the three areas of Orthopaedics, Endoscopy and AWM. According to the SIC codes, these activities fall into the subgroup 384 ‘Surgical, Medical and Dental Instruments’, especially 3841 and 3842. For this research it is categorised as a Knowledge Intensive (KI) MNC.

4.2.4.8 Post-Acquisition Integration Approach

The integration of the Swedish subsidiary of Smith & Nephew is an example of absorption by the parent company. The organisational autonomy is low as there was a full consolidation of the acquired company of operations, management and culture. The Swedish subsidiary is firmly managed from the centre, as it is integrated and managed as part of the ‘indirect markets’ division. The strategic interdependence of the Swedish subsidiary is high. The Swedish subsidiary depends on the centre for products, services, knowledge and research. On the other hand, the subsidiary is also important to Smith & Nephew as it is a gateway to the Swedish health care system. The non-physical boundaries between the two units have also been dismantled as this quote from an employee in the Swedish subsidiary illustrates

After a few years you feel like a Smith & Nephew person
(TT, Manager)

4.2.4.9 Summary

The section on Smith & Nephew described the company as a global MNC with an ethnocentric management style. It is characterised as a knowledge intensive company. It is a mature company with operations as an MNC for over 50 years. The company has mainly grown through acquisitions and has 79 percent of its 7,451 strong workforce employed outside the UK. The Swedish subsidiary is integrated by the absorption approach. Smith & Nephew is structured into three GBUs with a low diversification of activities. Perstorp has low ‘significance’ to Smith & Nephew. The details on Smith & Nephew are summarised in Table 4.8.

Table 4.8: Company Characteristics of Smith & Nephew

Smith & Nephew	Ownership	• Strategy and Structure of MNCs • Management Style • Organisational Structure	Adding to business portfolio in host-country	Experienced Acquirer	Absorption	Low	Mature	MNC Size				Sector or Industry	'Significance' of the Subsidiary
								Turnover of Group and Subsidiary (£ million)	Total Number of Staff, Total Abroad, and in Case Study MNC's Foreign Subsidiary (2003)	Percentage of Staff Abroad	Number of Foreign Subsidiaries		
	UK	• Global • Ethnocentric • 3 divisions according to functions						Group: 1,069 Subsidiary: 6 Subsidiary as percentage of total: 0.6	Group: 7,351 Abroad: 5,751 Swedish Subsidiary: App. 30*	Employees abroad as % of total workforce: 78 Swedish subsidiary as % of total workforce: 0.4	Subsidiaries in 32 countries on 5 Continents	Knowledge Intensive	Low

4.2.5 Hilton's Acquisition of Scandic

4.2.5.1 History of Hilton

The Hilton corporation was founded in Texas in 1919. In 1949, the company split into two parts: Hilton Hotels Corporation (HHC) operating solely in the US and Hilton International (HI) operating outside the US. In 1964, HI spun off from HHC. The Ladbrokes Group acquired HI in 1987 from the Allegis Corporation. In 1999, HI acquired the UK hotel company Stakis for US\$ 2 billion. It increased HI's portfolio from 165 to 220 hotels and doubling its UK room stock. Expansion of HI with individual hotels has been both organic and through acquisitions but Stakis was the first hotel chain to be acquired. Hilton is, therefore, an experienced acquirer.

4.2.5.2 The Industry

The hotel industry can in general be divided into three main categories: capital chains, voluntary chains/strategic alliances, and independent hotels with Hilton/Scandic in the former. Capital chain hotels are more integrated in their operations than hotels from the other two categories with training standards, manuals, and marketing campaigns created at the corporate head office and introduced to the entire chain to assure consistency of operations and offers to customers.

In Europe, as a whole, about 20% of the hotel room capacity is held by chain hotels. The market is dominated by large, mainly European, multinationals (Appendix 4.6). The UK hotel market, dominated mainly by local players, had in 2002 around 60,000 hotels and guesthouses, of which chain hotels controlled approximately 33 percent of the rooms (Mintel, 2002). In terms of number of rooms Hilton is the third largest hotel in the UK after Six Continents and Whitbread (Mintel, 2002; Appendix 4.6).

The Swedish hotel market, dominated mainly by foreign players, had in 2002 16,224 hotels and guesthouses, of which chain hotels controlled 36 percent of rooms (SHR, 2003a; SHR 2003b). Hilton/Scandic was the largest hotel chain in Sweden both in terms of number of hotels and rooms, almost twice the size of its closest rival, Choice (Intel, 2002; Appendix 4.6). The Scandinavian hotel market was in 2002 mainly dominated by 3-4 star hotels with luxury or 5-star hotels as virtually non-existent.

4.2.5.3 Acquisition Characteristics

On 11 June 2001 Hilton Group plc. acquired Scandic AB for £612 million in cash and shares (Hilton Homepage). The acquisition of Scandic extended Hilton's business portfolio as Hilton moved into 3-4 star hotels. The acquisition gave the Hilton Group 154 3-4 star hotels in the Nordic area and elsewhere in northern Europe, increasing the total number of hotels operated by Hilton to 379 (Hilton, 2001:6). Buying Scandic gave Hilton instant access to one of the region's largest and best known hotel chains. Hilton intended immediately after the acquisition to rebrand 20-25 Scandic hotels into Hilton in the Nordic region over a 3-year period. The remaining some 130 hotels should remain Scandic. The first Scandic hotel to be rebranded was the Hilton Stockholm Slussen in late 2001, followed by Hilton Malmö City in August 2002. Two other hotels were also rebranded into Hilton but later branded back to Scandic (Scandic Stockholm Infra City and Scandic Linköping). Because of Scandic's accumulated knowledge incorporated into the *Omtanke* concept (see section 4.2.5.5 below), its knowledge of operating on the Scandinavian hotel and leisure market, and its size gave Scandic a high 'significance'.

Hilton was already present in Scandinavia (Copenhagen Hilton hotel) prior to the acquisition of Scandic. The acquisition is therefore adding to Hilton's business portfolio in Sweden and the rest of Scandinavia.

4.2.5.4 MNC Size

As per 19 December 2003 Hilton International operated 430 hotels in more than 70 countries across the world. Of those, 142 were Scandic and 269 were Hilton brands (Table 4.9). The number of staff employed in the Group’s businesses (including Ladbrokes) worldwide exceeded 83,000 (Hilton, 2003:28).

Table 4.9: Hilton International by Brand (as per 19 December 2003)

	Hotels	Countries	Rooms
Hilton	269	69	73,058
Scandic	142	9	24,317
Conrad	15	11	5,126
Coral by Hilton	4	1	1,996
Hilton Group Total	430	75	104,497

Source: Hilton homepage www.hiltongroup.com (<http://213.131.169.243/main.asp?page=14>)

It is estimated that around a 25-30% of the Hilton International workforce works in the UK⁴ (Appendix 4.6). Hilton International generated a turnover of £8.9 billion in 2003 of which the hotel division accounted for £2.7 billion (Hilton, 2003:6-10). Scandic’s turnover and number of staff are significant contrasted to the Hilton Group. Scandic employed in 2000 7,352 people which constitutes 9 percent of total workforce. At the end of 2000 Hilton and Scandic had a turnover of £ 3,951 million and £ 424 million respectively. Scandic’s turnover as a percentage of Group turnover equals 9.7 (Appendix 4.7).

4.2.5.5 Policies

Scandic was, and still is, a company making a great effort in caring for the environment both outside and inside the hotels. In short, this has been conceptualised in *Omtanke*, which translate to positive, caring and attention for guests, staff, shareholders

and the communities in which they operate. The hotel industry is essentially products made up of people who serve other people. The *Omtanke* concept consists of seven key areas: society, employees, security, environment, health, business ethics and human respect (Scandic, 2000). Included in the *Omtanke* programme is continuous learning through the Scandic Business School and the *Sigge School*. The *Omtanke* programme should be seen more as an ideology rather than a precisely defined concept with strict rules and guidelines. Similar to Scandic's *Omtanke*, Hilton operates the *Esprit* programme. The ideas of recognition, respect and reward are the key elements of *Esprit*. It aims at making every employee feel valued in their working environment by maintaining high standards in human resources, encouraging employees to treat colleagues and guests in a way that they want to be treated themselves (Hilton homepage, 29 Jan. 2004). The *Esprit* programme was launched in the UK in 2000 for later being implemented worldwide (Hilton, 2000). There is also a handbook under the *Esprit* programme. This is an extremely important tool which guides and controls most aspects of managing a Hilton hotel anywhere in the world. Each area has its own *Esprit* handbook taking area conditions into account. It states how managers should engage in dialogue with subordinates, how often and what should be discussed. In sum, if a manager is in doubt what he/she should do, it is likely there are some guidelines or recommendations in the *Esprit* handbook. It also sets the standards for the brand worldwide, i.e. what concepts a Hilton hotel should have and how to implement them.

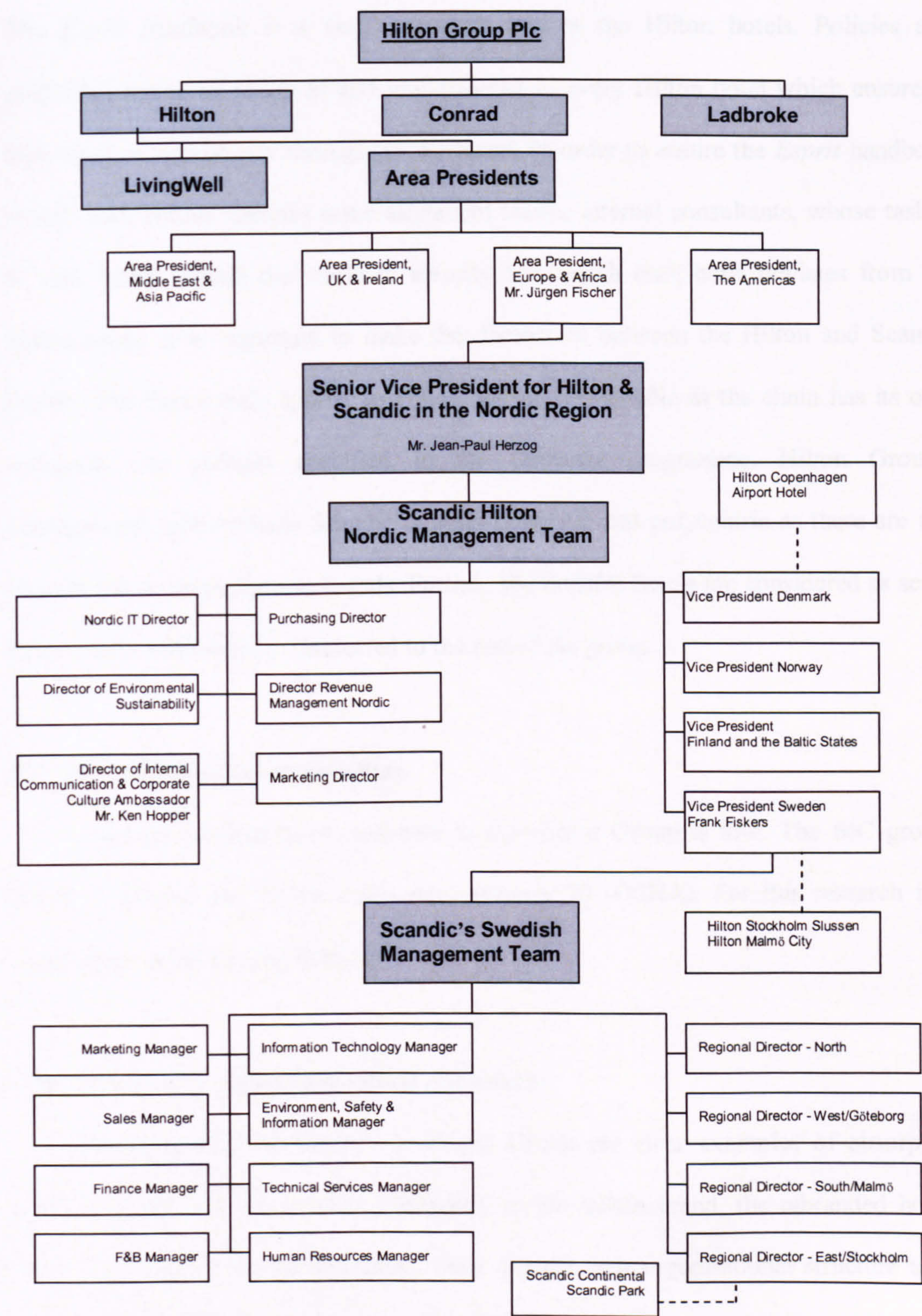
4.2.5.6 Organisational Structure

The Hilton Group Plc. is divided into two main operating business areas: gaming and hotel (Figure 4.7). Both business areas are dominated by brands with Vernon and Ladbrokes in gaming and Hilton, Scandic, Conrad and LivingWell in the hotel area. The

⁴ The calculations can not be done solely on the number of hotels as their size varies. Therefore, the number of rooms is also taken into account. Further, it is believed that hotels operating outside Europe employ more staff due to the lower labour costs. However, Morten Damgaard Andersen

hotel part of the Hilton group is divided into four geographical areas, each with an area president responsible for the hotel brands within his region. When Scandic was acquired the organisational structure of Scandic remained almost intact and was simply attached to the Hilton area president for Europe and Africa. Hilton is structured according to brands, each operating a standardised concept worldwide (with possible divergences in the four geographical regions) which is defined at the head office and transferred out. The concepts are developed centrally and applied globally.

Figure 4.7: Organisational Structure of Hilton Group Plc. as per 31/12-2003



Sources: Hilton; Scandic homepages

4.2.5.7 Management Style

The management style in the Hilton branded hotels is global and ethnocentric. The *Esprit* handbook is a very important tool at the Hilton hotels. Policies and guidelines are to be followed and implemented in every Hilton hotel which ensures a high level of consistency throughout the brand. In order to ensure the *Esprit* handbook is followed, Hilton operates some alignment teams, internal consultants, whose task is to visit hotels around the world to identify how much each hotel deviates from the Hilton norm. It is important to make the distinction between the Hilton and Scandic brands. The *Esprit* only applies to Hilton and not to Scandic as the chain has its own standards and policies specified in the *Omtanke* programme. Hilton Group's management style towards Scandic is multi-domestic and polycentric as there are few cross-overs between the two brands. Further, the Scandic hotels are considered as semi-autonomous units loosely connected to the rest of the group.

4.2.5.8 Diversification of Activities

The diversification of activities in the Hilton Group is low. The SIC groups hotels, gambling and fitness clubs into category 70 (OSHA). For this research it is categorised in the Service industry.

4.2.5.9 Post-Acquisition Integration Approach

The integration approaches in Hilton Group are clear examples of absorption (Hilton Brand) and preservation (Scandic). In the Hilton brand, the rebranded hotels have a low organisational autonomy. They change their organisational structure to fit into the Hilton family. The hotels must follow the practices clearly laid down by the Hilton brand and the *Esprit* handbook. The strategic interdependence of the rebranded hotels and Hilton group is high. Following the rebranding, the rebranded hotels are

‘absorbed’ into the Hilton Brand family and as such, the ties are cut to Scandic. Rebranded hotels rely on the Hilton Brand standards and concepts, and the culture has moved away from Scandic’s towards Hilton’s. There is a clear distinction between the brands for the people working in Hilton Group.

“To say it frankly then our employees [Hilton] are not really that keen to know what happens at Scandic because they feel they work for something better.”

(PQ, Manager)

On the other hand Hilton benefits from expanding its Hilton brand into Scandinavia. Hilton was only present there with one hotel and its increased presence adds a number of benefits. The brand now covers this region of the world more extensively. It gained quick access to the Scandinavian hotel market and can offer 5 star quality hotels to customers in the region, something which was so far under-developed.

The Scandic branded hotels have maintained a high organisational autonomy as the hotels are run almost independently within the Hilton group in Scandinavia. The management structure of Scandic branded hotels also remained almost intact after the acquisition. The CEO of Scandic, Roland Nilsson, remained in charge of the Scandic branded hotels after the acquisition. The strategic interdependence is low as the brands remain two distinct entities with very little cross-overs. The *Esprit* remains at Hilton and *Omtanke* at Scandic. The culture in Scandic did not change towards Hilton’s and it was almost ‘business as usual’. In preservation integration, value is created by nurturing the acquired company’s assets. Hilton preserved the Scandic brand and developed further what Scandic was good at. One example of this is the work Scandic has done with its stakeholders through the *Omtanke*.

4.2.5.10 Summary

The section on Hilton described the Hilton branded hotels as a global/ethnocentric and Scandic as multi-domestic/polycentric. It is the only case study

MNC based in the service industry. It is also the only MNC organised according to brands in this study. It is a mature company with operations as MNC for several decades. The company has mainly grown through acquisitions and approximately 75 percent of its 83,000 employees work outside the UK. The diversification of activities is low. The ‘significance’ of Scandic is high. The Hilton company characteristics are summarised in Table 4.10 below.

Table 4.10: Company Characteristics of Hilton

Hilton	Ownership	Strategy and Structure of MNCs <ul style="list-style-type: none">• Management Style• Organisational Structure	Strategic Rationale for Acquisition	Prior Experience in Handling Acquisitions	Post-Acquisition Integration Approach	Degree of Diversification of Activities	Maturity of the MNCs	MNC Size				Sector or Industry	'Significance' of the Subsidiary
								Turnover of Group and Subsidiary (£ million)	Total Number of Staff, Total Abroad, and in Case Study MNC's Foreign Subsidiary (2003)	Percentage of Staff Abroad	Number of Foreign Subsidiaries		
	UK	<ul style="list-style-type: none">• Global and ethnocentric - Hilton• Multi-domestic and polycentric - Scandic• Brand	Adding to business portfolio in host-country	Experienced Acquirer	Hilton Brand: Absorption Scandic Brand: Preservation	Low	Mature 20+ years	Group: 3,951 Subsidiary: 424 Subsidiary as percentage of total: 9.7	Group Total: 83,000 HI total: 60,000* HI abroad: 45,000* Scandic: 7,352 (2000 figures)	Employees abroad as % of total workforce: 75* Scandic as % of total workforce: 9	Operates in more than 70 countries on 4 Continents	Services	High

* = estimates

4.2.6 Summary

Section 4.2 has presented the five case study companies. Differences and similarities of the five companies are briefly summarised in this section and Table 4.11 at the end of the section. Of the five case study companies two have their head quarters in the UK and three in Sweden. Two MNCs are in the MEP industry (Höganäs and Cardo), another two in Knowledge Intensive industry (Medivir and Smith & Nephew). The last MNC, Hilton, is in the Services. Three MNCs have a global strategy and an ethnocentric management style (Höganäs, Cardo and Smith & Nephew). Hilton has a global strategy towards the Hilton brand and a multi-domestic to the Scandic brand. Medivir is the only company characterised as a transnational MNC. Four of the MNCs are 'mature' since they have operated at least for 15 years as an MNC. Medivir is the exception, as it has only 3 years of experience as an MNC. Four MNCs have grown in recent years through acquisitions (Medivir undertook its first acquisition when it bought Mimetrix). The three Swedish MNCs have integrated their acquired subsidiaries by symbiotic integration whereas the UK MNCs have integrated by absorption. Three of the five companies have more than 75 percent of their workforce employed outside the home country (Cardo, Smith & Nephew and Hilton). Höganäs has just passed the 50 percent mark and Medivir only has a mere 19 percent of its employees working outside Sweden. The acquired subsidiaries' workforce as a percentage of the total foreign workforce ranged from 0.4 (Smith & Nephew) to 19 (Medivir). The turnover of the subsidiaries as a percentage of Group turnover ranges from 0.6 (Smith & Nephew) to 28.8 (Medivir). Three companies are structured into divisions (Höganäs, Cardo and Smith & Nephew). Hilton is the only MNC structured according to brands and Medivir the only company with a matrix project structure. The number of foreign subsidiaries varies from 1 to 70 spread out on 1-5 continents. Three subsidiaries (Cardo, Medivir and Scandic) are of high significance to the parent company whereas the remaining two

are insignificant (Höganäs and Smith & Nephew). Table 4.11 summarises all the identified company characteristics.

Table 4.11: Company Characteristics of 5 MNCs

	Ownership	• Strategy and Structure of MNCs • Management Style • Organisational Structure	Strategic Rationale for Acquisition	Prior Experience in Handling Acquisitions	Post-Acquisition Integration Approach	Degree of Diversification of Activities	Maturity of the MNCs	MNC Size				Sector or Industry	'Significance' of the Subsidiary
								Turnover of Group and Subsidiary (£ million)	Total Number of Staff, Total Abroad, and in Case Study MNC's Foreign Subsidiary (2003)	Percentage of Staff Abroad	Number of Foreign Subsidiaries		
Höganäs	Swedish	• Global • Ethnocentric • 2 divisions according to product	Adding to business portfolio in host-country	Experienced Acquirer	Symbiotic	Low	Mature 30+ years	Group: 173 Subsidiary: 4.2 Subsidiary as percentage of total: 2.4	Group: 1,649 Abroad: 858 UK Subsidiary: App. 30	Employees abroad as % of total workforce: 52 UK subsidiary as % of total workforce: 1.8	Manufacture: 7 countries on 4 Continents Sales Offices: 14 countries	Manufacturing, engineering and production	Low
Cardo	Swedish	• Global • Ethnocentric • 2 divisions according to functions	Extending presence into new country	Experienced Acquirer	Symbiotic	High (Doors / Pump)	Mature At least since 1989	Group: 688 Subsidiary: 23.6 Subsidiary as percentage of total: 3.4	Group: 6,203 Abroad: 4,871 UK Subsidiary: App. 250	Employees abroad as % of total workforce: 79 UK subsidiary as % of total workforce: 4.0	Manufacture: 9 countries on 3 Continents Sales Offices: 30 countries	Manufacturing, engineering and production	High
Medivir	Swedish	• Transnational • Geocentric • Matrix - Project	Extending presence into new country	None	Symbiotic	Low	Young 3 years	Group: 13.9 Subsidiary: 5.6 Subsidiary as percentage of total: 28.8	Group: 194 Abroad: 37 UK Subsidiary: 37	Employees abroad as % of total workforce: 19 UK subsidiary as % of total workforce: 19	1 subsidiary in the UK	Knowledge Intensive	High
Smith & Nephew	UK	• Global • Ethnocentric • 3 divisions according to functions	Adding to business portfolio in host-country	Experienced Acquirer	Absorption	Low	Mature	Group: 1,069 Subsidiary: 6 Subsidiary as percentage of total: 0.6	Group: 7,351 Abroad: 5,751 Swedish Subsidiary: App. 30*	Employees abroad as % of total workforce: 78 Swedish subsidiary as % of total workforce: 0.4	Subsidiaries in 32 countries on 5 Continents	Knowledge Intensive	Low
Hilton	UK	• Global and ethnocentric - Hilton • Multi-domestic and polycentric - Scandic • Brand	Adding to business portfolio in host-country	Experienced Acquirer	Hilton Brand: Absorption Scandic Brand: Preservation	Low	Mature 20+ years	Group: 3,951 Subsidiary: 424 Subsidiary as percentage of total: 9.7	Group Total: 83,000 HI total: 60,000* HI abroad: 45,000* Scandic: 7,352 (2000 figures)	Employees abroad as % of total workforce: 75* Scandic as % of total workforce: 9	Operates in more than 70 countries on 4 Continents	Services	High

* = estimates

4.3 Political Processes in Case Study Companies

4.3.1 Introduction

Section 2.6.2.1 discussed the political company processes (or facilitators of transfer), with particular focus on the work by Ferner and Edwards (1995) and Collier (1996). This section outlines the findings of the political company processes in each of the five case study MNCs. At the end of this section all the facilitators are summarised in a tabular form for an easy overview. This information is useful in a later discussion explaining the flow of practices, or the absence of it, from one country to another.

4.3.2 Political Company Processes in Höganäs

Several facilitators of transfer are identified in Höganäs. The company uses expatriates in some of the foreign subsidiaries, especially those which have been recently set-up.

“In the US and in Japan we have a Swedish [MD]. In Asia we have a Swedish manager but in many other place it is a local [MD].”
(SO, Manager)

However, there are no expatriates or Swedish managers working in Powdrex in the UK, nor are there any Belgians.

Höganäs also has a programme where a number of employees from around the world are invited to visit the HQ in Höganäs in Sweden.

“It is good with technical exchange of information but it is a good way to understand how the big Höganäs company works and also gives people the chance to meet faces they otherwise just speak to on the phone and they can strike up a good relationship and build the bridges between the cultures and companies. I think it is excellent. It is a very good programme.”
(MH, Manager)

Other respondents provide more detail about the cultural visits to the Höganäs HQ. The visit usually last for approximately one week during which the participants meet with senior managers, have presentations about the company, tours around the production site, meet with peers and other colleagues, and participate in various social activities. In

this way the company's culture and values are passed on to the subsidiaries when the participants return back home (SE, Manager; PC, Manager; HY, Manager; AO, Non-Managerial Employee).

Höganäs arranges international meetings of managers several times a year.

"We have the senior management meetings several times a year. That is for the MD in the subsidiaries. [...] At these meetings you find very concrete things to handle. We gather around a specific theme. Transfer the culture is done by the fact that you work with it."

(SO, Manager)

Other meetings include line manager meetings and are more specific and technical aiming at exchanging specific knowledge between parts of the MNC (SE, Manager; HY, Manager).

As part of a global policy the Höganäs HQ requested all subsidiaries to comply with the ISO 14001 requirements before the end of 2004 (except in China). In this way production is streamlined and products can be supplied to anywhere from anywhere. One manager points out this is a "group led quality system rather than a site led quality system" (MH, Manager).

"We are all accredited to a particular quality system. It is an ISO 9000 system and also QS 9000 which is specific to the automotive industry. [...] we are part now of the Cold Stream division and we now are adopting the Cold Stream quality systems, so it is a more divisional system".

(MH, Manager)

The section has identified the channels of transfer in Höganäs. It was shown that the HQ requested all its subsidiaries to obtain the ISO certificate used for the car manufacturing industry. Höganäs also operates various international meetings of managers. There is also an exchange programme on which employees can visit the main factory and the head office in Sweden. The facilitators of transfer identified in Höganäs are summarised in the table below.

Table 4.12: Summary of Facilitators of Transfer in Höganäs

	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Head Office Requirement, Guideline or Decision to be Implemented Globally	International Meetings of Managers	Company Conferences, Project Meetings, Workshops incl. Best Practices Meetings and Cross-National Projects	Hands-on Training of Rank-and-File Employees and Managers	Exchange of Staff (between units of MNC)	Use of Expatriates (from HQ to subsidiary)	Company Charter or Principles	Written Policies	Management Audit / Internal Consultants	Use of 'Business Schools'	Coercive Comparisons of Subsidiaries	HR-Managers at Subsidiary Level	ISO Certificate	Financial Control Mechanisms
Höganäs	√	√	√	-	√	√	-	-	-	-	-	-	√	-

√= Facilitator Identified

- = Facilitator Absent

Source: Field Notes

4.3.3 Political Company Processes in Cardo

Cardo has a subtle attitude to transfers. The senior management does not issue direct orders to managers to adopt certain practices but makes the information available of what the HQ considers good practices and let individual managers make the decision themselves of what they need to adopt. However, as will be demonstrated below the pressure on managers to excel is still present.

"I personally have not transferred anything to any of them. [...] I have been more passive rather than dictate and saying this is our approach. It has been more cases of 'here is some good practice, if you want to adopt it please feel free'".

(GT, Manager)

Cardo has regular international meetings of managers from different function areas. The meetings are staged in Sweden or another European country in which the group operates.

"We have it on an MD level and different functions like all the productions managers, sales managers and service managers. We have it on management level and different groups of management."

(KK, Manager)

The individual managers are expected to bring back to their subsidiary ideas and practices which they find useful in order to improve.

On a number of occasions Cardo has also arranged international meetings where managers meet across functions. It gives the senior management an opportunity to get early feedback on policies they plan to introduce.

"The other thing that we have within Cardo Door is that we have an HR council. [...] It is there as a testing ground for new policies and procedures and also to allow the divisional managers and customer centres managers the opportunity to highlight areas that they feel need to have support in. [...] It gives me the opportunity to bounce the ideas off them so we can test for practicality about implementing new policies and procedures."

(GT, Manager)

The international meetings of managers are not restricted only to include discussions. There are also hands-on sessions where managers meet at one factory in Europe to view the production facility and talk to its managers about technical and

practical issues. Each of the technical meetings or workshops is centred on a theme. One respondent explained how she used her experience to give training instead of an outside consultant.

“I had a lot of experience in it because I have worked with it for the last 5 years so it happened that there were sessions where instead of the consultants taking the training, I would actually deliver the training to the other manufacturing sites. The other thing was to get some of the learning messages across I picked a project area within this company so everybody from the rest of the group came and had a look at the project area and what the potential was by using the tool.”
(LP, Manager)

One respondent explains that every subsidiary in the Cardo group, depending on size of workforce, is supposed to have an HR manager working locally. The function of this person is to implement HR policies coming from the corporate head office in Sweden (KK, Manager). PC Henderson also has an HR manager.

Cardo is a very financially oriented company (GT, Manager) and keeps tight control over its subsidiaries' financial figures. The performance of the subsidiaries and their managers is assessed and underperforming managers can be laid off.

“The thing that has most impressed me about Cardo out of everything else, has most impressed me is when I first joined the company I remember going to my first meeting with all of the production companies and I would say there were maybe 16 people sitting around the table and this group directors of all of the companies. [...] I would say that out of these 16 people there were probably about 5-6 people where I thought “I do not really rate you. I do not think there is...”. Within a year all of those people were gone. They had all left the company. Now to me that to me was a big motivator that despite the fact that you do not feel that you are being told to do anything, they were obviously well aware of who is performing and who is not performing, and there are also capable of getting rid of the people not performing. These people were all MDs.”
(LP, Manager)

This point is a clear example of an indirect way of transferring practices. In the extreme situation they are asked to comply or their job is at risk.

In sum, this section has presented the channels of transfer identified in Cardo. The main facilitator is the international meetings of managers. There are the international meetings for line managers, the council meetings (including managers

from across functions), and the hands-on workshops where mainly production managers come to a production facility to learn and discuss working practices. Cardo also uses HR managers locally and uses coercive comparisons of subsidiaries as a channel of transfer

Table 4.13: Summary of Facilitators of Transfer in Cardo

	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Head Office Requirement, Guideline or Decision to be Implemented Globally	International Meetings of Managers	Company Conferences, Project Meetings, Workshops incl. Best Practices Meetings and Cross-National Projects	Hands-on Training of Rank-and-File Employees and Managers	Exchange of Staff (between units of MNC)	Use of Expatriates (from HQ to subsidiary)	Company Charter or Principles	Written Policies	Management Audit / Internal Consultants	Use of 'Business Schools'	Coercive Comparisons of Subsidiaries	HR-Managers at Subsidiary Level	ISO Certificate	Financial Control Mechanisms
Cardo	√	√	√	√	-	-	-	-	-	-	√	√	-	√

√= Facilitator Identified

- = Facilitator Absent

Source: Field Notes

4.3.4 Political Company Processes in Medivir

Medivir has frequent project meetings for managers and employees working on cross-national projects, normally via video conferencing.

“About once a month we have a video conference meeting with England, concerning the project. [...] For the project we have a general meeting where everyone is invited to attend. Most often people decide not to participate.”

(HJ, Non-Managerial Employee)

Another respondent confirms the existence of the meetings via video link. The person also comments on their innovative usefulness.

“I do not like them. It is just to inform and they are very little innovative. It is rare we have new brilliant suggestions, so the meetings are very weak at generating new ideas.”

(FF, Non-Managerial Employee)

Medivir is organised according to a matrix project structure. This means employees have both project and line managers. Project managers are based on one site and have subordinates from usually two sites within their project.

“I am responsible for a project, having a group of people located both in the UK and also in Sweden and try to coach that work in the right direction.”

(MV, Non-Managerial Employee)

The head office has issued some unwritten guidelines regarding the percentage of work required for the projects and for individual ‘blue sky’ thinking.

“We are allowed semi-formally to do 20% of our work as “rebellion work” when it concerns research. [...] It is not written down somewhere but it has been communicated.”

(FF, Non-Managerial Employee)

Three other respondents working in the UK and Sweden confirm the existence of guidelines from the head office regarding the division of workload between project and pilot work (HJ, Non-Managerial Employee; AZ, Manager; RE, Manager).

There is an HR director working at the corporate head office and an HR manager in the UK subsidiary (OC, Manager). Overall policies derive from Sweden and the UK

HR manager is dealing with day-to-day HR issues in the UK subsidiary (WO, Manager).

This section presented the different channels of transfer in Medivir. The issue of guidelines, written or unwritten, is a direct way of transferring practices from one part of the organisation to another. The cross-national projects are another channel through which practices can be transferred. A practice can be picked up by a project manager and implemented throughout the whole project team across national borders. At the international meetings via video link staff from both sites ‘get together’ which can also result in the sharing of practices. Finally, an HR manager in the foreign subsidiary is another channel through which new practices can be introduced overseas.

Table 4.14: Summary of Facilitators of Transfer in Medivir

	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Head Office Requirement, Guideline or Decision to be Implemented Globally	International Meetings of Managers	Company Conferences, Project Meetings, Workshops incl. Best Practices Meetings and Cross-National Projects	Hands-on Training of Rank-and-File Employees and Managers	Exchange of Staff (between units of MNC)	Use of Expatriates (from HQ to subsidiary)	Company Charter or Principles	Written Policies	Management Audit / Internal Consultants	Use of ‘Business Schools’	Coercive Comparisons of Subsidiaries	HR-Managers at Subsidiary Level	ISO Certificate	Financial Control Mechanisms
Medivir	√	-	√	-	√	-	-	-	-	-	-	√	-	-

√= Facilitator Identified

- = Facilitator Absent

Source: Field Notes

4.3.5 Political Company Processes in Smith & Nephew

Smith & Nephew actively seeks to promote employees moving from one part of the organisation to another, also when it concerns employment in another country. There is a formal process in place for selecting 'high-fliers' and all positions within the company are advertised internally (Smith & Nephew, 2002:18).

"There is a lot of work that is done in identifying the individuals who are the potentials for management perhaps or for international exposure. [...] There is a formal process where management get together and identify individuals and their career will be mapped out."
(CD, Manager)

Smith & Nephew uses international meetings of managers on a regular basis. In addition to this, the company also organises yearly 'Best Practice' meetings drawing attendants from across the organisation.

"We have the best practice meeting. We have that once a year and they meet somewhere in Europe, all managers from Europe and the States. We have this best practices sharing. [...] We have what we call mini stands where every country has a little exhibition where we can show our best practice for one successful area or something like that. Then we also have time to go around and see what the other markets have done and so on."
(TT, Manager)

Smith & Nephew also works according to quality standards, like ISO. The Swedish subsidiary obtained the ISO certificate after pressure from the parent company in England.

"We have the ISO standards etc. that regulate how we...we work according to the ISO standards. [...] It was recommended to work according to those quality standards centrally but also something that was driven very strongly from our logistic and quality manager. [...] There are annual review meetings and audits both from centrally and from external consultants who make the audit, so it is a continuous process that employees are involved in. We have a lot of standards and guidelines for almost everything."
(KF, Manager)

Besides the Annual Reports Smith & Nephew publishes various reports outlining company policy on socially responsible business which are forms of direct channels of transfer. These include the Sustainability Reports, Code of Business

Principles and ‘People Principles’. All of which are available freely on the company’s homepage (Smith & Nephew Homepage).

This section presented the facilitators of transfer in Smith & Nephew, summarised in the table below. It was shown that the company exchanges staff between units of the MNC. It uses international meetings of managers and also international best practice meetings involving both managers and non-managerial employees. It works according to ISO standards and a number of internal consultants roam the MNC to ensure these standards are followed. Finally, written guidelines are distributed to the subsidiaries.

Table 4.15: Summary of Facilitators of Transfer in Smith & Nephew

	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Head Office Requirement, Guideline or Decision to be Implemented Globally	International Meetings of Managers	Company Conferences, Project Meetings, Workshops incl. Best Practices Meetings and Cross-National Projects	Hands-on Training of Rank-and-File Employees and Managers	Exchange of Staff (between units of MNC)	Use of Expatriates (from HQ to subsidiary)	Company Charter or Principles	Written Policies	Management Audit / Internal Consultants	Use of ‘Business Schools’	Coercive Comparisons of Subsidiaries	HR-Managers at Subsidiary Level	ISO Certificate	Financial Control Mechanisms
Smith & Nephew	√	√	√	-	√	√	√	-	√	-	-	-	√	-

√= Facilitator Identified

- = Facilitator Absent

Source: Field Notes

4.3.6 Political Company Processes in Hilton

Hilton branded hotels arrange international meetings of managers on a regular basis.

“For HR we have a yearly meeting and our GM also have a yearly meeting for the entire region Europe and Africa.”
(PQ, Manager)

Following an international meeting of managers the *Esprit* handbook can be updated and changes are thus compulsory to implement at every hotel. If not, a set of recommendations is issued which is not compulsory to follow but as its name suggests only recommended to follow.

“There is always minutes [of the meetings] but because of the Esprit programme then these things are not compulsory, but only voluntary. If you feel it is a good idea you can implement them.”
(PQ, Manager)

The *Esprit* handbook is a very influential facilitator of transfer within Hilton. It details individual practices and how to implement them at the hotels

“We have some very clear guidelines from Esprit [...] that goes through every detail regarding the personnel [...] and how we communicate to our employees.”
(IB, Manager)

One respondent explains more about the *Esprit* handbook and how it impacts on practices at each hotel

“The folder consists of two parts. The first one is called “People at Hilton” about the recruitment, how to recruit, how to plan it, how to get the right people, how to pay them, how their personnel files must look like, their benefits, what makes Hilton a special place to work for - the staff needs good changing facilities and a nice canteen. There are standards for all kinds of things like this. There are also guidelines for how they expect us to communicate, the one to one meetings of course, the notice boards, intranet etc, training and development. How they expect us to do that. About Hilton university which is e-learning based. Social events and how to celebrate events. There must be a certain number of staff parties. We must have a team member of the month. Part two is then human resources operating standards. We are told how to run the personnel department.”
(PQ, Manager)

Hilton also has an online learning centre, the Hilton University. Here employees take on-line courses in hotel management specifically designed for Hilton.

“Most of the Hilton university is e-learning. [...] There are then some specific websites you can visit to find the information needed.”
(IB, Manager)

In addition to the on-line learning centre Hilton also has ‘residential courses’ where employees meet to learn about tangible skills. These include specific courses for staff in the kitchen, bars and front desk (PQ, Manager).

There is a group of internal consultants (alignment teams) visiting the hotels around the world on a regular basis. They assess each individual hotel to identify how far it is from the Hilton norm. A set of recommendations is drawn up after each visit.

“[The alignment team] is suppose to visit every hotel twice a year [...] and they will spend 48 hours in the hotel and they check everything and I mean everything. Then we get a report which is about 250 pages, so it is very detailed. [...] We get an idea where our standards are not up to the required Hilton level.”
(ID, Manager)

Another respondent confirms the existence of alignment teams and their task whilst visiting the hotel.

“There was an alignment team which came to the hotel. They almost took over the hotel and made sure that you learned how to run a Hilton hotel.”
(QK, Manager)

The company also uses expatriates to fill senior positions at the hotels around the world. In addition to this there is also an exchange programme where employees are placed at other hotels, usually within their own region.

Finally, each Hilton hotel consists of at least four directors. One of those is the HR director responsible for implementing corporate guidelines and regulations regarding employment issues (PQ, Manager; Hilton homepage).

This section has identified a number of facilitators of transfer in Hilton. The hotel uses international meetings of managers, has its own ‘university’ and ‘residential courses’, and are visited by an alignment team on a regular basis. The *Esprit* handbook

details every practice which must be followed at each hotel. However, all the identified facilitators are only applicable to Hilton hotels and not to Scandic. The international meetings of managers are only for Hilton managers, not Scandic. Scandic has its own ‘business school’ and Scandic hotels are not visited by the alignment team. The *Esprit* programme and handbook is only applicable to Hilton branded hotels as Scandic operates its own *Omtanke* programme. The research did not identify any facilitators of transfer between Hilton and Scandic brands.

Table 4.16: Summary of Facilitators of Transfer in Hilton

	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Head Office Requirement, Guideline or Decision to be Implemented Globally	International Meetings of Managers	Company Conferences, Project Meetings, Workshops incl. Best Practices Meetings and Cross-National Projects	Hands-on Training of Rank-and-File Employees and Managers	Exchange of Staff (between units of MNC)	Use of Expatriates (from HQ to subsidiary)	Company Charter or Principles	Written Policies	Management Audit / Internal Consultants	Use of ‘Business Schools’	Coercive Comparisons of Subsidiaries	HR-Managers at Subsidiary Level	ISO Certificate	Financial Control Mechanisms
Hilton to Hilton	√	√	√	√	√	√	√	√	√	√	√	√	-	-
Hilton to Scandic	-	-	-	-	-	-	-	-	-	-	-	-	-	-

√= Facilitator Identified

- = Facilitator Absent

Source: Field Notes

4.3.7 Section Summary

Section 4.3 has presented the facilitators of transfer in the case study companies. 4 of the MNCs have between 4 and 8 facilitators, only Hilton stands out with 12 identified facilitators. The two UK MNCs, Smith & Nephew and Hilton, are the companies with the most facilitators with 8 and 12 respectively. Medivir is the company with fewest facilitators, only 4 were identified.

The most frequent facilitators are ‘Directives and requirements from the head office’ and ‘company conferences, project meetings, workshops and best practice meetings’, including cross-national projects. They are identified in all 5 case study companies. 4 companies also use ‘international meetings of managers’ and ‘exchange of staff’. The remaining facilitators are found in 3 or less of the case study companies. Despite identifying 12 channels of transfer in Hilton, no facilitators were identified between the Hilton brand and Scandic.

Table 4.17: Summary of Facilitators of Transfer in Case Study Companies

	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Head Office Requirement, Guideline or Decision to be Implemented Globally	International Meetings of Managers	Company Conferences, Project Meetings, Workshops incl. Best Practices Meetings and Cross-National Projects	Hands-on Training of Rank-and-File Employees and Managers	Exchange of Staff (between units of MNC)	Use of Expatriates (from HQ to subsidiary)	Company Charter or Principles	Written Policies	Management Audit / Internal Consultants	Use of ‘Business Schools’	Coercive Comparisons of Subsidiaries	HR-Managers at Subsidiary Level	ISO Certificate	Financial Control Mechanisms
Höganäs	√	√	√	-	√	√	-	-	-	-	-	-	√	-
Cardo	√	√	√	√	-	-	-	-	-	-	√	√	-	√
Medivir	√	-	√	-	√	-	-	-	-	-	-	√	-	-
Smith & Nephew	√	√	√	-	√	√	√	-	√	-	-	-	√	-
Hilton to Hilton	√	√	√	√	√	√	√	√	√	√	√	√	-	-
Hilton to Scandic	-	-	-	-	-	-	-	-	-	-	-	-	-	-

√= Facilitator Identified

- = Facilitator Absent

Source: Fieldwork Notes

4.4 Employee Participation Practices and Transfers in Case Study Companies

4.4.1 Introduction

Section 4.4 identifies employment practices and transfers in each of the MNCs. It describes the extent of transfer, whether it is a full, intermediate or potential transfer. The chapter also outlines in transfer where the practice originates and to where it is transferred, i.e. whether it is a forward or reverse transfer. Finally, it is also establishes the channel of transfer through which the practice is transferred.

The section for each MNC is rounded up with a short paragraph summarising the findings. These findings are also reproduced in tabular form for an easy overview of transfers, direction of transfer and extent of transfer. At the end of Section 4.4 all the findings from the MNCs are summarised into one table.

4.4.2 Practices and Transfers in Höganäs

‘Big meetings’ is the main employee participation forum for employees in Höganäs Sweden. Other practices include newsletters, notice boards, intranet and emails. Employees can also voice their opinion through their elected representatives. In Powdrex, the main forms of employee participation are the monthly quality improvement meeting (QIM) which is open for every employee and the daily production meeting which is attended by the employee representatives (charge hands). Employee participation in Powdrex also includes newsletters, notice boards, intranet and emails, as well as health and safety committee meetings. Most direct employee participation practices in both Höganäs Sweden and Höganäs UK are located in the downward and two-way participation categories. Indirect participation is also widely used in Sweden but to a lesser extent in the UK subsidiary. Upward participation and delegated responsibility are used to a very limited extent.

Two transfers are identified in Höganäs. The first transfer is found in the downward participation category of ‘newsletters’. The Höganäs group publishes several newsletters for its employees in Sweden and abroad (UB, Manager; SE, Manager).

“We have an internal [group] newsletter and then we have an information leaflet. If the newsletter is published 4 times a year then the leaflet comes when it is necessary. This is distributed in both hard and soft copies. The latter via the intranet that we have.”
(SO, Manager)

The company-wide newsletter, *Brännpunkten*, describes what has happened in the group over the past 3 months and is distributed to every employee within the group.

“I think there is a quarterly newsletter which comes from Sweden and goes around the whole world. It describes the global activities of the company.”
(MH, Manager)

Powdrex used to have their own internal newsletter, which was discontinued before the acquisition.

"We called it the 'Rag'. It was very local. [...] There was always a few jokes in there as well but when [the person in charge of publishing it] left nobody had the time to pick it up and do it."
(MH, Manager)

Höganäs Sweden has used newsletters as channel of participation for a very long time.

"[We have] always [published newsletters]. One change has been that the newsletter is now also published in English. Both English and Swedish"
(SO, Manager)

The newsletters received in Powdrex come from Sweden and are identical to those distributed to other parts of the MNC. The transfer is therefore full and it is also clear as the respondents were able to describe it in detail. It is forward as it is the parent company which writes and distributes the newsletters.

The second transfer is found in the downward participation channel of 'intranet'. Höganäs developed an intranet on a group-wide level. It was launched in Sweden in 1998 and developed in accordance with Höganäs' expansion abroad.

"[We have had it] for quite some time now. In Sweden we have had it for about 5 years."
(SO, Manager)

It is based on a country by country basis where each subsidiary (or country) has its own homepage. The intranet contains general information about the organisation as well as more detailed and hands-on material such as quality manuals and staff handbooks (SO, Manager).

"Höganäs as a group has an intranet system [with] information about the department, telephone numbers, various company information. I think you can get the interim reports and those sort of things."
(SE, Manager)

It is acknowledged that it has a limited use as a channel of participation to the rank and file employees due to limitations in access to computers. For example, Powdrex has a total of 30 employees of which 25 work on the shop floor with no access to computers and internet (UB, Manager).

“...one must be honest to admit that it requires a lot of time and it must be introduced, understood and worked with. They have not managed that everywhere, but otherwise it is there.”
(SO, Manager)

The intranet was developed in Sweden and implemented there first. It was in use before Höganäs acquired Powdrex. The transfer of the intranet is a full transfer. It is only intermediate as the empirical data provided by the respondents are not very detailed.

In sum, this section on employee participation practices in Höganäs presented only two cases of transfer: newsletters and intranet. Both cases are forward transfers from the head office in Sweden to the UK subsidiary and are also examples of full transfers. The practices do not come from the divisional head office in Belgium. Instead they are transferred from the corporate head office in Sweden under the channel of ‘head office requirement, guideline or decision to be implemented globally’.

Some practices were found in neither Sweden nor the UK (for example works councils). Other practices were identified in either Sweden or the UK without any transfers taking place (for example trade union representative). In some cases a practice was identified in both Sweden and the UK, but no evidence of transfer was found (examples include notice boards and emails). The last two examples are considered as potential transfers as the possibility of a transfer existed. This is not the case with the first example as the practice was identified in neither of the countries. All the practices and transfers are summarised in the table on the following page.

Table 4.18: Summary of Practices and Transfers in Höganas

	Downward									Upward			Two-Way						Delegated		Indirect							
	Newsletter	Notice boards	Intranet	Emails	Video	Memo	Sigge School	Hilton University	Welcome day	Survey	Suggestion box	Monthly reports	Kick-off meetings	Big meetings	Open door policy and meetings with immediate managers	Video conference	Continuous improvement teams (CIT)	HR manager	Delegated Responsibility	Use of supervisors	Works council	Trade union representative	Elected employee representatives	Advance notice for trade union or employee representatives	Health and safety committees	Collective agreements	HR committees	Other committees
Swedish MNC	● ↑ +	○	● ↑ +	○	□	□	□	□	□	□	□	□	□	○	○	□	□	○	◇	◇	□	□	○	○	○	○	□	□
Höganas – Parent Sweden																												
Höganas – Subsidiary UK																												

Symbols explained

● Full transfer

● Partial transfer

○ No evidence of transfer found

⊗ Transfer was rejected by respondent

□ Practice was not found

◇ Data about this practice are missing

↕ Reverse transfer

➔ Forward transfer

➔ Transfer supported by more than one respondent

⊕ Replacement transfer

In cases of transfer

Clear transfer

Intermediate transfer

Potential transfer

4.4.3 Practices and Transfers in Cardo

Cardo has a holistic approach to informing and communicating with its employees in Sweden and subsidiaries abroad. Oftentimes, it uses several channels of downward participation simultaneously to repeat and reemphasize the message (GT, Manager). Cardo Sweden uses emails, newsletters, intranet, memos and even videos to communicate with employees. Staff can express their views upwards in the annual corporate employee survey. Regular meetings between managers and staff at plant level also take place. Indirect participation is extensively used and trade union representatives meet on a regular basis with head office representatives. The two parties have agreed to meet and discuss current issues as the trade unions have abstained from their statutory right of company board representation (KK, Manager). In PC Henderson the main employee participation practices are the 'Big meetings' and 'Open door meetings with managers'. It is also possible for employees to be involved on continuous improvement teams (CIT). PC Henderson has a works council where employee representatives meet with the management on a monthly basis. The MNC uses a large number of downward, upward, two-way and indirect employee participation practices. Delegated responsibility is the only category with no identified practices.

Five transfers are identified in Cardo. They are all direct participation practices with two transfers in each of downward and upward categories, and one transfer in the two-way participation category. The first transfer is newsletters. These are used at all levels within the MNC. There is a corporate newsletter for the entire MNC, a divisional newsletter for each of the two divisions (Door and Pump).

"We have for the whole Cardo group a magazine going out to all our employees in a number of different languages. This is distributed 4 times a year I think it is. [We have done this for] roughly 12-15 years or something like that. [...] Within the business areas they also have a written information coming out on a regular basis, in a newsletter form."
(KK, Manager)

PC Henderson in the UK also has their own internal newsletter produced and distributed in-house

“We get a magazine from the Group which tends to cover the major things happening within the group. Everybody is given a copy of that. The [local] newsletter is however, purely based on this company. [...] It is very much based around here.”

(LP, Manager)

The newsletter is a full transfer as the newsletters are transferred in their full to the subsidiary in the UK. It is also a clear transfer as the respondents are able to describe it in detail. It is a forward transfer from the Swedish head office to the subsidiary in the UK.

The second transfer is the use of a video produced by the divisional head office (Door) and distributed to every subsidiary within the division.

“We also produced an interview with our new business area manager where he was questioned on his philosophy, strategy and vision and that was then translated into 7 or 8 languages and put on to either DVD or VHS and then sent out. So the employees in each plant did not just get a PowerPoint presentation but also got a TV programme effectively so they could actually see the person.”

(GT, Manager)

The video is a full transfer as it is made in Sweden and transferred in its full to the subsidiary in the UK. It is a clear transfer as the respondents describe it in detail. It is a forward transfer from the Swedish head office to the subsidiary in the UK.

The introduction by the head office of a group-wide employee opinion survey in 2001 is the third transfer.

“We just started on [the survey] and it was an initiative from Cardo in 2001. [...] The first one was done in May 2001 and we did another one in May 2003.”

(GT, Manager)

Every employee in every subsidiary receives the same questionnaire. However, results are kept at plant level and are not consolidated.

“We do an employee satisfaction survey which runs at a timeframe of 18 months roughly. [...] We do it on a company basis. Company by company. When we did it the first time we tried to do it on a consolidated level and we

realised that the spread was so huge that you had companies at the extremes and when you tried to consolidate everything got lost.”
(KK, Manager)

Some companies already had their own survey which they then had to abandon.

“Some of [the subsidiaries] had been [running surveys] for 5-7 years but then we took this decision to establish a common format to do it, so we can actually gain something from learning from each other as well.”
(KK, Manager)

To follow up on the questionnaire the head office draws up an action plan of how to tackle the problems together with the local management and employees. In addition to this the head office provides managers from underperforming companies with contacts of managers from excelling companies.

“We took all the companies we had and looked at it at a scale. And these are the top 3. We also connected them with the bottom of the scale. Now go to these 3 companies and have a look at how they are doing the things. [...] Obviously, they are doing something which is good and then comparing it with what we are doing in our own company. [...] Helping them to find these good examples. [...] If you ask me if I can show you a report telling the whole picture that is not available but we really worked hands on with each company and created on the lowest level these action plans.”
(KK, Manager)

The opinion survey is a full transfer as questionnaires are standard and transferred in their full to the subsidiary in the UK. It is also a clear transfer as the respondents describe it in detail. It is a forward transfer from the Swedish head office to the subsidiary in the UK.

The fourth and fifth transfers are found in the upward participation category of ‘suggestion box’ and two-way participation category of ‘continuous improvement teams’ (CIT). The UK subsidiary of PC Henderson changed the ‘old fashioned’ paper suggestion box with a focused suggestion scheme.

“We took the view that suggestion schemes are great and we would use them to gain impetus around an area, so we would have more focused suggestion schemes. It might be a suggestion scheme around a particular product range and then we could handle that because we kept the scope tight.”
(GT, Manager)

PC Henderson in the UK works closely with its employees on the CIT.

"[The employees] got the ideas of if we change that and did this that would make it so much more simple so putting the two together from the text book, plus their knowledge of the section means that they get listened to and also we get the benefit. [...] It is very much a team process rather than us telling them. [...] What we will do is if we pick a particular area and we say that "right the intention here in this area is to reduce the set up time for the press from an hour to 20 min. Your team of 10 people that is your target for the next 2 days. How are you going to do it?"

(LP, Manager)

The UK subsidiary, PC Henderson, started to work with CIT before it was acquired by

Cardo

"What happened was, we would be using these techniques and approaches before we joined Cardo and Cardo introduced this approach through a lean manufacturing programme in 2002. We [PC Henderson] first started it in about 1996 I think it was. The first operation we did, when we were the old group. We just went on from there."

(GT, Manager)

The suggestion box and the CIT are two examples of reverse transfers. The practices are from the UK subsidiary of PC Henderson to Cardo in Sweden. They are linked to the group-wide lean manufacturing concept. Since the two transfers only supplement an existing practice, i.e. the lean manufacturing system, they are only considered as partial transfers. The suggestion box is an intermediate transfer as respondents only give some details about it. The CIT is a clear transfer as the respondents give detailed account of it.

The integration period is usually 18-24 months during which the newly acquired company is linked to good performing subsidiaries in the group.

"We do not go in to change the production structure from day one and things like this. We do not force them to use of purchasing channels or anything like that from the start. That is normally where we end up after 18-24 months. We have a way of working where we let it take some time. [...] What we try to do is to facilitate a process where we try to show them that they have colleagues around in Europe. [...] They are facing the same questions and problems as you have been doing. So we are trying to facilitate a networking to make them go and look at the people in Belgium to see what they are doing there and go to Germany etc. We try to guide them to find out these things. Then there is a point in time when you say that we have to fix the last issues as well so then we...they have probably already taken 75% of those steps by themselves. So there is not very much left really."

(KK, Manager)

In sum, the case study of Cardo revealed five examples of transfer. Three transfers are forward from the Swedish head office to the UK subsidiary and two are reverse from the UK subsidiary. Three transfers are full and two are partial. All the transfers, but one, are clear as the respondents gave detailed account.

Three practices (newsletters, video and survey) are transferred through the 'head office requirement, guideline or decision to be implemented globally' channel. The remaining two transferred practices (suggestion box and CIT) are transferred through the company conferences and workshops channel. All the transfers are summarised in table on the following page.

Table 4.19: Summary of Practices and Transfers in Cardo

	Downward									Upward			Two-Way						Delegated		Indirect							
	Newsletter	Notice boards	Intranet	Emails	Video	Memo	Sigge School	Hilton University	Welcome day	Survey	Suggestion box	Monthly reports	Kick-off meetings	Big meetings	Open door policy and meetings with immediate managers	Video conference	Continuous improvement teams (CIT)	HR manager	Delegated Responsibility	Use of supervisors	Works council	Trade union representative	Elected employee representatives	Advance notice for trade union or employee representatives	Health and safety committees	Collective agreements	HR committees	Other committees
Swedish MNC	●	○	○	○	●	○	○	○	○	●	○	○	○	○	○	○	●	○	○	○	○	○	○	○	○	○	○	○
Cardo - Parent Sweden	●	○	○	○	●	○	○	○	○	●	○	○	○	○	○	○	●	○	○	○	○	○	○	○	○	○	○	○
Cardo - Subsidiary UK	●	○	○	○	●	○	○	○	○	●	○	○	○	○	○	○	●	○	○	○	○	○	○	○	○	○	○	○

Symbols explained

- Full transfer
- Partial transfer
- No evidence of transfer found
- ⊗ Transfer was rejected by respondent
- Practice was not found
- ◇ Data about this practice are missing
- ↔ Reverse transfer
- ➔ Forward transfer
- ➔ Transfer supported by more than one respondent
- R Replacement transfer

In cases of transfer

- Clear transfer
- Intermediate transfer
- Potential transfer

4.4.4 Practices and Transfers in Medivir

The main forms of employee participation in both Medivir Sweden and Medivir UK are the 'Big meetings' and the HR council. Other practices include the use of emails, monthly reports writing and a health and safety committee. Advance notice is also given to employee representatives. In Medivir Sweden and Medivir UK employee participation practices are mainly located in the two-way and indirect participation categories. The MNC only uses one practice from each of the downward, upward and delegated responsibility categories.

Seven transfers are identified in Medivir. The first is found in the upward participation practice of monthly reports (GP, Manager).

"We send a monthly report by email to our manager at the end of each month, like an update of what you have done that month [...]. The line manager of each group would pick out the key points the company should know and that gets done as a monthly report and emailed to everyone in the company."

(DB, Non-Manual Employee)

The report writing started in Medivir UK and was transferred to Sweden as a consequence of the cross-national projects. Swedish project managers introduced them whilst working on projects in the UK and Sweden.

"They existed in England. [...] and did not exist in the "old" Medivir. They write them in England once a month and I have introduced this system in Sweden. [...] It comes from England and I have introduced it here in my group in Sweden."

(GP, Manager)

The writing of monthly reports is a full reverse transfer as employees in both Medivir Sweden and Medivir UK write them. It is also a clear transfer as respondents are able to describe it in detail.

The second transfer is in two-way 'Big meetings'. There have always been meetings between the management and the employees in Medivir Sweden on a more, or less, formal basis (MV, Non-Manual Employee).

“When we were smaller then the entire company consisted of a chemical and a biological part and then we met in order to plan the biological part of the company. [...] Then every Friday we had a general meeting where we talked about everything.”
(GP, Manager)

When Medivir recruited the new research director the meetings became more formalised and the frequency changed from weekly to monthly.

“Bertil Samuelsson who is the head of research in this company usually have once a month or every two months information meetings where he is giving us information about new employees, people who have resigned and what is happening in the organisation and also what is happening on the project. That is also an opportunity for people to ask questions as well.”
(MV, Non-Managerial Employee)

The two-way participation meetings were also introduced in Medivir UK around the time of the acquisition. Initially the meetings in Medivir UK were temporary but became permanent after the acquisition

“It was something which was introduced during the take over. [...] Jonas Frick who was the then CEO [...] actually stood up and said we meet like this and actually the whole process work well when everyone knows what is going on.”
(AZ, Manager)

The transfer of the ‘Big meetings’ is from the head office to the UK subsidiary as it is done by the CEO and the RD. It is clear because the respondents give detailed information about the introduction, frequency and content.

Medivir uses video conferencing between the two sites in Sweden and England for cross-site projects which is the third transfer (GP, Manager; FF, Non-Managerial Employee).

“About once a month we have a video conference meeting with England, concerning the project. [...] For the project we have a general meeting where everyone is invited to attend.”
(HJ, Non-Managerial Employee)

The video conferencing started after the acquisition in order to include the site in the UK.

"Then we have the video conference meeting. [...] Usually once a month [...] The meetings are project meetings and the participants vary. [The video conferencing started] a few years after the acquisition."
(FF, Non-Managerial Employee)

The video conference is introduced by the head office and is a forward transfer. It is also a full transfer but only intermediate as respondents give few details about it.

The fourth transfer is the HR council. The HR council, consisting of an employee representative from each of the departments, the HR manager (and the MD in the UK), meets every 4-8 weeks (AZ, Manager; OC, Manager)

"We have an HR-relations group led by [the corporate HR director] with representatives from all the departments, where everything can be discussed in relation to the work at Medivir."
(GP, Manager)

The HR council existed in Medivir UK before the acquisition and it is transferred from there to Medivir Sweden by the corporate HR director (OC, Manager).

"Quite recently [the corporate HR director] was implementing an HR group as well where people from each division is joining a meeting and they will bring forward ideas, thoughts and complaints we have had. That has started quite recently and it was coming from the UK."
(MV, Non-Managerial Employee)

It was first established in Medivir UK before the acquisition and later transferred to Medivir Sweden (OC, Manager).

"That [the HR council] I know was a practice before Medivir took over Mimetrix."
(WO, Manager)

There were no employee representatives in Medivir Sweden prior to the introduction of the HR council. These were also introduced from the UK together with the introduction of the HR council (OC, Manager). The introduction of employee representatives is the fifth transfer. The two transfers, HR council and employee representatives, are examples of reverse transfers as they both originate from Medivir UK. They are transferred in full and are also clear as respondents explain them in detail.

The sixth transfer relates to the independence of the employees. In Medivir Sweden the employees can spend 80% of their time and resources on projects coordinated with the management team. The remaining 20% is spent on pilot work by testing some 'wild' ideas or theories that the researcher has.

"Here the working hours are divided so you can work 80% on the project related areas and 20% on pilot research. This pilot research must be related to the research".

(HJ, Non-Managerial Employee)

It is a kind of groundbreaking research which one respondent calls 'rebellious work'

"What I am doing here nobody knows about. We are allowed semi-formally to do 20% of our work as 'rebellious work' when it concerns research. So there is a lot of scope to take a lot of initiatives."

(FF, Non-Managerial Employee)

The staffs in Medivir UK also have the possibility to do pilot work as in Medivir Sweden. Instead of the 20:80 proportion it is 10:90 in the UK.

"We have a sort of 10% rule, well rule. If you are attached to a project you are suppose to spend all your time on the project but if you find something which you think is interesting we have a 10% rule where you can spend 10% of your time exploring some mad idea. That is fine".

(RE, Manager)

The Swedish employees see themselves taking initiatives which is also picked up by a respondent from the UK site.

"I would say that people have quite a freedom to express themselves. I think in Sweden there would be a mutiny if people did not have that feeling to express themselves".

(WO, Manager)

It is clear from the interviews that employees in both Medivir Sweden and UK work very independently. It is classified as a partial transfer as the rule only determines the proportion of time being spent on different projects. It is only an intermediate transfer as employees in England give vague indications of it.

The seventh transfer is that of the HR manager. When Mimetrix was part of Peptide Therapeutics the employees had an HR manager who continues to be associated with Medivir UK after the acquisition (DB, Non-Managerial Employee). Medivir

Sweden did not have any HR manager before the acquisition or immediately after it. It was not until November 2001 that Medivir Sweden employed a full-time HR manager who would be responsible for HR on a group level (OC, Manager).

“They did not use to have an HR manager [in Sweden]. That has happened in the last 18 months or so. That has definitely been a development since they took over the UK company. [...] She has taken more...she has played some role in the UK HR, but we still have someone downstairs who is working for Acampos [new name for Peptide Therapeutics] and I think most people would turn to her”.
(WO, Manager)

Since the employees in Medivir UK had access to an HR manager before the employees in Medivir Sweden it is categorised as a reverse transfer. Since the respondents are only able to give some evidence of the work of the HR manager it is only classified as an intermediate transfer.

In sum, the Medivir case presented seven transfers of which four are reverse and three are forward. Four of the transfers are direct participation practices, two are indirect participation practices and one relates to delegated responsibility. Five of the practices are transferred in full and two only partially.

Three practices (big meetings, video conferencing, and HR manager) are transferred through the ‘head office requirement, guideline or decision to be implemented globally’ channel. The delegated responsibility transfer is through the ‘written guidelines’ channel, ‘monthly reports’ through the ‘company conferences’ channel, and the remaining two transfers (HR council and employee representatives) are through the ‘exchange of staff’ channel. All the transfers are summarised in the table on the next page.

Table 4.20: Summary of Practices and Transfers in Medivir

	Downward										Upward							Two-Way							Delegated		Indirect							
	Newsletter	Notice boards	Intranet	Emails	Video	Memo	Sigge School	Hilton University	Welcome day	Survey	Suggestion box	Monthly reports	Kick-off meetings	Big meetings	Open door policy and meetings with immediate managers	Video conference	Continuous improvement teams (CIT)	HR manager	Delegated Responsibility	Use of supervisors	Works council	Trade union representative	Elected employee representatives	Advance notice for trade union or employee representatives	Health and safety committees	Collective agreements	HR committees	Other committees						
Swedish MNC												+	↓	●										+	↓	●								
Medivir - Parent Sweden																																		
Medivir - Subsidiary UK																																		

Symbols explained

● Full transfer

◐ Partial transfer

○ No evidence of transfer found

⊗ Transfer was rejected by respondent

□ Practice was not found

◇ Data about this practice are missing

↔ Reverse transfer

➡ Forward transfer

+ Transfer supported by more than one respondent

R Replacement transfer

In cases of transfer

Clear transfer

Intermediate transfer

Potential transfer

4.4.5 Practices and Transfers in Smith & Nephew

The main channel of employee participation is the intranet (CD, Manager). Otherwise Smith & Nephew UK communicates with its employees through the 'Big meetings', newsletters, email and survey. Smith & Nephew Sweden uses the same employee participation practices. Some responsibility has been delegated to non-managerial employees in both the UK and Sweden. Most of the practices are direct participation practices. Only one example of delegated responsibility and no cases of indirect participation practices are detected in the UK and Sweden.

Three transfers are found in Smith & Nephew. The first is newsletters. The Swedish subsidiary receives several newsletters from England. One comes from the head office in London and is distributed to all the subsidiaries in the three global business units – GBUs (Orthopaedics, Endoscopy and Advanced Wound Management) approximately four times a year.

"...we have a magazine which comes from England which is distributed worldwide. A kind of general newsletter. [...] It comes a few times a year for sure. Maybe quarterly. [...] It is more general information, to get the big picture and things like that, news. If they open a new factory, a bit of everything."

(BK, Non-Managerial Employee)

There are also newsletters within each of the three business units. The AWM business unit has its own newsletter which is distributed electronically.

"Then we have a [divisional] electronic newsletter as well. We have one within the Silver Group, we have the Silver bandage. It is called the 'Silver Surfer', I think it is called something like that."

(TT, Manager)

In addition, there is also a newsletter specifically for the Hull site (the divisional head quarters for the AWM business unit) (CD, Manager). Finally, all the Swedish respondents confirm there is no internal newsletter in the Swedish subsidiary (KF, Manager; TT, Manager; BK, Non-Managerial Employee).

According to the Smith & Nephew 2003 Sustainability Report the company publishes a newsletter for all its employees in the group. It is called *Connexion* and is printed in four languages besides English. It comes three times a year (Smith & Nephew, 2003a:41). In addition, the report continues, the three GBUs distribute their own employee magazine and a number of countries around the world supplement these with their own local newsletters (Smith & Nephew, 2003a:41). The data from the interviews confirm what the company claims to be doing. It is a full clear transfer.

The second transfer is the intranet. It is widely used in Smith & Nephew and one respondent claims it is the main channel of communication.

"I would say that the major channel of that type of communication is via our intranet. We have basically a bulletin board and we will get emails when a new item has been posted and there is a link to the intranet site so you can read the communication."
(CD, Manager)

The intranet is structured according to GBUs instead of countries and every employee in the organisation has access to information in all three GBUs.

"Obviously the bulletins that do come through do provide information about the other divisions but our intranet site is a wound management intranet site. [...] It is almost like 3 different companies acting separately. [...]"
(CD, Manager)

The global intranet was introduced in 2000-2001 and originates from the corporate head office in the UK. It was launched throughout the entire MNC during a very short period of time and it was 'one-size fits all' solution where every subsidiary had to introduce it whether they had an intranet in the first place or not.

"It was a big launch for the entire company"
(TT, Manager).

There used to be an intranet at the subsidiary in Sweden before the 'new' intranet was introduced in 2001.

"We had an intranet but not in...like this is an intranet where I can go everyday to get information and I have access to a lot of centrally produced marketing reports etc. so it is a working tool. [...] We have had an intranet but not working as it is today."

(KF, Manager)

Information from the 2001 Annual Report confirms that during 2001 the global intranets were upgraded and they were networked with a new corporate intranet (Smith & Nephew, 2001:14). The intranet identified above is characterised as a full clear forward transfer as it is launched from the head office and delivered to all the subsidiaries at the same time. The subsidiary in Sweden already had an intranet which then became replaced with the new one. It is, therefore, also a replacement transfer.

The third transfer is found in the upward participation category of survey. Smith & Nephew conducted two global opinion surveys; the first was launched in 2000 and the second, two years later, in 2002 (KF, Manager; TT, Manager; BK, Non-Managerial Employee)..

“The company is actually quite good at communicating with its employees. About 3 years ago [we had] an employee satisfaction survey to try to understand whether the employees felt involved in the strategic direction of the business [...]. So that was undertaken about 3 years ago and changes were made and a second survey was conducted to see whether any improvements have been seen.”

(CD, Manager)

Prior to being acquired by Smith & Nephew, the Swedish subsidiary only carried out a questionnaire survey with their sales people but not with the entire workforce.

According to the 2004 Sustainability Report (Smith & Nephew, 2004:17 and 60) Smith & Nephew carried out the first Global Opinion Survey in 2000 and the second in 2002. The case study data correspond with information on the company's homepage; that Smith & Nephew has initiated a survey on a group-wide level. The respondents and the company indicate that the surveys are initiated from the head office and distributed to all the subsidiaries in the UK and abroad. The respondents also describe the questionnaire in some details which makes it a clear full forward transfer.

In sum, the presentation of Smith & Nephew revealed three cases of transfer. All are full and forward from the head office to the Swedish subsidiary. One transfer,

intranet, is also identified as a replacement transfer. All three transfers are confirmed by secondary sources published by the head office. For this reason, the findings are considered to be reliable and accurate.

All practices are transferred through the 'head office requirement, guideline or decision to be implemented globally' channel. The findings are summarised in the table on the next page.

Table 4.21: Summary of Practices and Transfers in Smith & Nephew

	Downward								Upward			Two-Way						Delegated		Indirect								
	Newsletter	Notice boards	Intranet	Emails	Video	Memo	Sigge School	Hilton University	Welcome day	Survey	Suggestion box	Monthly reports	Kick-off meetings	Big meetings	Open door policy and meetings with immediate managers	Video conference	Continuous improvement teams (CIT)	HR manager	Delegated Responsibility	Use of supervisors	Works council	Trade union representative	Elected employee representatives	Advance notice for trade union or employee representatives	Health and safety committees	Collective agreements	HR committees	Other committees
UK MNC	●	□	●	□	□	□	□	□	□	●	□	□	□	□	□	□	□	□	□	◇	◇	□	□	□	□	□	□	□
S & N - Parent UK	●	□	●	□	□	□	□	□	□	●	□	□	□	□	□	□	□	□	□	◇	◇	□	□	□	□	□	□	□
S & N - Subsidiary Sweden	●	□	●	□	□	□	□	□	□	●	□	□	□	□	□	□	□	□	□	◇	◇	□	□	□	□	□	□	□

Symbols explained

- Full transfer
- ◐ Partial transfer
- No evidence of transfer found
- ⊗ Transfer was rejected by respondent
- Practice was not found
- ◇ Data about this practice are missing
- ↔ Reverse transfer
- ➔ Forward transfer
- + Transfer supported by more than one respondent
- R Replacement transfer

In cases of transfer

- Clear transfer
- ▨ Intermediate transfer
- ▤ Potential transfer

4.4.6 Practices and Transfers in Hilton

The Hilton branded hotels use a wide array of employee participation practices. Communication takes place downward through newsletters, notice boards, intranet, emails and Hilton University, and upwards via the survey. Two-way participation exists in the form of 'Big meetings' and open door policy. Responsibility is also delegated concurrently with using supervisors. Hilton branded hotels also use indirect participation in the form of health and safety meetings with employee representatives. Scandic branded hotels also use many different forms of employee participation, such as newsletters, intranet, emails and notice boards. It also has its own Scandic Business School. Employees can express their voice through the survey and suggestion box. Two way communication practices include 'Big meetings' and Kick-off meetings. Responsibility is also delegated in Scandic and employee representatives are on board the health and safety committee.

Nine transfers are identified in Hilton. The employees at the Hilton hotel in Malmö and Copenhagen receive several different newsletters. The global newsletter is distributed to all Hilton hotels around the world four to six times a year (ID, Manager)

"We have also [the global Hilton newsletter]. I think that is bimonthly or quarterly. It comes out 4-6 times a year."
(IB, Manager)

In addition, there is a newsletter, *InTouch*, for the Hilton hotels in Europe and Africa published four times a year (IB, Manager)

"We have for the Europe and Africa region a newsletter which is called InTouch which is published quarterly and describes what happens in the region."
(PQ, Manager)

The hotels in Malmö and Copenhagen also receive an electronic newsletter covering the field of human resources for the Hilton hotels in the European region (PQ, Manager; IB, Manager). All three newsletters are produced and distributed from the head office in

England. The Hilton Malmö's bimonthly internal newsletter, *Update*, is written by the HR Coordinator and the training manager (IB, Manager).

"We have the Update that comes out every 2 months. It is an internal newsletter."

(DO, Manager)

The magazines available to the Hilton Malmö were all introduced following the acquisition and the rebranding to Hilton. Prior to the rebranding the hotel only had a Swedish magazine from Scandic which it no longer receives. The newsletters from the Hilton head office to the Hilton Malmö hotel are all examples of a clear full forward transfer. The newsletters can also be seen as replacement transfers as the Hilton Malmö hotel no longer receives the magazines from Scandic.

One of the two Scandic hotels, Scandic Park, has two newsletters: an internal and a chain-wide newsletter.

"I talk directly to everyone through the Park magazine, a weekly magazine on 2 pages in which we inform what is going to happen during the week to come."

(KU, Manager)

Scandic Continental has the chain-wide newsletter but was going to launch an internal newsletter shortly after the interviews were carried out.

"We will communicate via emails as before but it is another type of information which goes out via email. [...] It will be more like a magazine. It should come out once a month to everybody."

(BH, Manager)

The Scandic chain-wide newsletter is distributed in both hard and soft copies and has existed for many years prior to the acquisition (LA, Manager). There are no indications that any of the Scandic hotels receive newsletters from Hilton, thus no transfer.

The second transfer in Hilton is in notice boards. Hilton Langham, Copenhagen and Malmö use notice boards as a channel of communication (PQ, Manager; NA, Manager; DO, Manager).

"We have some very standardised notice boards which are divided into certain areas where people can look for their information."

(IB, Manager)

The use of notice boards within Hilton Malmö has been directed by Hilton regulations from the *Esprit* handbook (PQ, Manager), thus a transfer has taken place. It is also a clear transfer as the respondents describe it in some detail. However, it is not apparent whether the hotel used notice boards prior to the rebranding making it difficult to tell if it is a new practice or it alters an existing one. Therefore, it is only characterised as a partial transfer.

Both of the Scandic hotels use notice boards to inform their employees. However, the researcher did not find any evidence of guidelines being issued from the Scandic head office regarding their use; whether they were to be used at all, where they should be placed, what information should be displayed on them and who should be responsible for keeping them up-to-date, nor that Hilton had any influence. Thus, no transfer in notice boards between Hilton and Scandic.

The third transfer is found in the downward participation category of intranet. When the hotel in Malmö rebranded into Hilton it was also connected to the Hilton intranet.

"We have got a new way of communicating, a new concept and a new intranet, and they do not have anything to do with the Scandic intranet any more. It is being phased out."

(IB, Manager)

Scandic and Hilton are strong brands on their own which should not be mixed together. Therefore, they should each have their own intranet running independently of the other.

"We have kept Scandic and Hilton [intranets] separated. In the beginning we talked about how we were going to merge all of these things [...] but then we said after a while these are two strong brands with two strong concepts so we have decided to keep them apart."

(CA, Manager)

The transfer of the intranet in Hilton Malmö replaces the intranet from when the hotel was a Scandic hotel. It is a forward clear full transfer. It is also a replacement transfer as the hotel had a functional intranet before the rebranding and acquisition.

Scandic has a group-wide intranet connecting all the Scandic hotels together. It contains general information from the Scandic head office as well as local information from each hotel's general manager as well as functioning as the portal for the on-line learning. There is no transfer from Hilton to Scandic in the category of intranet.

The email system is the fourth transfer. Every manager in Hilton Malmö has an email account, the reception has one and there is one for the hotel where reservations are received (PE, Manager).

"It is one of the primary communication media we use together with meetings."
(PE, Manager)

One manager from Hilton Malmö comments on the change in the number of emails received now as being part of Hilton compared to when the hotel was a Scandic hotel.

"The largest difference is [...] how you handle the emails. Previously you wrote an email to the person to whom it concerned and then you got your answer back. Today, it goes out to another 20 persons, and this is a big difference."
(QK, Manager)

It is difficult to determine whether there has been any transfer in the system as two different email systems easily can be linked together. However, there was evidence of change in the way emails are used. It is, therefore, only categorised as a partial intermediate forward transfer.

The fifth transfer relates to the Hilton University launched in 2002 and rolled out to cover all the Hilton branded hotels. The decision to set up the university was taken centrally and the courses offered are identical to all Hilton hotels and their employees (Hilton University homepage).

"We have the courses that you can take all the time and then occasionally we have courses that run for 6 weeks for F&B either for kitchen or service. [...] Most of the Hilton university is e-learning."
(IB, Manager)

There are also courses which are not on-line and participants meet somewhere to be taught tangible skills.

“We have the residential courses. These are courses where people meet where there is a big airport and a Hilton airport hotel then there are some courses there. I think there are maybe 30 different. These are of course more expensive.”

(PQ, Manager)

Scandic has its own learning centre, the Scandic Business School.

“[Participants learn about] Scandic and its history, safety and environment. [...] It takes about 5 hours to complete [...] There is also a part about how to treat guests, complaints.”

(IR, Manager)

The Hilton University and Scandic Business School are two independent “institutions” within the Hilton family with no direct link between them. The Hilton University is a clear full forward transfer as it replaced the Scandic Business School for the rebranded hotels and the transfer can thus be seen as a replacement transfer. Since Scandic still continues with its own business school there is no transfer from Hilton to Scandic.

The use of an employee opinion survey is the sixth transfer. The Hilton Malmö has a yearly team member opinion survey distributed from the Hilton HQ (ID, Manager). The survey questions are identical at all Hilton hotels within each geographical region.

“We have what we call a viewpoint, a survey that we do twice a year. Company wide we have a set form that is sent out and the employees tick off and you get the results: satisfactorily or non-satisfactorily.”

(NA, Manager)

The Hilton hotel in Copenhagen has the same survey with identical questions as the hotel in Malmö.

“It is a standard one. I know that Copenhagen had the same one with the same questions. [...] It is what you think about the hotel, your opportunities etc.”

(DO, Manager)

However, the Hilton in London has a different questionnaire as it is part of a different geographical area (UK/Ireland contrasted to Europe/Africa for the two Scandinavian hotels). The procedures surrounding the survey are regulated by the *Esprit* handbook (PQ, Manager).

The Scandic hotel chain also operates a yearly employee survey, the *Scandic Voice*.

“Once a year we have an internal attitude survey as we call it. We call it the Scandic Voice. [...] It has been running for 7 years.”
(CA, Manager)

It can be filled in on-line and it is the same format for all employees throughout the chain. Attempts are made to keep the questionnaire unchanged from year to year.

“We have looked at [Hilton’s] and it has a lot of things that we could use but implementing too many changes would mean losing the ability to compare results from previous years. [...] There are a lot of good things in Hilton’s that we probably could use and vice versa.”
(CA, Manager)

Both Scandic and Hilton operate their own employee opinion survey. Each is standardised within each chain and there are no overlaps between the two. The respondents give a clear and detailed account of it which is why it is full clear forward transfer. Since it also replaces an existing survey from Scandic it is seen as a replacement transfer. The decision to change came from the Hilton head office and it is also part of the *Esprit* handbook.

In Hilton Malmö the general manager chairs the team member forum (*Big Meetings*), open to all employees, four times a year (DO, Manager; ID, Manager; IB, Manager; PE, Manager).

“We have a forum 4 times a year where we inform about some of the more compulsory things like finance etc. It is also an open forum for questions and discussions and if there is a special topic which needs to be discussed.”
(IB, Manager)

The team member forums in Hilton hotels are regulated by the *Esprit* handbook setting guidelines for their frequency and content. Both of the Scandic hotels have *Big Meetings* where the general manager addresses all the employees. The Scandic head office has not requested any specific format or how often these meetings should be held so it is up to the individual hotels to decide. At Scandic Park and Continental they take place three to six times a year. The *Big Meetings* in Hilton is a clear full transfer and also replaces the practice from Scandic.

The eighth transfer relates to the independence of employees. Hilton hotels have standards giving the employees the freedom to do what they believe is correct as long as they can justify their actions. The delegation of responsibility is linked to the brand of the hotel and the level of service offered.

"We have our brand standard services. We have to live up to the standard."
(DO, Manager)

Another respondent gives an example of how employees can take independent decisions

"A receptionist can do almost anything to satisfy the guest. They can make a decision of up SEK 500 in purchasing, as long as the client is happy."
(QK, Manager)

The staff in Scandic can also make independent decisions but it is not formalised to the same extent as in Hilton. The transfer to Hilton Malmö is clear as respondents provide detailed information. It is only a partial transfer as employees in Scandic can also make independent decisions. It also replaces what rules there were before the rebranding, hence it is a replacement transfer.

The ninth transfer in Hilton is related to the use of supervisors. The Hilton Malmö hotel has more supervisors introduced after the rebranding, especially in the reception.

"In the reception there is now receptionists, supervisors, assistant front desk manager and then the front desk manager."
(PE, Manager)

The respondent contrasts this to the time when the hotel was a Scandic and says

"The supervisors were introduced by Hilton, together with the assistant front desk manager. In Scandic they just have receptionists and a front desk manager."
(PE, Manager)

Supervisors have also been introduced in other parts of the hotel than just at the reception.

"We have in the breakfast ... there is also a manager and a supervisor and in the banquet it is the same. In the conference there is only a manager. In the kitchen there is now a chef and a sous-chef."
(DO, Manager)

In Scandic the delegation of responsibility to lower ranked employees is part of a wider policy issued by the head office. The distance from the top to the bottom in the company is short.

“The basic thing within Scandic and in most Swedish and Nordic companies is that the organisation is very flat and that you are allowed opinions even though they are about something different than your specific task.”
(LW, Manager)

Another Scandic manager says almost all responsibility lies with the line manager in every sense. The manager is responsible for the running of the department and the well-being of the people working in there.

“The HR responsibilities lie with the immediate manager.”
(BH, Manager)

The scope for the non-managerial Scandic employees to make their own decisions did not change since Hilton acquired the hotel chain (LW, Manager; BG, Non-Managerial Employee)

The respondents at Scandic were also asked if they felt the acquisition had created (more) supervisors in their department. It did not seem to be the case that more people are working in a position to supervise and control other employees.

The use of supervisors is a full and clear replacement transfer in Hilton. The respondents from Scandic confirmed that they had not experienced any changes in their hotel since the acquisition which is why it is marked as a no transfer.

In sum, the findings from Hilton’s acquisition of Scandic revealed nine transfers. All the transfers are within the Hilton brand and not a single transfer is between Hilton and Scandic. All the transfers, but three are full and are forward from the head office to the hotels abroad. Of the nine transfers seven are also replacement transfers. Five of the transferred practices (newsletter, intranet, Hilton University, delegated responsibility and use of supervisors) are transferred through the ‘head office requirement, guideline or decision to be implemented globally’ channel and the remaining practices through the

‘written guidelines’ channel⁵. In this case it is because of the *Esprit* handbook. All the transfers are summarised in the table on the next page.

⁵ It has not been possible to detect the channel through which ‘emails’ are transferred

Table 4.22: Summary of Practices and Transfers in Hilton

	Downward								Upward			Two-Way						Delegated		Indirect									
	Newsletter	Notice boards	Intranet	Emails	Video	Memo	Sigge School	Hilton University	Welcome day	Survey	Suggestion box	Monthly reports	Kick-off meetings	Big meetings	Open door policy and meetings with immediate managers	Video conference	Continuous improvement teams (CIT)	HR manager	Delegated Responsibility	Use of supervisors	Works council	Trade union representative	Elected employee representatives	Advance notice for trade union or employee representatives	Health and safety committees	Collective agreements	HR committees	Other committees	
UK MNC	●→+R	●→+	●→+R	●→	○	□	○	●→+R	○	●→+R	○	□	○	○	○	□	□	□	□	○	○	□	○	○	○	○	○	□	○
Hilton - Hilton	○	○	○	○	○	□	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
Hilton - Scandic	○	○	○	○	○	□	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○

Symbols explained

●

Full transfer

◐

Partial transfer

○

No evidence of transfer found

⊗

Transfer was rejected by respondent

□

Practice was not found

◇

Data about this practice are missing

↩

Reverse transfer

➡

Forward transfer

+

Transfer supported by more than one respondent

R

Replacement transfer

In cases of transfer

Clear transfer

Intermediate transfer

Potential transfer

4.4.7 Summary

Section 4.4 has presented all the identified transfers in the case study companies. It also described the extent of the transfers, whether they were full or intermediate transfers. It further outlined for each of the transfers where the practice originated and to where it was transferred, i.e. whether it was a forward or reverse transfer. Finally, it also established the channel of transfer. All the channels used for the transfers are summarised in Table 4.23 below. Channels in the top two categories are all examples of *authority relations* as discussed in section 2.6.2.1 where the flow of practices is from the centre and out. The bottom two categories are examples of *resource-dependent power relations*, *exchange relations* and *cultural relations*, also discussed in the same section. In these channels, the subsidiary can exercise some influence and the channels are expected to facilitate reverse transfers.

All the practices and transfers are summarised in Table 4.24 on the following page. The analysis of these findings is the focus of Chapter 5.

Table 4.23: Transferred Practices and their Channels of Transfer

	Höganäs	Cardo	Medivir	Smith & Nephew	Hilton
Head Office Requirement, Guideline or Decision to be Implemented Globally	Newsletter Intranet	Newsletter Video Survey	Big meetings Video conferencing HR Manager	Newsletter Intranet Survey	Newsletter Intranet Hilton University Delegated responsibility Use of supervisors
Written Guidelines Regarding Policies, Company Charter or Principles, incl. <i>Esprit</i> .			Delegated responsibility		Notice boards Survey Big meetings
Company Conferences, Project Meetings, Workshops incl. Best Practices Meetings and Cross-National Projects, Hands-on Training of Rank-and-File Employees and Managers		Suggestion box CIT	Monthly reports		
Exchange of Staff (from anywhere in the MNC to anywhere in the MNC)			HR council Employee Representatives		

Source: Fieldwork Notes

Table 4.24: Summary of Practices and Transfers in Case Study Companies

	Downward									Upward			Two-Way					Delegated		Indirect								
	Newsletter	Notice boards	Intranet	Emails	Video	Memo	Siege School	Hilton University	Welcome day	Survey	Suggestion box	Monthly reports	Kick-off meetings	Big meetings	Open door policy and meetings with immediate managers	Video conference	Continuous improvement teams (CIT)	HR manager	Delegated Responsibility	Use of supervisors	Works council	Trade union representative	Elected employee representatives	Advance notice for trade union or employee representatives	Health and safety committees	Collective agreements	HR committees	Other committees
Swedish MNC	+	+	+	+	+											+	+	+	+	+								
	+	+	+	+	+											+	+	+	+	+								
	+	+	+	+	+											+	+	+	+	+								
	+	+	+	+	+											+	+	+	+	+								
	+	+	+	+	+											+	+	+	+	+								
	+	+	+	+	+											+	+	+	+	+								
UK MNC	+	+	+	+	+											+	+	+	+	+								
	+	+	+	+	+											+	+	+	+	+								
	+	+	+	+	+											+	+	+	+	+								
	+	+	+	+	+											+	+	+	+	+								
	+	+	+	+	+											+	+	+	+	+								
	+	+	+	+	+											+	+	+	+	+								
S & N - Parent UK	+	+	+	+	+											+	+	+	+	+								
	+	+	+	+	+											+	+	+	+	+								
	+	+	+	+	+											+	+	+	+	+								
	+	+	+	+	+											+	+	+	+	+								
S & N - Subsidiary Sweden	+	+	+	+	+											+	+	+	+	+								
	+	+	+	+	+											+	+	+	+	+								
Hilton - Hilton	+	+	+	+	+											+	+	+	+	+								
Hilton - Scandic	+	+	+	+	+											+	+	+	+	+								

Symbols explained

- Full transfer
- ◐ Partial transfer
- No evidence of transfer found
- ⊗ Transfer was rejected by respondent
- Practice was not found
- ◇ Data about this practice are missing
- ◀ Reverse transfer
- ➔ Forward transfer
- + Transfer supported by more than one respondent
- R Replacement transfer

In cases of transfer

- ◻ Clear transfer
- ◻ Intermediate transfer
- ◻ Potential transfer

4.5 Chapter Summary

Chapter 4 served three main purposes – outlining the MNCs’ structural and political company characteristics, and identifying transfers between the parent companies and their subsidiaries. Outlining those is important to discuss in subsequent chapters the influence of the former two on transfers.

Of the five MNCs, two are British and three are Swedish. The difference in nationality is also reflected in the transfers. This is demonstrated by the differences in incidence of transfers as well as direction of transfer. These findings are significant as they extend our understanding of transfers between permissive and restrictive NBS. The data are also useful in informing about the flow of practices to and from ‘dominant systems’.

One MNC, Hilton, was described as being structured according to brands. This finding was confirmed for both the structural and political company characteristics and the implications were also seen in the pattern of transfers, which was intra-brand rather than inter-brand. The finding is important because it opens up the possibility for describing a new MNC typology. It also informs about the importance of company characteristics versus NBS on transfers.

Another prominent pattern emerging is the post-acquisition integration approaches adopted by the Swedish and UK MNCs. The Swedish MNCs were found to be integrating by the symbiotic approach whereas the absorption integration approach was only used by the UK MNCs. Transfers also showed to be associated with the different integration approaches, which indicate that the post-acquisition integration approach matters and influences transfers.

Three subsidiaries were found to be ‘significant’ to the MNC in terms of number of employees, turnover and in possession of know-how, patents and skills. The data on transfers demonstrate a link between the subsidiary ‘significance’ and reverse transfers.

This is important as it adds to knowledge of under which circumstances there is an outflow of practices from the subsidiaries.

The differences in company characteristics and transfers are compared and contrasted further in Chapter 5.

CHAPTER 5

COMPARATIVE ANALYSIS OF EMPLOYEE PARTICIPATION PRACTICE TRANSFER

5.1 Introduction

Drawing upon the case studies presented in chapter 4, we now turn to analysing the effect of the NBS and company characteristics upon the transfer of employee participation practices. The extent to which country-of-origin influences the transfer of practices between parent and subsidiary companies in Sweden or the UK is examined, and their ability or willingness to adopt practices from their foreign subsidiaries. In this analysis attention is also directed at understanding the influence of company characteristics upon the transfer of practices, and if they may override broader national influences.

Chapter 4 presented clear evidence of practices being transferred between the parent company and the foreign subsidiary, both as FT and RT. The pattern of these transfers is discussed in section 5.2. This is followed by an examination of the incidence and direction of transfers. The analysis in section 5.3 informs about the country-of-origin and company characteristics influence on the pattern of transfers.

Seven practices were identified in section 3.3 to be embedded within the country-of-origin of either Sweden or the UK. Section 5.4 compares the transfer of these practices to identify any country-of-origin effects. Whereas sections 5.2 and 5.3 examine the influence of the NBS and structural company characteristics on transfers, section 5.5 analyses the influence of political company characteristics (channels of transfer).

5.2 Signs of Transfer Between the Parent and its Acquired Foreign Subsidiary

5.2.1 Incidence and Direction

The total number of transferred practices identified in Table 4.24 is 26, with 14 transfers in the three Swedish MNCs and 12 transfers in the two UK MNCs. There is a large difference in the number of transfers between individual MNCs. Considering all three major categories of direct participation (DP), delegated responsibility (DR) and indirect participation (IP), and both forward transfer (FT) and reverse transfer (RT) the number of transfers ranges from 2 to 9. Hilton, with 9 cases, is the MNC with most transfers. Medivir is the MNC with the second highest number of transfers overall with 7, followed by Cardo with 5 transfers. The two MNCs with the lowest overall number are Smith & Nephew and Höganäs with 3 and 2 respectively (Table 4.24).

Splitting the total number of transfers into the three main categories of DP, DR and IP, it is very clear that the vast majority of transfers are in the category of DP (Table 4.24). 17 of the 21 identified DP transfers are FT and only 4 are RT (Table 5.1). The MNC with most DP transfers is Hilton Group with 7, all of which are within the Hilton Brand, without a single transfer to/from Scandic. Cardo has the second highest incidence of transfers in the DP category with 5, followed by Medivir, Smith & Nephew, and Höganäs with 4, 3 and 2 transfers respectively. The only two MNCs with RT in DP are Medivir and Cardo both with 2 RT.

Table 5.1: Summary of Direct Participation Practices and Transfers in Case Study Companies

	Downward									Upward			Two-Way						Total	
	Newsletter	Notice boards	Intranet	Emails	Video	Memo	Sigge School	Hilton University	Welcome day	Survey	Suggestion box	Monthly reports	Kick-off meetings	Big meetings	Open door policy and meetings with immediate managers	Video conference	Continuous improvement teams (CIT)	HR manager	Total FT	Total RT
Swedish MNC																			→	←
Höganäs – Parent Sweden	•→+	○	•→+	○	□	□	□	□	□	□	□	□	□	○	○	□	□	○	2	0
Höganäs – Subsidiary UK	•→+	○	•→+	○	□	□	□	□	□	□	□	□	□	⊗	○	□	□	○	2	0
Cardo – Parent Sweden	•→+	○	○	○	•→+	○	□	□	□	•→+	•←	□	□	○	○	□	•←+	○	3	2
Cardo – Subsidiary UK	•→+	○	○	○	•→+	○	□	□	□	•→+	•←	□	□	○	○	□	•←+	○	3	2
Medivir – Parent Sweden	□	□	□	○	□	□	□	□	□	□	□	•←+	□	•→+	○	•→+	□	•←+	2	2
Medivir – Subsidiary UK	□	□	□	○	□	□	□	□	□	□	□	•←+	□	•→+	○	•→+	□	•←+	2	2
UK MNC																				
Hilton – Hilton	•→+R	•→+R	•→+R	•→	○	□	□	•→+R	○	•→+R	□	□	□	•→+R	○	□	□	□	7	0
Hilton – Scandic	○	○	○	○	□	□	○	□	□	○	○	□	○	○	○	□	□	□	0	0
S & N – Parent UK	•→+	□	•→+	○	□	□	□	□	□	•→+	□	□	□	○	○	□	□	○	3	0
S & N – Subsidiary Sweden	•→+	□	•→+	○	□	□	□	□	□	•→+	□	□	□	○	○	□	□	○	3	0

= Cases of forward transfers

= Cases of reverse transfers

Source: Field notes. Symbols are identical to those from Table 4.24

Only 3 transfers are identified in the DR category, all of which are FT. 1 transfer is in Medivir and 2 are in Hilton Brand to Hilton Brand. No transfers are identified in the other 3 MNCs (Table 4.24). In the IP category, only 2 transfers are identified. Both are in Medivir and are examples of RT. No other IP transfers in any of the other MNCs are registered, neither FT nor RT (Table 4.24).

A number of replacement transfers were also identified in Chapter 4 and are marked in green in Table 5.2 below. A total of 8 replacement transfers, or around one third of the total number of transfers, were found in the case study MNCs. All replacement transfers are in the main categories of DP and DR. The pattern in Table 5.2 shows replacement transfers to be mainly associated with the brand structured MNC. Of the 8 replacement transfers, 7 are Hilton Brand to Hilton Brand transfers and 1 in Smith & Nephew. All the replacement transfers are transferred as FT, from the parent company to the foreign subsidiary (in the case of Hilton it is to other Hilton branded hotels). Replacement transfers are always, bar one instance, transferred in full.

Table 5.2: Summary of Replacement Transfers in Case Study Companies

	Downward									Upward			Two-Way						Delegated	
	Newsletter	Notice boards	Intranet	Emails	Video	Memo	Sigge School	Hilton University	Welcome day	Survey	Suggestion box	Monthly reports	Kick-off meetings	Big meetings	Open door policy and meetings with immediate managers	Video conference	Continuous improvement teams (CIT)	HR manager	Delegated Responsibility	Use of supervisors
Swedish MNC																				
Höganäs – Parent Sweden	• → +	○	• → +	○	□	□	□	□	□	□	□	□	□	○	○	□	□	○	◇	◇
Höganäs – Subsidiary UK	• → +	○	• → +	○	□	□	□	□	□	□	□	□	□	⊗	○	□	□	□	○	○
Cardo – Parent Sweden	• → +	○	○	○	• → +	○	□	□	□	• → +	• ←	□	□	○	○	□	• ← +	○	◇	◇
Cardo – Subsidiary UK	• → +	○	○	○	• → +	○	□	□	□	• → +	• ←	□	□	○	○	□	• ← +	○	◇	◇
Medivir – Parent Sweden	□	□	□	○	□	□	□	□	□	□	□	• ← +	□	• → +	○	• → +	□	• ← +	• → +	□
Medivir – Subsidiary UK	□	□	□	○	□	□	□	□	□	□	□	• ← +	□	• → +	○	• → +	□	• ← +	• → +	□
UK MNC																				
Hilton – Hilton	• → + R	• ← +	• → + R	• ←	○	□	□	• → + R	○	• → + R	□	□	□	• → + R	○	□	□	□	• → + R	• → + R
Hilton – Scandic	○	○	○	○	□	□	□	□	□	○	□	□	□	○	○	□	□	□	○	○
S & N – Parent UK	• → +	□	• → + R	○	□	□	□	□	□	• → +	□	□	□	○	○	□	□	○	○	◇
S & N – Subsidiary Sweden	• → +	□	• → + R	○	□	□	□	□	□	• → +	□	□	□	○	○	□	□	○	○	◇

 = Cases of replacement transfers

Source: Field notes. Symbols are identical to those from Table 4.24

The balance of FT and RT is almost four to one towards the former. Of the 26 identified transfers 20 are FT and 6 are RT. It is evident from Table 4.24 that RT only exists in Swedish MNC, i.e. practices are transferred from the UK subsidiary to the parent company in Sweden. The 6 RT are found in Cardo and Medivir where the former has 2 and the latter 4. In Cardo, the RT are only in DP whereas in Medivir 2 of the RT are also found in IP.

The 3 Swedish MNCs have a total of 14 transfers in all 3 main categories of which almost half are RT (6). In the categories where RT are identified in the Swedish MNCs (upward, two-way and IP) they constitute 40% or more of all the transfers in these categories (Table 4.24).

Also, Chapter 4 identified a number of potential transfers¹. Table 5.3 highlights all the identified potential transfers, marked in yellow. Three points emerge from the table – firstly, some practices (emails and open door policy) remain potential transfers in all five MNCs. Secondly, in 2 of the 5 MNCs (Höganäs and Hilton Group) there are more practices which potentially could have been transferred as FT than RT. In another

2 MNCs (Medivir and Smith & Nephew) the proportion is even, and in 1 MNC (Cardo) there is more potential transfers as RT. Thirdly, Hilton Group is the MNC with the highest number of both identified transfers and potential transfers.

Table 5.3: Summary of Potential Transfers in Case Study Companies

	Downward									Upward			Two-Way					
	Newsletter	Notice boards	Intranet	Emails	Video	Memo	Sigge School	Hilton University	Welcome day	Survey	Suggestion box	Monthly reports	Kick-off meetings	Big meetings	Open door policy and meetings with immediate managers	Video conference	Continuous improvement teams (CIT)	HR manager
Swedish MNC																		
Högarås – Parent Sweden	• → +	○	• →	○	□	□	□	□	□	□	□	□	□	○	○	□	□	○
Högarås – Subsidiary UK	• → +	○	• →	○	□	□	□	□	□	□	□	□	□	⊗	○	□	□	□
Cardo – Parent Sweden	• → +	○	○	○	• → +	○	□	□	□	• → +	◀ →	□	□	○	○	□	◀ → +	○
Cardo – Subsidiary UK	• → +	○	○	○	○	○	□	□	□	• → +	◀ →	□	□	○	○	□	◀ → +	○
Medivir – Parent Sweden	□	□	□	○	□	□	□	□	□	□	□	• ← +	□	◀ → +	○	• → +	□	• ← +
Medivir – Subsidiary UK	□	□	□	○	□	□	□	□	□	□	□	• ← +	□	◀ → +	○	• → +	□	• ← +
UK MNC																		
Hilton – Hilton	• → + R	◀ → +	• → + R	◀ →	○	□	□	• → + R	○	• → + R	□	□	□	• → + R	○	□	□	□
Hilton – Scandic	○	○	○	○	□	□	□	□	□	○	□	□	□	○	○	□	□	□
S & N – Parent UK	• → +	□	• → + R	○	□	□	□	□	□	• → +	□	□	□	○	○	□	□	○
S & N – Subsidiary Sweden	• → +	□	• → + R	○	□	□	□	□	□	• → +	□	□	□	○	○	□	□	○

○ = Cases of potential transfers

Source: Field notes. Symbols are identical to those from Table 4.24

	Delegated		Indirect Participation								
	Delegated Responsibility	Use of supervisors	Works council	Trade union representative	Elected employee representatives	Advance notice for trade union or employee representatives	Health and safety committees	Collective agreements	HR committees	Other committees	Total Number of Potential Transfers
Swedish MNC											
Högarås – Parent Sweden	◊	◊	□	○	○	○	○	○	□	□	6
Högarås – Subsidiary UK	○	○	□	□	○	◊	○	□	□	□	9
Cardo – Parent Sweden	◊	◊	□	○	□	○	◊	○	□	□	11
Cardo – Subsidiary UK	◊	◊	○	○	□	○	○	○	□	□	10
Medivir – Parent Sweden	↔ +	□	□	□	• ↔ +	◊	◊	□	• ↔ +	□	2
Medivir – Subsidiary UK	↔ +	□	□	□	• ↔ +	○	○	□	• ↔ +	□	2
UK MNC											
Hilton – Hilton	↔ + R • ↔ + R	↔ + R	□	○	○	○	○	○	□	○	16
Hilton – Scandic	○	○	□	○	□	○	○	□	□	□	18
S & N – Parent UK	○	◊	□	□	□	□	□	□	□	□	5
S & N – Subsidiary Sweden	○	◊	□	□	□	□	□	□	□	□	5

○ = Cases of potential transfers

Source: Field notes. Symbols are identical to those from Table 4.24

¹ Potential transfers are defined in section 2.2.3.1 as “a practice identified in one part of the MNC (parent or subsidiary) or both but without a transfer taking place”.

5.2.2 Substance – ‘what’ is transferred

This section investigates the substance of transfers, i.e. ‘what’ is transferred. A number of practices are transferred in all the cases where they are identified in the MNCs. The existence of a newsletter is found in 4 of the 5 MNCs. In all of these 4 MNCs the newsletter exists in the subsidiary as a consequence of a transfer. Other examples include the intranet (excluding Cardo) and survey. This means that they ‘travel’ very well. It is worth noting, however, that these three practices are all transferred in Hilton to other Hilton hotels but not to Scandic.

At the other end of the continuum are practices which are identified in both the parent company and the subsidiary but not following a transfer (in other words, remaining potential transfers). The existence of an ‘open door policy’ is identified in parent companies and subsidiaries of all MNCs but not subject of transfer in any of them. Other examples include notice boards (excluding Hilton Brand) and emails (excluding Hilton Brand). Except in Hilton Brand, these practices seem to travel very badly. In addition to these are all the IP practices which are identified in most of the MNCs but not transferred (apart from the 2 transfers in Medivir).

Delegated responsibility is transferred in 2 MNCs, 1 UK and 1 Swedish. In Hilton Group the use of supervisors is intra-brand transfers. Both of the transfers in Hilton Brand are replacement transfers and part of a corporate-wide policy as detailed in the *Esprit* programme.

Only 2 transfers are identified in IP: HR council and the elected employee representatives on this council in Medivir. Both practices are transferred in full from the UK subsidiary to the parent company in Sweden. No MNC has any corporate-wide policy regarding the implementation of IP practices in the foreign subsidiaries.

5.2.3 Initial Discussion

Looking at the aggregated number of transfers for the three main categories (DP, DR and IP) it is clear there is a high frequency of FT in DP practices and a low frequency of transfer of IP practices in both Swedish and UK MNCs. The UK MNCs only engage in FT, and it is only the Swedish MNCs which engage in RT. This pattern of transfers supports the argument of a flow of practices from ‘dominant’ to ‘follower’ systems.

With more transfers taking place from the UK to Sweden than in the opposite direction could also be an indication of the MNCs from the more restrictive NBS prefer not to transfer their home country practices. For example, Swedish MNCs may not be very interested in extending the statutory co-determination rights to include their foreign subsidiaries. This reduces the incentive to transfer and subsequently the affects negatively the incidence of transfer.

It is also apparent from Table 4.24 that the frequency of transferred DP and DR practices is significantly higher than for IP in all the MNCs. This indicates DP and DR are less constrained in being transferred than IP, and MNCs can more easily undertake corporate isomorphism.

Replacement transfers seem to be associated with brand structured companies and transferred as FT. In the brand structured MNC there seems to be clear evidence of transfers being able to cross national borders but they remain within the brand. The absence of inter-brand transfers between Hilton and Scandic is not due to a lack of practices which potentially could be transferred. Table 5.3 identified 34 potential inter-brand transfers without a single one materialising. It is more likely to be a question of strategic choice in accordance with the brand structure.

“We have kept Scandic and Hilton [intranets] separated. In the beginning we talked about how we were going to merge all of these things [...] but then we said after a while these are two strong brands with two strong concepts so we have decided to keep them apart.”

(CA, Manager)

There is also a lack of facilitators between the two brands. Section 4.3, summarised in Table 4.17, outlines the available channels of transfer to the MNCs. The section found Hilton Group with the highest number of facilitators of all the MNCs. However, they were all aiming at transferring practices within the Hilton brand and not to/from Scandic.

Turning to company characteristics, it is clear from the presentation in section 4.2 that similarities and differences exist between the MNCs. Medivir stands out from the other 4 examined MNCs on a number of company characteristics. It is the only MNC characterised as a transnational with a geocentric management style. Further, it only has 1 foreign subsidiary and is very young both as an MNC but also as a company. Finally, it is by far the smallest MNC with an absolute number of 194 employees. Hilton Group is another MNC standing out from the rest albeit it differs on a number of other company characteristics. It is by far the largest MNC both in terms of revenue and number of employees (absolute figures). It is the only MNC to have acquired another MNC. It is also the only case study company with dual management styles – it is characterised as having a global approach to the Hilton branded hotels and a multi-domestic to the Scandic hotels.

The relationship between size and incidence of transfers is ambivalent. On one hand, Hilton Group has the highest absolute number of employees and the largest turnover, and the highest incidence of transfer. On the other hand, Medivir is the smallest MNC measured on absolute number of employees and turnover, and the second highest number of transfers. By relating the relative size of the acquired subsidiary (number of staff and turnover) to the number of transfers, a pattern emerges. The two MNCs with the smallest subsidiaries, in relative terms, are Höganäs and Smith & Nephew. These are also the MNCs with fewest transfers. Where the relative size of the

subsidiary is more significant, more transfers are also identified, as in Cardo, Medivir and Hilton. Further, reverse transfers are found in MNCs with large subsidiaries (in relative terms), as in Medivir and Cardo. The exception is Hilton Group where Scandic is large in absolute and relative terms, but no RTs are identified. The Hilton findings suggest that other factors than size determines the existence of RT. As will be discussed later, the organisational structure and the post-acquisition integration approach taken by the MNC appear influential.

5.3 The Effects of Country-of-Origin and Company Characteristics on the Incidence and Direction of Transfers in the Case Study MNCs

5.3.1. Introduction

This section examines the impact of the country-of-origin and specific structural company characteristics on the incidence and direction of transfers. According to the ‘dominance effect’ argument, practices flow from dominant systems to follower systems. In this research it should be from the UK to Sweden, either as FT or RT. This section compares the figures presented in the previous section to establish the extent to which UK MNCs are able to transfer practices into the more restrictive Swedish NBS and the extent to which Swedish MNCs have engaged in transfers to the more permissive UK NBS according to the strategic choice. Section 5.3 also compares the structural company characteristics to examine their influence on transfers. Specific attention is paid to the structure according to brands which aims to add to Bartlett and Ghoshal’s four typologies of MNCs, and to the post-acquisition integration approach.

5.3.2 Pattern of FT

Following the argument of ‘dominance effect’ (Smith and Meiksins, 1995) it is expected to see a flow of practices from ‘dominant’ to ‘follower’ systems. Regarding FT, the expectation is to find predominantly transfers from the UK parent company to the Swedish subsidiary, as detailed in Proposition 2a

Proposition 2a:

Forward transfers of employee participation practices are more likely from the UK to Sweden.

Forward transfers are examined in each of the three man categories of DP, DR and IP. Considering the number of FT in the DP category it is clear the two UK MNCs are in the higher end of the scale of incidence of FT compared to the three Swedish

MNCs (Table 5.1). Hilton Group has 7 FT and Smith & Nephew 3. With 3 incidences, Cardo is the Swedish MNC with most FT, followed by Medivir and Höganäs each with 2 (Table 5.1).

Examining the pattern of FT for the Hilton and Scandic brands reveal some important differences. The rebranded Hilton Malmö hotel received 7 DP practices from the Hilton Group, this is in accordance with this proposition. The Scandic branded hotels in Sweden had no transfers from the Hilton Group, which is contrary to the same proposition. Because the hotels are all located in Sweden and the transfers should come from the same country, the UK, the absence of transfers between Scandic and the Hilton Group could suggest company characteristics rather than differences in the NBS explain this pattern. Despite the absence of FT to Scandic, there is still a distinct pattern of a flow of practices from the UK to Sweden, hence supporting proposition 2a.

Three FT are identified in DR, two in Hilton and one in Medivir. Medivir transferred the semi-official policy of dividing the work on an 80:20 (90:10 in Medivir UK) proportion to project and pilot work. In Hilton, the two transfers took place in support of the brand standards in Hilton throughout the region. Section 3.3.2.6 identified delegated responsibility to individuals as a Swedish country-of-origin participation practice. It was anticipated to find Swedish MNCs transferring this practice to their acquired subsidiaries abroad, as formulated in Proposition 3

Proposition 3:

Transfer of 'delegated responsibility' to individuals is more likely from Sweden to the UK.

With three observed transfers of this practice, two from the UK and one from Sweden, Proposition 3 can not be supported.

The empirical investigation does not reveal a single FT in IP in any of the MNCs. It was also found that none of the MNCs had any explicit corporate policies on

transferring corporate-wide IP practices to their foreign subsidiaries. However, two MNCs, Hilton and Höganäs, have a policy that IP practices follow local practices and regulations. In other words, IP practices are under strong local isomorphic pressure and weak corporate-wide pressure.

5.3.3 Pattern of RT

The empirical data identified 6 cases of RT, of which 4 are in DP and 2 in IP. All of the 6 cases of RT are from the UK subsidiaries to the Swedish parent companies (Cardo and Medivir). The expected pattern of RT links back to the argument of the ‘dominance effect’ with the flow, by means of RT, is from the UK subsidiaries to the Swedish parent companies, as specified in Proposition 2b

Proposition 2b:

Reverse transfers of employee participation practices are more likely from the UK to Sweden.

With all the RT flowing from the UK to Sweden, proposition 2b is supported.

5.3.4 Pattern of DP, DR and IP

It was demonstrated in section 2.5, that NBS are different and some are more restrictive to transfer than others. With IP practices deeper embedded in the NBS they rely more on the institutional and legal support, and without this support their transfer are restrained. This led to proposition 1:

Proposition 1:

Direct employee participation practices are more likely to be transferred, forward and reverse, than indirect participation practices.

It is clear from the discussion in section 5.2.1 and Table 4.24 that the vast majority of transfers are in the DP category rather than in DR or IP. Of 26 transfers, 21 are in DP

and only 3 and 2 are in DR and IP respectively. Considering DR as a form of employee participation related to DP rather than IP tips the balance further in favour of DP transfer. Therefore, there is empirical evidence to support Proposition 1.

The discussion of the incidence and direction of transfers has demonstrated little NBS impact on DP practices. The DP practices are more easily transferred than IP practices. Swedish MNCs transfer DP practices to their subsidiaries in the UK and UK MNCs also transfer DP practices to the subsidiaries located in the more restrictive NBS of Sweden. Further, the incidence of DP transfers compared to IP is also higher. There is transfer of almost all the DP practices (with the exceptions of those relating to a specific company, like Hilton University) whereas in IP there is only transfer of 'Elected employee representatives' and 'HR committees'. Further, the pattern of transfer in Hilton Group with a high incidence to Hilton Brand and no transfers to Scandic indicates MNCs are not only restricted by the NBS but also influenced by their strategic choice in transferring DP practices.

The NBS effect is stronger in IP than DP. Without the institutional and legal support, practices are rarely transferred to the MNCs' foreign subsidiaries. However, when they are, they challenge the NBS in the host country. The two IP transferred practices have by-passed the traditional Swedish system of indirect representation. The traditional single channel system through the union representative is replaced by the introduction of an HR committee consisting of elected employee representatives.

The transfer of DR practices is possible to Sweden and the UK. DR practices are identified in Medivir, Hilton Group and Smith & Nephew. They are transferred in Medivir and Hilton Brand but not in Scandic and Smith & Nephew, suggesting little NBS effect.

The ratio of potential transfers to actual transfers in each of the DP, DR and IP categories informs further about the 'strength' of corporate and local isomorphism. Where corporate isomorphism is strong (few potential transfers and a high number of actual transfers) practices are more easily transferred. When practices are flowing more freely, they are not restricted by the NBS. On the other hand, where local isomorphism is strong (a high number of potential transfers and a few actual transfers) mean practices exist in either the parent company or the subsidiary, or both, but were not transferred. This could indicate a stronger NBS effect. Across all 5 MNCs, the DP category has 56 potential transfers and 21 actual transfers which is a ratio of 1:2.5. In DR, there are 4 potential and 3 actual transfers, giving a ratio of 1:1.3. Finally, in IP there are 22 potential and only 2 actual transfers, a ratio of 1:11. The ratios are small in DP and DR suggesting little NBS effect. In IP the ratio is larger which points to a stronger NBS effect.

As a provisional conclusion, we can say that the empirical findings indicate the NBS effect depends on the type of participation practice. The research found little NBS effect in DP and DR practices but some in IP practices. However, the NBS effect in IP was not so strong that practices could not be transferred into the more restrictive Swedish system of industrial relations.

5.3.5 Company Characteristics and the Difference in Incidence of Transfer

This section examines the impact of company characteristics on the pattern of transfer for each of the MNCs. Höganäs is the MNC with fewest transfers of all MNCs. The MNC has the company characteristics promoting FT, including being a global and ethnocentric MNC with a low diversification. It is also mature and has experience in handling acquisitions. The ‘significance’ of the Powdrex subsidiary is low. The size of the subsidiary is small, in terms of absolute and relative number of employees and turnover. The integration approach is symbiotic and the acquisition adds to the business portfolio in the UK. Höganäs has only a few company characteristics promoting RT. The integration approach is symbiotic; the MNC is mature and has a low diversification. The low incidence of transfer is not linked to the absence of facilitators as the MNC has a number of political characteristics facilitating transfers (see section 4.3.2). What explains then the low incidence of FT and absence of RT in Höganäs? The organisational structure with the Belgian plant as the divisional head office was not unproblematic and as a consequence the UK subsidiary suffered in many ways (MH, Manager). Interview data indicate that because of Powdrex’s small size the corporate HQ paid little attention to their requests and needs and as a consequence few practices were transferred. The empirical investigation did not reveal any corporate-wide guidelines of employee participation. Even where the corporate head office requested all its subsidiaries to have, for example, health and safety meetings it was achieved by following local laws and regulations rather than by corporate isomorphism.

Cardo has a number of FTs. It also has several company characteristics supporting this type of transfers. Firstly, it is a global and ethnocentric MNC. Secondly, it has been operating as an MNC since at least 1989, thus it is a mature MNC. Thirdly, it has experience handling foreign and domestic acquisitions as it has grown mainly through acquisitions during the last decade. Finally, the post-acquisition integration

approach is symbiotic, which promote both FT and RT. Other company characteristics promoting RT besides the integration approach are the high 'significance' and size of the UK subsidiary. The MNC is also in possession of a number of political company characteristics facilitating transfers in both directions. Cardo is an MNC with company characteristics promoting both FT and RT which is also reflected in the findings

Medivir has the highest incidence of reverse and overall transfers of the Swedish MNCs. The MNC has a number of company characteristics promoting FT. It is a transnational MNC with a geocentric management style, a low diversification of activities, and the integration approach is symbiotic. Medivir's company characteristics further promoting RT are the same as those promoting FT plus the MNC is 'young' and has a large (in relative terms) and 'significant' subsidiary. Finally, the MNC also has political characteristics facilitating forward and reverse transfers. Medivir is an MNC with company characteristics promoting both FT and RT which shows in the number of transfers identified.

In Smith & Nephew only three transfers are identified, all of which are FT. It is a global and ethnocentric oriented MNC. The 'significance' of the Swedish subsidiary is, however, low. The MNC is mature, has several years of experience in handling domestic and foreign acquired subsidiaries and operates with a low diversification of activities. The acquisition integration approach is absorption. The only company characteristics promoting RT are a high global spread (but with the countervailing force of the subsidiary only constituting 0.4 percent of the total workforce), the low diversification and the maturity of the MNC. These are not 'strong' company characteristics promoting RT and the subsidiary depends on the parent company for information, technology, marketing material and new products. It has little to offer the parent company and plays an insignificant role in the MNC. Smith & Nephew is an MNC exercising strong corporate isomorphism on its Swedish subsidiary. The MNC

has several company characteristics promoting FT and few promoting RT, which is reflected in the transfers identified.

Hilton Group is the MNC with the highest incidence of transfers, all of which are FT. It has a number of company characteristics promoting FT within Hilton Brand. Firstly, Hilton Brand has a global and ethnocentric approach (within the brand). This is most clearly seen in the *Esprit* programme. Hilton has experience in handling acquisitions and post-acquisition integration by absorption. It is mature both as a company and as an MNC and operates with a low diversification of activities. There are many political company characteristics within the Hilton brand to transfer practices. Within Hilton Brand there are a limited number of company characteristics facilitating RT. The global spread of Hilton Group is high with over 75 percent of employees working abroad in over 70 countries. Diversification is low and the MNC is mature. The company characteristic working against RT is the existence of the *Esprit* handbook. The above mentioned company characteristics promoting FT within the Hilton brand should also promote inter-brand transfers. Further, the 'significance' of Scandic is high and the size is large which should facilitate RT. However, the structural company characteristics promoting transfers are undermined by the lack of inter-brand channels of transfer (see section 4.3.6). Hilton Group has the company characteristics promoting FT, but few promoting RT in Hilton Brand. There are a number of company characteristics promoting inter-brand FT and RT but these are hampered by the absence of inter-brand political company characteristics. The pattern of transfer confirms the suggested local-global isomorphism in section 2.2.3. Hilton Group exercises corporate isomorphism to Hilton Brand hotels and at the same time operates with a local isomorphic attitude to Scandic hotels.

5.3.5.1 'Significance' of Subsidiaries

This section examines the 'significance' of the subsidiary upon the transfer of participation practices. The 'significance' of Powdrex, the UK subsidiary of Höganäs, is low in several areas. Firstly, section 4.2.1.4 showed Powdrex' 30 employees constitute only 1.8 percent of the overall workforce and generate only 2.4 percent of group turnover. Secondly, Powdrex' principal product, the valve seats inserts for aluminium cylinder heads in internal combustion engines, which makes up 90 percent of the subsidiary's output, is a niche product within the MNC. Being a niche product limits the scope for transfers to and from the subsidiary. It is, therefore, concluded that the UK subsidiary plays a rather insignificant role within the Höganäs group and as a consequence RT is not expected which is also confirmed by the empirical findings.

In Cardo, the UK subsidiary is of high 'significance'. Firstly, PC Henderson's 250 employees constitute 4 percent of the total workforce and generate 3.4 percent of the MNCs' turnover. Secondly, section 4.4.3 describes how the subsidiary possessed a significant and valuable pool of skills and know-how about lean manufacturing, and how this was passed on supporting its implementation throughout the rest of the MNC. It is concluded that PC Henderson has a high 'significant' role within the MNC. It is, therefore, expected to find cases of RT which is confirmed by the empirical findings.

Medivir has a high number of RT so the interesting point is to see if this corresponds with a high 'significance' of the UK subsidiary, Mimetrix. Firstly, despite having only 37 employees in the UK subsidiary it constitutes 19 percent of total number of employees. The subsidiary also produces 29 percent of the turnover of the MNC. Secondly, Medivir's UK subsidiary is important to the MNC as it has a skilled workforce and intellectual properties. The employees working in Mimetrix also have very high educational backgrounds – PhDs and graduates others than PhD. The UK subsidiary possesses a number of significant intellectual properties important to Medivir

Sweden, such as computer models which radically reduce the time it takes for a CD to become a drug. With the acquisition, Medivir Sweden also gained access to Mimetrix' existing projects and some of its patented research technologies. Medivir UK is of high 'significance' to the MNC which corresponds very well with the MNC's high frequency of RT.

In Smith & Nephew the Swedish subsidiary is of minor 'significance'. Firstly, it has only 30 employees, which is a mere 0.4 percent of the total workforce. The subsidiary has a turnover of only 0.6 percent of the Group's. Secondly, there is no research facility and the subsidiary does not contribute with new products or technology to the MNC as the entire Swedish workforce is employed in either administration, marketing or sales. Thirdly, the Swedish market is an indirect market in Smith & Nephew terms. Finally, the low 'significance' of the subsidiary is also reflected in its dependence on the parent company for policies, new products, and information about the brands and their associated products. Therefore, the scope for RT is limited which is also confirmed by the empirical investigation.

The 'significance' of Scandic in Hilton Group is high. Firstly, Scandic makes up almost 9 percent of the total workforce and in nominal numbers total over 7,000 employees. It also generates 10 percent of the MNC's turnover. Secondly, the hotels are principally located in Scandinavia and outnumber, by far, other Hilton branded hotels in this area. The Scandic hotels are an important gateway for Hilton Group to the Scandinavian leisure and hotel market. When Hilton Group acquired Scandic, the latter had operated with very high standards towards its stakeholders – employees and the environment included. Section 4.2.5 described how the hotels formulated a specific policy through the *Omtanke* concept, making Scandic more developed than Hilton on a number of aspects. It would be expected to find evidence of RT in Hilton Group (i.e. from Scandic to Hilton Brand) but this was not confirmed by the empirical

investigation. A number of explanations are offered for the lack of RT. One respondent says Hilton was too proud to learn from Scandic – a 3 star hotel chain – and not used to not being the best.

“They came to see Scandic who had a lot of accumulated knowledge and had done a lot in their organisation so when they wanted to launch their environmental programme then they all laughed. We had already done it 15 years ago. They got everything back and they had to step down on many things. They wanted to roll out Hilton and it did not work.”

(KU, Manager)

The presentation of Hilton in section 4.4.6 also describes a situation where instead of adopting Scandic’s intranet, which was characterised as being superior to Hilton Brand’s, Hilton Brand wanted to create their own system from scratch (CA, Manager). It was further discussed in the same section that Hilton Group wanted to keep the Hilton and Scandic brands apart and not creating too many practices overlapping both brands. Another explanation for the non-RT lies in the absence of channels of transfer between the two brands. Section 4.3.6 identifies a number of intra-brand channels of transfer in Hilton Group but not a single inter-brand. The initial scope for RT in Hilton Group was great as Scandic is of high ‘significance’ but due to the brand structure and the lack of inter-brand channels of transfer the empirical investigation revealed no RT.

The discussion on the ‘significance’ of the subsidiaries has identified three MNCs (Cardo, Medivir and Hilton) whose subsidiaries are important and two whose are not (Höganäs and Smith & Nephew). The empirical data reveal RT in only Cardo and Medivir. It is not enough for the subsidiary to be of ‘significance’, there has to be facilitators of transfer as well for RT to take place. Section 4.3 discussed each of the MNCs’ channels of transfer available. The findings show that each MNC has a number of channels of transfer but in Hilton Group these are only intra-brand and not inter-brand. The absence of inter-brand channels of transfer in Hilton Group is significant in explaining the lack of transfers from Scandic to Hilton Brand. Further, the absence of facilitators between Hilton Brand and Scandic is in line with the integration approach

adopted by Hilton Group. In the preservation approach the assets of the acquired subsidiary are preserved rather than replaced with parent company practices. The findings of the 'significance' of the subsidiaries and facilitators are summarised in Table 5.4. The findings suggest that both criteria of 'significance' and facilitators have to be satisfied for RT to take place. If only one of the two is satisfied, RT does not take place, as illustrated in Höganäs, Hilton and Smith & Nephew.

Table 5.4: ‘Significance’ of Subsidiaries, Facilitators and Reverse Transfers

	‘Significance’ of the Subsidiary	Existence of Facilitators	Observation of RT
Hōganās	%	+	%
Cardo	+	+	+ (Only in DP)
Medivir	+	+	+ (Both in DP and IP)
Smith & Nephew	%	+	%
Hilton	+	%	%

Source: Author's Field Notes

Symbols explained:

% : Insignificant or not present

+ : Significant or present

Recalling Proposition 5 from section 2.7

Proposition 5:

Reverse transfers are most likely from 'significant' subsidiaries, which are measured in terms of relative number of employees, relative turnover, skills possession, know-how and materials.

The proposition is confirmed as the only two MNCs with RT also have subsidiaries of high 'significance'. Following the discussion it can be added that 'significance' is not only a pre-requisite. The existence of facilitators between the units of the MNC must also be satisfied.

5.3.5.2 Post-Acquisition Integration Approaches

This section examines the post-acquisition integration approach and the direction of transfers. In order to create value from the acquisition, the acquired company must be integrated into the acquirer. Section 2.6.2.2.5 discussed Haspeslagh and Jemison's (1991) 2x2 integration framework, identifying four types of integration: *holding*, *absorption*, *preservation* and *symbiotic*. Following the integration approach, it is expected to find FT in two of the four types and RT in only one, as detailed in proposition 6:

Proposition 6a:

Forward transfers are most likely in absorption and symbiotic acquisitions.

Proposition 6b:

Reverse transfers are most likely in symbiotic acquisitions.

The different post-acquisition integration approaches were presented in section 4.2 for each of the MNCs. Three of the four integration approaches were identified. Symbiotic integration was adopted in all of the three Swedish MNCs. The two UK MNCs integrated their acquired Swedish subsidiaries by absorption. However, for Hilton, the integration approach was divided between the Scandic and Hilton brands, with the former integrated by preservation and the latter by absorption. The expected and observed FT and RT for each of the MNCs/integration approaches are summarised in Table 5.5. According to Propositions 6a and 6b FT is anticipated in both symbiotic and absorption integrations and RT in symbiotic integrations. There is empirical evidence to support the two propositions. In all the acquisitions where FT is expected, it takes place. RT is identified in the integration approach as predicted, and nowhere else. The only deviation is Höganäs, where, according to the integration approach, one would also have expected to find evidence of RT. However, it was established in section 4.2

that the MNC only has a few structural company characteristics promoting RT and in particular the UK subsidiary is not of ‘significance’.

Table 5.5: Expected and Observed Acquisition Integration Approaches

MNC	Observed Integration Approach	FT		RT	
		Expected	Observed	Expected	Observed
Höganäs	Symbiotic	+	+	+	%
Cardo	Symbiotic	+	+	+	+
Medivir	Symbiotic	+	+	+	+
Smith & Nephew	Absorption	+	+	%	%
Hilton to Hilton	Absorption	+	+	%	%
Hilton to Scandic	Preservation	%	%	%	%

Symbols Explained: ‘+’ = Transfers Expected or Observed ‘%’ = Transfers Not Expected or Not Observed

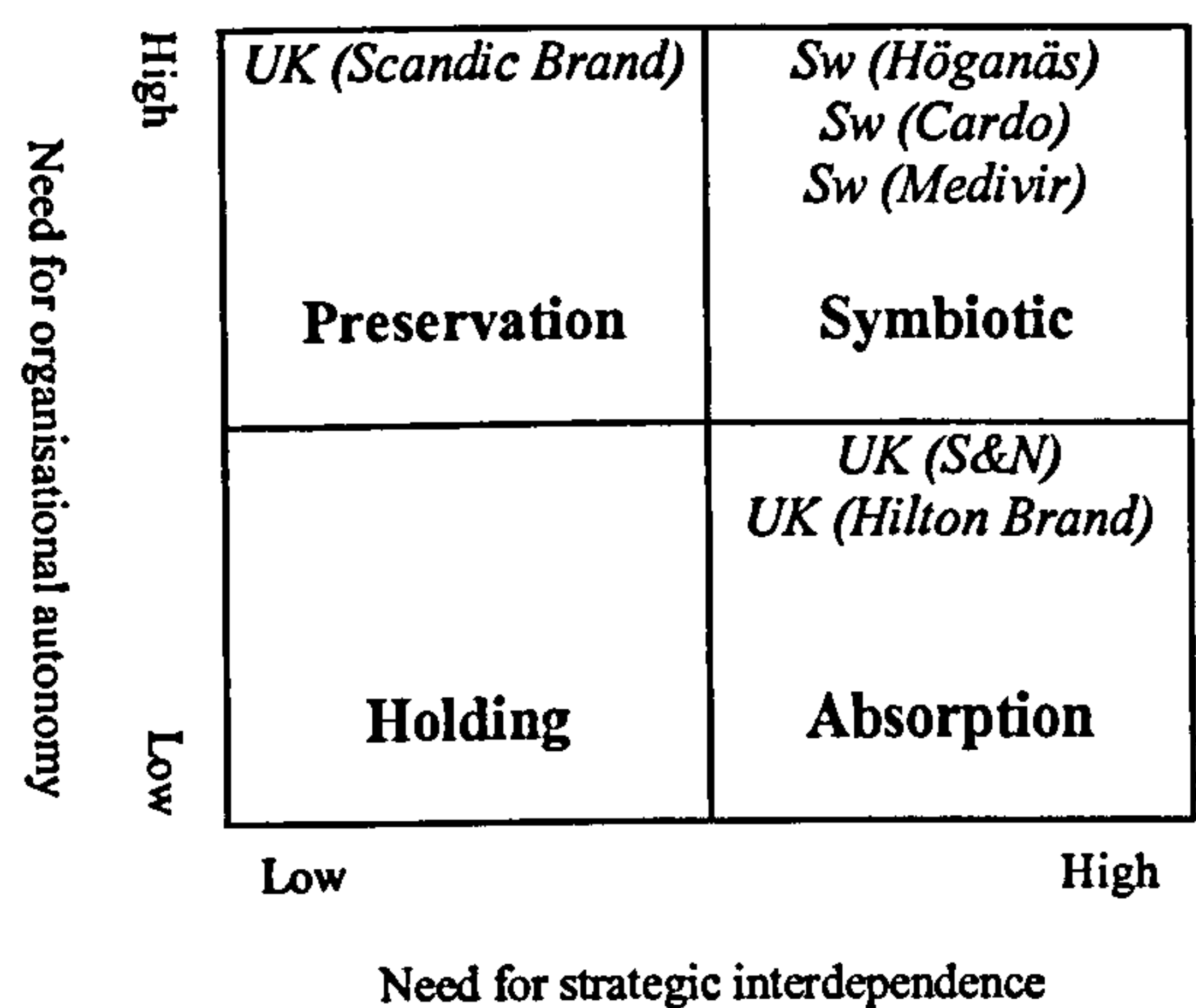
Time is also linked to Propositions 6c and 6d as symbiotic integration is expected to take longer than absorption integration. With the UK NBS characterised as short-term and Sweden as long-term focused, propositions 6c and 6d read:

- Proposition 6c:*
Absorption acquisitions are more likely in UK MNCs.

Proposition 6d:
Symbiotic acquisitions are more likely in Swedish MNCs.

The empirical findings show that symbiotic acquisition integration approaches are indeed concentrated amongst the three Swedish MNCs (Figure 5.1). It is also clear that absorption integration is linked to UK MNCs. Hence, propositions 6c and 6d are supported.

Figure 5.1: Acquisition Integration Approaches in MNCs



5.3.5.3 Other Company Characteristics

The flow and direction of transfers in brand structured MNCs are expected to follow the pattern according to propositions 4a and 4b:

*Proposition 4a:
Transfer of employee participation practices in brand structured MNCs
is more likely to be intra-brand than inter-brand.*

*Proposition 4b:
Transfer of employee participation practices in brand structured MNCs
is more likely to be forward rather than reverse.*

There is only one brand structured MNC in this research, Hilton. Hilton has several of the company characteristics identified in section 2.6.2 as promoting FT and RT. From this discussion, one would expect practices being transferred between Scandic and Hilton Brand. However, the empirical findings show a different pattern. Section 4.4.6 and Table 4.24 shows a clear distinction between the two brands. In total, 9 transfers were identified in Hilton Brand and none in Scandic. Without exception, the transfers in Hilton Brand were from the centre and out as FT. There are only two company

characteristic rejecting transfers to/from Scandic – one is structural and the other is political. The former refers to the brand structure and the latter to the absence of facilitators between the brands. We can, therefore, conclude that propositions 4a and 4b are supported. The support of these two propositions also confirms the local-global isomorphism outlined in section 2.2.3.1. Because the Hilton and Scandic ‘subsidiaries’ both are in Sweden and there are transfers to the former but not to the latter may also suggest that the brand structure overrides national influences on transfer.

Proposition 7 links maturity of the MNC to the existence of RT. Edwards (1998) suggests RT are linked to ‘mature’ MNCs. Proposition 7 predicts to find RT in ‘young’ MNCs as they are more easily influenced in their ‘infancy’ than when practices become more established and codified later on.

*Proposition 7:
Reverse transfers are likely in ‘young’ MNCs.*

There is only one ‘young’ MNC in this research, Medivir. Medivir was also one of the only two MNCs with RT. The maturity of the MNC is not the only company characteristic promoting RT. Medivir was described as a transnational MNC with a geocentric management style. It also has a project management structure with cross-national project teams. The ‘significance’ of the foreign subsidiary is also high. The final company characteristic supporting RT is a low diversification. Despite supporting the proposition, it can not be excluded that other company characteristics than maturity has affected the existence of RT in Medivir. Therefore, Proposition 7 is only partially supported.

5.3.5.4 Influence of Sector

There is little empirical evidence in support of sectors playing any significant role in the pattern of transfers across the five case study MNCs. Looking at both FT and RT in the three main categories of DP, DR and IP, the service MNC has the highest number of transfers. The two knowledge intensive (KI) MNCs have the 2nd and 4th highest incidence, and the manufacturing, engineering and production (MEP) MNCs have the 3rd and 5th highest incidence. Examining FT only, the pattern is inconclusive, apart from Service has a significant higher incidence than the other two sectors. Reverse transfers exist in only 2 MNCs from MEP and KI. Transfer of delegated responsibility is also found in only 2 MNCs from KI and Service. Finally, IP transfers are only found in one MNC, located in the KI sector. The findings are mixed and the only consistency is found in the Service MNC which has the highest number of transfers in those categories where it engages in transfers (FT DP, FT DR). Table 5.7 summarises the relationship between industry and incidence of transfer.

Table 5.6: Incidence of Transfers according to Sector

	Manufacturing, Engineering & Production		Knowledge Intensive		Service
	Höganäs	Cardo	Medivir	Smith & Nephew	Hilton
All Transfers:					
FT and RT	2	5	7	3	9
DP, DR and IP					
FT: (DP, DR and IP)	2	3	3	3	9
RT: (DP, DR and IP)	0	2	4	0	0
DP: (FT and RT)	2	5	4	3	7
DR: (FT and RT)	0	0	1	0	2
IP: (FT and RT)	0	0	2	0	0

Source: Authors notes

5.3.5.5 Summary

This section examined the impact of company characteristics on the pattern of transfer in each of the MNCs. In the MNCs (Höganäs, Smith & Nephew, and Hilton) where only FT was identified, the MNCs mainly possessed company characteristics facilitating FT. In the MNCs (Medivir and Cardo) where RT was identified, the MNCs had facilitators promoting FT and RT. This indicates that RT only takes place if the MNC has the appropriate facilitators.

The section examined in greater detail the importance of the two company characteristics of ‘significance of the subsidiary’ and the ‘post-acquisition integration approach’. The study found that the subsidiary has to be of ‘significance’ for RT to materialise. It also found, as exemplified by the case of Scandic, that the appropriate political processes also have to be present. If one condition is not satisfied then RT does not take place. The post-acquisition integration approach was linked to the direction of transfer. FT was identified in all the MNCs integrating according to the absorption and symbiotic approaches. FT was not expected in the preservation integration, and no FT

were identified either. RT was expected in the MNC integrating by symbiotic approach. RT was found in two of three MNCs following this integration approach. The absence of RT in Höganäs was linked to the lack of other company characteristics promoting RT and the ‘insignificance’ of the UK subsidiary. The study also linked the post-acquisition integration approach to the nationality of the MNC, suggesting that UK MNCs integrate by absorption and Swedish MNCs by symbiotic approaches.

Finally, no significant industry effect on the direction and incidence of transfer was identified.

5.3.6 Replacement Transfers

A replacement transfer is seen as a ‘stronger’ degree of transfer because the transferred practice replaces an existing practice in the host company (as discussed in Section 3.6.3). The empirical investigation revealed 8 replacement transfers – 7 in Hilton and 1 in Smith & Nephew (Table 4.24 and 5.2). Examining the company characteristics of Hilton, in particular, but also those of Smith & Nephew will reveal information in what promotes replacement transfers.

The starting point is to identify the company characteristics specific to Hilton Group and Smith & Nephew that are not identified in any of the other MNCs. A number of features stand out. Replacement transfers are restricted to UK MNCs only. Hilton Group and Smith & Nephew are the two largest MNCs in terms of number of employees (absolute figures) and turnover. Further, they are the only two MNCs to use ‘written policies’ and ‘company charters or principles’ as channels of transfer². Finally, they are the only two MNCs with an absorption integration approach. Integration by absorption requires the boundaries of the acquired unit to be dismantled and fully incorporated and integrated into the acquirer. One way of doing this is by imposing the

² Medivir also used a semi-official policy of delegating responsibility. However, no written policy existed.

parent company's practices on the acquired unit which replacement transfers is a very good indicator of. All the identified replacement transfers are instances of FT. Just as replacement transfers are linked to the absorption integration, then the absence of replacement transfers is linked to the preservation approach as in Scandic. In this integration form the emphasis is on retaining the subsidiary autonomy and preserving existing practices, hence no transfers are expected. No replacement transfers to Scandic are identified either.

Of the observed 8 replacement transfers, 7 are in Hilton Brand and 1 in Smith & Nephew. Organisational structure and industry are two company characteristics on which Hilton Brand is different to Smith & Nephew. Hilton Group is structured according to brands whereas Smith & Nephew is divided into divisions. Hilton is in services and Smith & Nephew is in the knowledge intensive industry. There appears to be a link between these two company characteristics. Hilton operates with a brand in an industry where the level of service is consistently high no matter which hotel in the world the guest stays at. It requires a standardisation of service provision throughout the brand. This is facilitated through the use of channels like *Esprit*. The high standardisation of practices within the Hilton brand may explain the difference in incidence of replacement transfers between Hilton and Smith & Nephew.

5.3.7 Summary

Section 5.3 detected an NBS effect in IP practices but not in DP and DR by examining the incidence of potential and actual transfers.

The discussion also highlighted the significance of certain company characteristics and their impact on transfers. One is the 'significance' of the subsidiary. The research found that not only does the subsidiary have to be of 'significance', the existence of channels of transfer are equally important for RT to take place. The

research successfully linked FT and RT to the integration approach taken by the parent company showing that when subsidiaries were integrated by absorption, only FT occurred. When the subsidiary was integrated by the symbiotic approach, both FT and RT were observed. The integration approach adopted by the MNCs was also found to be linked to the nationality of the MNC, as UK MNCs adopted the absorption and Swedish MNCs the symbiotic integration approaches. The structure according to brands was also demonstrated to influence the direction and pattern of transfer. With reference to Hilton Group it was shown that the brand structure promotes intra-brand but inhibits inter-brand transfers, and transfers are FT rather than RT. It was also suggested this company characteristic overrides national influences in the MNC.

Section 5.3.6 linked replacement transfers with the MNCs' nationality, integration approach and industry. Hilton and Smith & Nephew are both headquartered in the UK and the only MNCs integrating their acquired subsidiaries by absorption.

5.4 The Effects of Country-of-Origin and Company Characteristics on the Substance of Transfers in the Case Study MNCs

5.4.1 Introduction

This section focuses on the influence of country-of-origin and company characteristics on individual transfers in each of the five MNCs. Section 3.3.2.6 discussed the findings of two major European-wide surveys. The results of these two surveys are integrated into the examination of the influence of country-of-origin and company characteristics on the transfer of individual practices. Section 5.4 is divided into 3 parts – a section on transfer of Swedish and British practices; a discussion on practices which are transferred easily and those which are not; and a final section examining ‘push’ and ‘pull’ RT.

5.4.2 Transfer of ‘Swedish’ and ‘British’ Practices

The two European surveys – EPOC (Sisson *et al.*, 1997) and Price Waterhouse Cranfield (Brewster and Hegewisch, 1994) – were used to identify this study’s ‘British’ and ‘Swedish’ country-of-origin practices. As discussed in section 3.3.2.6, 7 practices are identified as either ‘Swedish’ or ‘British’, including ‘survey’, ‘suggestion box’, ‘CIT’, ‘delegated responsibility’, ‘trade union representatives’, ‘elected employee representatives’, and ‘HR committees’ (summarised in Table 5.7). For these 7 practices there are 5 instances of country-of-origin effect – 2 ‘Swedish’ and 3 ‘British’ (marked in turquoise in Table 5.7). The two Swedish country-of-origin effects are found in the practices of ‘survey’ in Cardo and ‘delegated responsibility’ in Medivir. Both are transferred as FT. The three ‘British’ country-of-origin effects are the ‘CIT’ transfer in Cardo, the ‘elected employee representatives’, and ‘HR Committees’ in Medivir, all of which are transferred by RT.

There are also 6 instances where ‘Swedish’ and ‘British’ practices are identified in the parent company but not via RT (marked in purple and orange in Table 5.7). This means the practices are ‘indigenous’ and their existence is not due to a transfer from the subsidiary. These practices include the ‘survey’ and ‘delegated responsibility’ in Hilton Brand and Smith & Nephew, the ‘trade union representative’ in Hilton Brand and ‘elected employee representatives’ in Höganäs.

Table 5.7: Transfer of ‘Swedish’ and ‘British’ Country-of-Origin Practices

	Upward			Two-Way						Delegated		Indirect							
	Survey	Suggestion box	Monthly reports	Kick-off meetings	Big meetings	Open door policy and meetings with immediate managers	Video conference	Continuous improvement teams (CIT)	HR manager	Delegated Responsibility	Use of supervisors	Works council	Trade union representative	Elected employee representatives	Advance notice for trade union or employee representatives	Health and safety committees	Collective agreements	HR committees	Other committees
Swedish MNC																			
Höganäs – Parent Sweden	□	□	□	□	○	○	□	□	○	◇	◇	□	○	○	○	○	○	□	□
Höganäs – Subsidiary UK	□	□	□	□	⊗	○	□	□	□	○	○	□	□	○	◇	○	□	□	□
Cardo – Parent Sweden	●→+	←	□	□	○	○	□	●←+	○	◇	◇	□	□	□	○	◇	○	□	□
Cardo – Subsidiary UK	●→+	□	□	□	○	○	□	○	○	◇	◇	○	○	□	○	○	○	□	□
Medivir – Parent Sweden	□	□	●←+	□	●→+	○	●→+	□	●←+	●→+	□	□	□	●←+	◇	◇	□	●←+	□
Medivir – Subsidiary UK	□	□	□	□	○	○	□	□	□	□	□	□	□	□	○	○	□	□	□
UK MNC																			
S & N – Parent UK	●→+	□	□	□	○	○	□	□	○	○	◇	□	□	□	□	□	□	□	□
S & N – Subsidiary Sweden	□	□	□	□	○	○	□	□	○	○	◇	□	□	□	□	□	□	□	□
Hilton – Hilton	●→+R	□	□	□	●→+R	○	□	□	□	●→+R	●→+R	□	○	○	○	○	○	□	○
Hilton – Scandic	○	○	□	○	○	○	□	□	□	○	○	□	○	□	○	○	□	□	□

- ‘Swedish’ practices not transferred by RT to the UK parent
- ‘British’ practices not transferred by RT to the Swedish parent
- ‘Swedish’ and ‘British’ practices transferred by FT or RT

Source: Field notes. Symbols are identical to those from Table 4.24

The overall pattern emerging from Table 5.7 is that the incidence of ‘Swedish’ practices occurring in UK parent companies not from RT and ‘British’ practices occurring in Swedish parent companies not from RT is similar to the incidence of ‘Swedish’ and ‘British’ practices being transferred by FT and RT. This finding suggests that the Swedishness or Britishness of practices do not seem to have much influence on the patterns of transfer. However, examining the patterns in greater detail reveal that ‘British’ practices have a higher frequency of transfer compared to ‘Swedish’ practices. Of the 4 ‘British’ practices, 3 are transferred from the UK to Sweden by RT (the only

non-transfer is ‘elected employee representatives’ in Höganäs). Of the 7 instances of ‘Swedish’ practices, only 2 are transferred from Sweden to the UK (Survey in Cardo and Delegated Responsibility in Medivir). This may suggest a link between the ‘dominance effect’ and country-of-origin practices.

In addition to the ‘dominance effect’, the post-acquisition integration approach and transfer of country-of-origin practices appear associated. Swedish MNCs, integrating by symbiotic integration, allow RT of ‘British’ practices. UK MNCs, integrating by absorption, only transfer corporate practices to their subsidiaries as FT or leave the practices unchanged. They do not transfer ‘Swedish’ practices from their Swedish subsidiaries.

There does not seem to be any strong link between the embeddedness of practices and country-of-origin transfers. Because of the more permissive NBS of the UK, it would be expected to see ‘British’ practices transferred from the less embedded categories of DP and DR. The empirical findings show that of the 5 country-of-origin transfers (marked in turquoise in Table 5.7), 2 are in DP, 1 is in DR and 2 another are in IP. The 2 IP transfers are ‘British’ practices transferred to Sweden by RT and the transfer of ‘Swedish’ practices from Sweden to the UK are in DP and DR categories.

The ‘Swedish’ and ‘British’ practices not transferred by RT to the parent company are equally distributed with two instances in each of the three categories of DP, DR and IP.

5.4.3 Certain Practices are Transferred Easily Others are Not

Section 5.2.2 identifies three DP practices (newsletter, intranet and survey) as ‘good travellers’, i.e. transferred in all the MNCs where the practices are identified. Other DP practices (notice boards, emails, open door policy) and IP practices³ do not

³ Except the two IP transfers in Medivir

‘travel’ very well, i.e. only become potential transfers⁴. The high frequency of transfer of some participation practices is linked to the type of practice and its institutional embeddedness. Section 5.3.4 identifies a low incidence of IP transfers and a high incidence of potential IP transfers, contrasted to DP which has the opposite pattern. This pattern underlines the institutional embeddedness of IP practices contrasted to DP and DR practices.

If DP practices are easier transferred than IP practices what explains the high incidence of potential transfers of some DP practices (notice boards, emails, and open door policy) and a high incidence of actual transfers in other DP practices (newsletter, intranet and survey)? One reason could be that the application of practices like ‘emails’ and ‘open door policy’ are more embedded in each organisation, and hence more difficult to transfer. People always meet and it is more difficult to alter this behaviour and implement a standardised corporate-wide practice. Another reason could be that ‘newsletter’ and ‘surveys’ are more tangible and easier to define and transfer. It is easier for the acquiring company to discontinue the subsidiary’s previous newsletter or survey and transfer the parent company’s to the subsidiary.

⁴ Except for notice boards and emails transferred in Hilton Brand

5.4.4 'Push' and 'Pull' Reverse Transfers

The empirical investigation highlighted 6 RT – 4 in Medivir and 2 in Cardo. This section examines whether the RT were 'pulled' from the HQ or 'pushed' from the subsidiary. The 2 reverse transfers in Cardo – the CIT and the associated suggestion box – were 'pulled' by the head office through the international workshops and seminars. The writing of monthly reports started in Medivir UK before the acquisition. It was 'pulled' by one Swedish project manager on to her department for later being implemented in the rest of the organisation. This is the same for the HR council and its elected employee representatives. The corporate HR manager in Sweden attended the HR council meetings in the UK and 'pulled' the practice to be implemented throughout the organisation. Medivir has not always had an HR manager but after the acquisition of Medivir UK (which had an HR manager) the HQ 'pulled' the HR position to the corporate head office in Sweden. The distinction between reverse transfers being 'pushed' or 'pulled' is important because it shows not only from where the practice originates but also who is in control of the transfer. The research shows that all 6 RT are 'pulled' from the HQ. This demonstrates clearly the parent company retains the control of transferring practices to and from the subsidiaries.

5.4.5 Summary

Measured against two major European-wide surveys the research identified 7 country-of-origin practices of which transfers took place in 5 (summarised in Table 5.8). Two 'Swedish' practices were transferred as FT and three 'British' as RT. It was indicated that the institutional embeddedness of DP and IP practices is linked to high and low incidences of transfer. Finally, the research discussed which part of the MNC has the decisive influence over RT. All the 6 cases of RT were initiated and controlled

by the HQ. Table 5.8 below summarises in which practices country-of-origin was found. It also shows when the country-of-origin effect was from UK or Sweden.

Table 5.8: Summary of Country-of-Origin Effect

Influence	Practice	MNC	Direction of Transfer		
Country-of-Origin Effect			Means	From UK to Sweden	From Sweden to UK
	Survey	Cardo	FT		√
	Delegated Responsibility	Medivir	FT		√
	CIT	Cardo	RT	√	
	HR Council	Medivir	RT	√	
	Elected Employee Representatives	Medivir	RT	√	

Source: Author's Field Notes

5.5 Political Processes

5.5.1 Political Processes in Case Study MNCs

Section 4.3 identified a range of channels of transfers in each of the MNCs and summarised in Table 4.17 (Table 5.9 is identical to Table 4.17 and is reproduced below for an easier overview). Two channels are used by all 5 MNCs – ‘head office requirements’ (category #1) and ‘company conferences’ (# 3). A further 2 channels are used by 4 of the 5 MNCs – ‘international meetings of managers’ (#2) and ‘exchange of staff’ (#5). The remaining 10 channels are used by 3 or fewer MNCs. All 14 categories are likely to facilitate FT but only 7 are expected to promote RT – these are marked by an asterisk.

Table 5.9: Summary of Facilitators of Transfer in Case Study Companies

	1	2 *	3 *	4 *	5 *	6 *	7	8	9 *	10	11	12 *	13	14
	Head Office Requirement, Guideline or Decision to be Implemented Globally	International Meetings of Managers	Company Conferences, Project Meetings, Workshops incl. Best Practices Meetings and Cross-National Projects	Hands-on Training of Rank-and-File Employees and Managers	Exchange of Staff (between units of MNC)	Use of Expatriates (from HQ to subsidiary)	Company Charter or Principles	Written Policies	Management Audit / Internal Consultants	Use of ‘Business Schools’	Coercive Comparisons of Subsidiaries	HR-Managers at Subsidiary Level	ISO Certificate	Financial Control Mechanisms
Höganäs	√	√	√	-	√	√	-	-	-	-	-	-	√	-
Cardo	√	√	√	√	-	-	-	-	-	-	√	√	-	√
Medivir	√	-	√	-	√	-	-	-	-	-	-	√	-	-
Smith & Nephew	√	√	√	-	√	√	√	-	√	-	-	-	√	-
Hilton to Hilton	√	√	√	√	√	√	√	√	√	√	√	√	-	-
Hilton to Scandic	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: Field notes

* = channel facilitates also RT

The relationship between channels of transfer and company characteristics is examined below. Three company characteristics impact on the choice of facilitators of transfer used by MNCs when transferring practices.

Firstly, the structure and management style influence the facilitators. Global MNCs and MNCs with an ethnocentric management style are expected to have a higher number of facilitators promoting FT such as direct channels and use of what Ferner and Edwards (1995) termed *authority relations*. Of the 4 global MNCs⁵ Hilton brand has the highest number of facilitators promoting FT followed by Smith & Nephew, Cardo and Höganäs (Table 5.9). This order is also identical to the ranking of number of FT as identified in Table 4.24. This suggests a high incidence of facilitators promoting FT is positively linked to the number of observed FT. In a similar vein, it is expected to find transnational and geocentric MNCs with Ferner and Edwards' (1995) remaining channels of power: *resource-dependent power relations*, *exchange relations* and *cultural relations*. Medivir is the only transnational MNC in the study, and it has 3 of its 4 facilitators promoting RT ('company conferences and project meetings' #3, 'exchange of staff' #5 and 'HR manager at subsidiary level' #12). Medivir is also the MNC with the highest incidence of RT. It is not expected to find facilitators between the parent company and the subsidiary in multi-domestic or brand structured MNCs. Hilton Group is the only brand structured MNC. All the facilitators identified in Hilton Group are aiming at transferring practices between Hilton Brand hotels and not to/from Scandic. In other words the facilitators are intra-brand rather than inter-brand. Examples include the 'international meetings of managers' (#2) which are only for Hilton Brand managers and the agenda includes only issues relating to Hilton Brand, and the 'written policies' (#8) (*Esprit* programme) only apply to Hilton Brand hotels as Scandic operates with

⁵ Hilton Group is counted as a global MNC as it has a global strategy to the Hilton Brand

Omtanke. Hilton Brand has its own ‘university’ (#10) and the internal consultants (#9) only assess Hilton Brand hotels and not Scandic.

Secondly, there is a link between the size of the MNC and the degree of formalisation of channel of transfer. The larger the MNC is, the more formal the channels are. In Hilton, the largest of the five MNCs, the transfers are rather formal as 3 of the 9 transfers are governed by the ‘*Esprit* programme’ (#8) and the remaining transfers are transferred by ‘head office directives or requirements’ (#1) linked to the brand⁶. In the second largest MNC, Smith & Nephew, the transfer of the survey and intranet are outlined in the company’s 2004 Sustainability Report and 2001 Annual Report as channels of corporate-wide participation measures (Smith & Nephew, 2004:17 and 60, Smith & Nephew, 2001:14). In the smallest MNC, Medivir, 6 of the 7 observed transfers are initiated by individuals. The research director transferred the big meetings and the video conferencing to the UK subsidiary; the CEO employed the HR manager at corporate level; the HR manager transferred the HR Council and its elected employees to Sweden; and the monthly reports were transferred by a Swedish manager.

Thirdly, in brand structured MNCs the brand is created and developed at the centre. It is, therefore, expected to find a higher proportion of *authority relations* promoting FT facilitators in this type of MNC. Of the 14 categories of facilitators, 12 of them are used in Hilton Brand and none to Scandic. The facilitators in the brand structured MNC, Hilton, are not only promoting FT they are also aiming at intra-brand transfers rather than inter-brand transfers.

Whereas Table 5.9 above presents all the possible channels of transfer available to the MNCs, Table 5.10 below shows the channel used for the identified transfers. It is clear that FT solely occurs through the top two categories which are both one-way channels. It is also apparent that replacement transfers are only found in the top two

⁶ It has not been possible to identify through which channel ‘emails’ were transferred

categories. This indicates replacement transfers are linked to a specific policy managed from the corporate head office. In Hilton, 5 of the replacement transfers are connected with head office requirements and directives, and the remaining 2 with the *Esprit* programme. In Smith & Nephew, it is also a corporate policy to change and implement a new intranet throughout the entire MNC as specified by the respondents and the company's Annual Report (Smith & Nephew, 2001:14).

It is equally clear that RT takes place through the bottom two categories (except the transfer of HR manager in Medivir). All the RTs are facilitated by some form of forum where employees come together or move from one place in the organisation to another. In Cardo, it is through the hands-on training and workshops that the two practices are transferred back to the parent company. In Medivir, 1 of the 5 RT is facilitated by the cross-national project. The monthly report is an example of employees working on a project and the practice is transferred to the other site through the project structure. The HR council and its elected employees are transferred by the HR manager attending the HR meetings in the UK subsidiary.

The two top categories are characterised as one-way channels, flowing from parent companies to subsidiaries with little or no possibility for subsidiaries to influence what comes through. The bottom two categories are two-way channels, or fora, where staff from subsidiaries and parent company meets to exchange ideas, experiences and practices. As identified in section 2.6.2.1 the scope for FT exists in all four categories but RT is most likely in the bottom two. This pattern is firmly underlined in the empirical findings where all the RTs (except HR Manager) take place through the two-way channels and FT in the one-way channel.

The empirical investigation has identified the fora promoting RT. However, this does not mean that if an MNC has these fora it will necessarily engage in RT transfers. Table 5.9 identified Hilton with a number of fora in which practices could be identified,

discussed and transferred by RT. This is similar to Höganäs and Smith & Nephew which also have the facilitators for RT but without RT taking place. Other company characteristics inhibited the RT in Hilton, Höganäs, and Smith & Nephew. Therefore, for RT to take place both the structural and political company characteristics must promote RT. If RT is only promoted by either of them, it will not result in RT.

Table 5.10: Transferred Practices and Political Processes

	Höganäs	Cardo	Medivir	Smith & Nephew	Hilton [†]
One-Way Channels of Transfer	Head Office Requirement, Guideline or Decision to be Implemented Globally	Newsletter → Intranet →	Newsletter → Video → Survey →	Big meetings → Video conferencing → HR Manager ←	Newsletter ® → Intranet ® → Hilton University ® → Delegated responsibility ® → Use of supervisors ® →
	Written Guidelines Regarding Policies, Company Charter or Principles, incl. <i>Esprit</i> .		Delegated responsibility →		Notice boards → <i>E</i> Survey ® → <i>E</i> Big meetings ® → <i>E</i>
Two-Way Channels of Transfer	Company Conferences, Project Meetings, Workshops incl. Best Practices Meetings and Cross-National Projects, Hands-on Training of Rank-and-File Employees and Managers	Suggestion box ← CIT ←	Monthly reports ←		
	Exchange of Staff (from anywhere in the MNC to anywhere in the MNC)		HR council ← Employee Representatives ←		

Source: Fieldwork notes

- Forward Transfer
- ← Reverse Transfer
- ® Replacement Transfer
- † Not possible to detect the channel of transfer for 'Emails'
- E* *Esprit* Programme
- PP* People Principles
- AN* Annual Report
- SR* Sustainability Report

5.6 Conclusion

Against the background of the propositions developed in Chapter 2 as to the effect of NBS on transfers, it can be argued that this effect is dependent on the type of practice. It was found that MNCs have the strategic choice to exercise corporate isomorphism in DP practices as the NBS effect is weak. IP practices are under stronger local isomorphic pressures as the NBS exercises stronger influence which was linked to the limited number of IP transfers. Despite the stronger NBS effect in IP it was still possible for Medivir to transfer more flexible IP practices in the form of an HR committee consisting of elected employee representatives. This form of employee participation is circumventing the traditional Swedish system of employee representation.

The pattern of transfers of Swedish and UK MNCs corresponds with the ‘dominance effects’ by Smith and Meiksins (1995). UK MNCs transferred only practices from the UK to their Swedish subsidiaries. Similarly, Swedish MNCs also transferred practices from the UK subsidiaries back to Sweden. This lead to five cases of country-of-origin effect.

Company characteristics were also found to influence the incidence and direction transfers. It was demonstrated that the structure according to brands has an important effect on the direction of transfer. The empirical evidence supported the proposition that brand structured MNCs transfer practices within the brand and that these are transferred as FT. The research also identified a link between the direction of transfer and the post-acquisition integration approach. The integration approach was further linked to the nationality of the MNC, linking UK MNCs to the absorption and Swedish MNCs to the symbiotic integration approaches. The ‘significance’ of the subsidiary was also examined. Empirical evidence showed RT only takes place when the subsidiary is of important ‘significance’ and there are channels of transfer available

between the subsidiary and the parent company. In Cardo and Medivir both criteria were satisfied which also resulted in RT. In Hilton Group Scandic was of ‘significance’ but the channels of transfer were missing between the Hilton Brand and Scandic. The absence of channels of transfer was linked to the brand structure of the MNC and the integration approach. In the former, transfers were only intra-brand, hence discouraging links between Scandic and Hilton Brand. The post-acquisition integration of Scandic was characterised as *preservation* which also is about preserving the assets of the acquired company, thus limiting the reasons for transferring to/from Scandic.

Replacement transfers were only found in the two UK MNCs. This relates to the ‘dominance effect’ whereby supposedly superior practices from ‘dominant’ system replace those in ‘follower’ systems. The replacement of practices is further facilitated by the integration approach (which is also linked to the nationality of the MNC). UK MNCs were found to integrate their acquired subsidiaries by absorption. In this integration approach the boundaries between the two units are dismantled and the subsidiary is at the receiving end of practices from the parent company. The existence of replacement transfers confirms that integration by absorption also includes transferring practices despite their prior existence in the subsidiary.

The investigation also revealed transfers of country-of-origin practices. In two instances were ‘Swedish’ practices (survey and delegate responsibility) transferred to the subsidiary in the UK. These transfers are not surprising as Swedish MNCs face fewer restrictions when transferring into the more permissive UK NBS, as discussed in section 2.5. In addition, the transfers were also in the DP and DR categories. The discussion in section 5.3.4 found DP practices more easily transferred than IP. The other three country-of-origin transfers (CIT, HR committee and its elected employee representatives) were from the UK to Sweden and in the IP category. These transfers were more surprising as IP practices are deeper institutionally embedded in the host-

country and with Sweden being more restrictive to transfers, the practices were unexpected according to the NBS theory. The research found, through the 'push' and 'pull' distinction, that the parent company retains the control of transferring practices both to and from the subsidiary. Finally, the research successfully linked the direction of transfer to the channel of transfer. FTs were facilitated by one-way channels, i.e. head office regulations or company policies. RT takes place through fora where employees from different parts of the MNC get together and exchange ideas, experiences and practices.

CHAPTER 6

DISCUSSION

6.1 Introduction

The comparative examination of transfers in the Swedish and UK MNCs has revealed little NBS effect in DP and DR practices but found some indications and evidence of an NBS effect in IP practices. Chapter 5 also revealed a distinct effect of the company characteristics specific to each MNC. The purpose of this chapter is to link the findings to the existing literature: are they consistent with or do they challenge current theories? Do they suggest new insights? The comparative company analysis in Chapter 5 served the purpose of confirming or rejecting the propositions developed in Chapter 2. Table 6.1 below recapitulates the propositions which are supported and those which are not. The propositions are used as a stepping off point for the discussion and re-engaging with the existing body of literature.

Table 6.1: Supported and Rejected Propositions

Propositions		Proposition supported or not supported
P 1	Direct employee participation practices are more likely to be transferred, forward and reverse, than indirect participation practices.	Supported
P 2	a) Forward transfers of employee participation practices are more likely from the UK to Sweden.	a) Supported
	b) Reverse transfers of employee participation practices are more likely from the UK to Sweden.	b) Supported
P 3	Transfer of ‘delegated responsibility’ to individuals is more likely from Sweden to the UK.	Not supported
P 4	a) Transfer of employee participation practices in brand structured MNCs is more likely to be intra-brand than inter-brand.	a) Supported
	b) Transfer of employee participation practices in brand structured MNCs is more likely to be forward rather than reverse.	b) Supported
P 5	Reverse transfers are most likely from ‘significant’ subsidiaries, which is measured in terms of relative number of employees, relative turnover, skills possession, know-how and materials.	Supported
P 6	a) Forward transfers are most likely in <i>absorption</i> and <i>symbiotic</i> acquisitions.	a) Supported
	b) Reverse transfers are most likely in <i>symbiotic</i> acquisitions.	b) Supported
	c) <i>Absorption</i> acquisitions are more likely in UK MNCs.	c) Supported
	d) <i>Symbiotic</i> acquisitions are more likely in Swedish MNCs.	d) Supported
P 7	Reverse transfers are likely in ‘young’ MNCs.	Partially Supported

6.2 NBS Influencing Transfers

The first three propositions in Table 6.1 examine the institutional forces affecting cross-national transfers. There is empirical evidence confirming that practices relying less on the institutional support have a greater incidence of transfer compared to practices which are deeper embedded in the NBS. This confirms proposition 1. The analysis also finds empirical support for propositions 2a and 2b predicting the direction of participation practices transfer.

The relative ease with which MNCs seem to be able to transfer their DP practices across national borders may express a limited effect of the NBS in restricting transfers. All the MNCs engage in transfer of DP practices, both FT and RT. In Hilton, transfers are intra-brand transfers from the UK to Sweden. This points to an indication that DP transfers are influenced more by the strategic choice of the MNC rather than restrictions in the host-country NBS. If the absence of transfers in Scandic is due to the restrictive Swedish system of industrial relations, then how can Hilton transfer its practices to Hilton hotels also located in Sweden?

There is empirical evidence supporting proposition 1 as IP practices are less transferred than DP practices. Rosenzweig and Nohria (1994) demonstrate empirically that some practices are under stronger local isomorphism than others, thus creating a ‘hierarchy’ of which practices are most influenced by corporate and local isomorphism. The practices most likely to be affected by local isomorphism are *time off* and *benefits* which are largely determined by local law or collective agreement (Rosenzweig and Nohria, 1994). The practice under least local isomorphism is *executive participation* and MNCs face few restrictions in implementing this practice on a corporate-wide scale. This study’s findings confirm Rosenzweig and Nohria’s (1994) results as IP practices are more constrained in their transfer than DP.

The research identifies two IP transfers, both of which are RT in Medivir. In both cases the transferred practices are ‘British’ practices stemming from the UK subsidiary and transferred back to the Swedish parent company, hence circumventing the more restrictive Swedish system of industrial relations. Introducing country-of-origin practices in one part of the MNC by circumventing the stricter systems of industrial relations is in line with Muller’s (1998), and Ferner and Varul’s (2000) findings of Anglo-Saxon practices implemented in companies operating in Germany.

It is suggested in section 2.2.3.1 that MNCs located in 'follower' systems emulate their practices on companies located in 'successful' or 'dominant' systems (Smith and Meiksins, 1995). For this study the 'dominance effect' means a flow of 'British' practices from UK subsidiaries to parent companies in Sweden. The empirical investigation reveals incidences of 'dominance effect' in 2 of the 3 Swedish MNCs (Medivir and Cardo). In Medivir the 'HR council' and its 'elected employee representatives' are transferred from the UK subsidiary to the parent company in Sweden. The 'CIT' is transferred from Cardo's UK subsidiary to the Swedish parent company by RT. The pattern of 'British' practices transferred as RT from the UK subsidiary to the Swedish parent company and no 'Swedish' practices transferred as RT to the UK parent company indicates evidence of 'dominance effect'.

The empirical investigation finds evidence of forward transfer of delegated responsibility to individuals in Swedish and UK MNCs, hence proposition 3 is rejected. One can consider DR as closer related to DP than IP, thus the pattern of transfer in DR is closer to DP than IP. The pattern of transfers also indicates that MNCs may exercise corporate isomorphism. It is also a category where there is a high ratio of transfers in contrast to potential transfers (1:1.3) which may support DR practices are under little pressure for local isomorphism. The transfer of DR in both Swedish and UK MNCs raises the question if the transfer of these practices is influenced by other factors than the nationality of the MNC. Based on EPOC data, Cabrera *et al.* (2003) find companies in the service sector more likely to delegate responsibility to their employees than companies in manufacturing. This study did not identify any clear industry effect, but Cabrera and colleagues' (2003) finding is in line with the transfers in Hilton. Following the rebranding, reception staffs at the Hilton Malmö hotel are allowed to make decisions up to SEK 500 without permission from a supervisor in order to provide the level of service the brand requires.

The empirical investigation finds that the NBS has some impact on the transfer of some employee participation practices in Swedish and UK MNCs. The impact is greater in IP than in DP and DR practices. This confirms the findings of Rosenzweig and Nohria (1994). The investigation also reveals MNCs being able to circumvent the stricter Swedish system of industrial relations by introducing IP practices from their UK subsidiary. This is in line with the findings of Muller (1998) and Ferner and Varul (2000). However, it adds Sweden as a country with a restrictive system of industrial relations that MNCs are able to circumvent. The pattern of RT is from the UK to Sweden and not from Sweden to the UK, which supports the argument of ‘dominance effect’ (Smith and Meiksins, 1995).

6.3 Company Characteristics Influencing Transfers

The comparative analysis in Chapter 5 finds evidence that transfers are not only influenced by the institutional environment in which the MNC operates. The research reveals that company characteristics also influence MNCs in their transfers. The pattern of transfers in brand structured MNCs is tested in propositions 4a and 4b, which are both supported by the findings

The findings suggest some MNCs have adopted an organisational structure according to brands, the significance of which is that it adds an extra dimension to Bartlett and Ghoshal’s (1991) four-fold MNC typology. In a brand context, the brand structured MNC combines the multi-domestic and global organisational structures into one. However, rather than relating to countries the forms relate to brands. In the brand equivalent to the multi-domestic MNC, the brand is managed at arm’s length and not integrated into the parent company’s brand. It preserves the values and assets in the brand without (or limited) transfers from the parent company. In the brand equivalent to the global MNC, each brand is managed independently in order not to interfere too

much with its brand value. The flow of policies, information and resources is from the brand centre to the subsidiaries. The brand structure is important because it allows the MNC to focus fully on different segments of the market according to the brand(s).

There are both Scandic and Hilton branded hotels in Sweden. Located in the same country, both brands face the same institutional influence and ‘dominance effect’ as specified in sections 2.5 and 2.2.3.1. However, the study identifies 9 transfers in the Hilton brand and none to the Scandic branded hotels. This finding suggest that the company characteristic of brand structure can override NBS influence. This leads to a support for the local-global isomorphism suggested in section 2.2.3.1 whereby MNCs operating in the same host country engage in transfers according to the brands. The pattern of transfer in Hilton suggests the MNC faces little constraints by the Swedish NBS and its integration is more affected by the brands rather than the host country’s constraining NBS.

Brand acquisitions offer the acquiring MNC a fast and relatively cheap way of expanding its brand portfolio. It is faster to buy a brand than building up one from scratch. However, it presents challenges to the management of rebranding one unit to another with different brand standards. The study provides important knowledge to post-acquisition integration managers of how to incorporate an acquired brand into the MNC. The rebranded units from the acquired company must be integrated into the parent company brand according to the absorption approach. The units which continue under the same brand should be integrated into the acquirer in accordance with the preservation approach.

There is evidence that the brand structure also exists in other international hotels. InterContinental Hotels operates six brands and its strategy is to keep its brands distinct and differentiated to their customer segments (Hotel-Online.com, 2004). Another example is drawn from Sol Melia’s acquisition of TRYG hotels (Hospitalitynet,

2000; Sol Melia, 2006). Some of the most distinguished TRYG hotels were later rebranded into Sol Melia hotels. More research is needed to determine whether the brand structure and the observed pattern of transfer is specific to the service industry or can be applied to other MNCs, for example manufacture and FMCG MNCs.

Proposition 5 concerning the subsidiary's ability to engage in RT due to its 'significance' was supported. The research only finds RT occurring from subsidiaries of high 'significance'. The support of the proposition is in line with findings from other studies. Gupta and Govindarajan (1991) analysed the directionality of transfers and found that some important subsidiaries engage in an outflow of practices whereas others see an inflow of practices. Tempel (2001) links subsidiaries' possession of resources to RT. She argues that RT is affected by the size and 'significance' of subsidiaries and their possession of skills of value to the parent company and the organisation as a whole (Tempel, 2001:257). Another study finds the size of the subsidiary positively correlated to knowledge transfer by RT (Bresman *et al.*, 1999).

The influence of the maturity of the MNC on both FT and RT, tested in proposition 7, was partially supported. Reverse transfers are identified in the only 'young' MNC. The MNC also possesses other company characteristics promoting RT, such as a subsidiary located in a 'dominant' system and being of high 'significance'. The proposition is therefore only partially supported as it is not possible to exclude the influence of other company characteristics on RT. With RT in both young and mature MNCs (RT was also identified in Cardo which is a 'mature' MNC) indicates that the occurrence of RT is not only linked to the maturity of the MNC.

What does this mean for MNCs and the scope for reverse transfers? The partial support of proposition 7 challenges Edwards' (1997 and 2000) finding of RT only taking place in 'mature' MNCs. Edwards (2000) uses Perlmutter's (1969) argument that

MNCs evolve from the polycentric to the geocentric over time. It is in the geocentric form that RT is most likely to be found, and therefore MNCs will have time to ‘mature’ during this process. Medivir, the only ‘young’ MNC, is also characterised as having a geocentric management style. The existence of RT in Medivir is therefore in accordance with what could be expected of a geocentric MNC. However, the research’s finding of RT in a ‘young’ MNC puts a question mark on Perlmutter’s (1969) argument of a long and tortuous route to reach this stage. The case of Medivir may suggest that the road may not be so long.

The support of propositions 5 and 2b (testing RT from UK subsidiaries) suggests that RT is influenced by two factors: firstly, the nationality of the MNC and its foreign subsidiary, and secondly, the ‘significance’ of the subsidiary. Do both conditions have to be satisfied for RT to occur? The pattern of RT in the other three MNCs with no RT will answer this. In the case of Höganäs, its UK subsidiary is not of ‘significance’ to the rest of the MNC and despite being located in a ‘dominant’ system no RT takes place. The Swedish subsidiary of Smith & Nephew is not of ‘significance’ and is located in a ‘follower’ system and there are no RTs. In the Hilton MNC, Scandic satisfies one of the conditions: it is characterised as of high ‘significance’ but is located in a ‘follower’ system. The pattern of RT may be an expression of both conditions have to be met before RT materialises. This is a significant finding as it confirms and adds to Ferner and Varul’s (2000) proposition that Anglo-Saxonization occurs through ‘vanguard’ subsidiaries. They argue that German subsidiaries in the UK, because of their location in the UK, serve as ‘vanguard’ sites for innovative practices and German parent companies can learn from these subsidiaries. However, Ferner and Varul (2000) do not link ‘significant’ subsidiaries (except from their location) to RT. The findings of the present study suggest the matter is more complicated than just depending on the nationality of

the subsidiary. The subsidiary must also have ‘something to offer’, hence be of ‘significance’ to the rest of the MNC.

An innovative aspect of the study is its exploration of the link between the post-acquisition integration approach and the MNCs’ nationality, and the direction of transfers. Drawing on Haspeslagh and Jemison’s (1991) framework the study found empirical support for four sub-propositions (propositions 6a-6d) on the effects of post-acquisition integration strategy. The research is important and its findings are significant because it distinguishes itself from previous studies by only examining MNCs in the post-acquisition period. Previous studies have looked at the entry mode (greenfield versus acquisition) without linking the integration period to transfers. This study’s findings are essential because they successfully demonstrate that post-acquisition integration strategies matter. The only other known study which tests Haspeslagh and Jemison’s (1991) integration approach against the nationality of the MNC is the work of Pitkethly and colleagues (2000) who examined US, Japanese, French, and German MNCs acquiring in the UK. This study’s findings are in line with those of Pitkethly *et al.* (2000) as they demonstrate that American MNCs tend to absorb their subsidiaries into the group corporate structure, whilst the integration in German MNCs (which come closest to Swedish MNCs) includes absorption, symbiotic and preservation approaches. The findings of both studies indicate MNCs from Anglo-Saxon economies tend to integrate their acquired subsidiaries by absorption. The differences in integration approach are linked to the value creation anticipated following an acquisition. With the UK financial system driven by short-term goals (as discussed in section 2.5) and a pressure to create shareholder value in the short-term, time is important in UK post-acquisition integration. One way of creating value is by reducing costs in the acquired and acquiring companies. Imposing parent company practices

(absorption integration) on acquired subsidiaries is easier and economies of scale are reached faster than attempting to integrate the management cultures of the two units, as in the symbiotic integration. The implications for companies acquired by UK MNCs are that they can expect to see a significant influence from their new parent company. Companies acquired by Swedish MNCs can expect to be given more autonomy and will have opportunities to influence practices in the parent company or the rest of the MNC.

Propositions 6a and 6b link the integration approach to the direction of transfers. Again the empirical evidence supports the proposition, that FT is most likely in absorption and symbiotic integrations, and RT is only found in symbiotic integrations. The findings are both novel and significant, because they inform MNCs pursuing a symbiotic integration to have channels of transfer facilitating a flow of practices in both directions. For MNCs adopting the absorption integration the focus is on channels through which parent company practices can flow to the subsidiary.

Poor post-acquisition integration has been linked to the very high rate of acquisitions failure. Some sources suggest around 50 percent of acquisitions fail to meet their expected aims (c.f. Child *et al.*, 2000). In order to make more acquisitions meet their proclaimed targets, MNCs need to improve their understanding of the acquisition integration, as it is managing this process where actual value is generated (Haspeslagh and Jemison, 1991:164). Depending on the strategic reasons for the acquisition, may it be for obtaining technology, skills, knowledge or market share, the acquirer needs to identify the most suitable integration approach. Once identified, the MNC has to engage in transfers where applicable. This is where some of the present findings are useful to acquisition integration managers. The study has identified a link between the integration approach and the direction of transfer. It has also linked the integration approach to the nationality of the MNC. It has identified which practices are influenced strongest by the host-country NBS and the political processes in the MNCs used as channels of transfer.

Post-acquisition integration managers can benefit from this knowledge to achieve more successful integrations and acquisitions. The findings are also of importance to managers when setting up overseas greenfield sites. Different integration strategies can also be applied to greenfield sites. The incidence of home-country transfers will similarly depend on the integration strategy. A foreign subsidiary set up from scratch in the absorption integration approach would encounter a high incidence of transfer of home country practices. It would be operating similarly to subsidiaries located in the home country and managed by home country expatriates. Greenfield subsidiaries by the symbiotic integration approach would aim to adapt to the local environment but still retain its origins. It would use a mixture of home and host country practices to optimise its competitiveness. It could also be set up according to local working conditions in order to attract highly skilled locals who later on may be identified for international assignments. The parent company is open to new practices from the subsidiary. The MD can be either a host or home country national. The cultures of the two units would be different. Setting up a greenfield subsidiary by the preservation approach would aim to give the impression of being a local company in order to respond to nationalistic feelings of consumers in the host country. The subsidiary would be managed by host country nationals and use host country practices. In the holding approach, the subsidiary would not be related to the parent company. It would be set up using local practices. Its culture would be different to that of the parent company and the parent company does not aim to transfer practices to or from the subsidiary.

The study has added to knowledge of RT, as compared to Edwards (1997; 1998; 2000) who coined the term RT. Edwards (1998) argues that RT takes place from subsidiaries located in 'dominant' systems and where facilitators of transfer exist. This study has added a further criterion to Edwards' (1998) for RT to occur, that the

subsidiary must also be of high ‘significance’. This thesis has also identified RT in a ‘young’ MNC challenging Edwards (1998) suggestion that RT is promoted in ‘mature’ MNCs. Finally, the thesis has examined exclusively acquisitions. It contributes to knowledge in the area of RT by linking the post-acquisition integration approach to the direction of transfer, i.e. RT is identified in symbiotic integrations.

Three further findings on the form, dynamics and channels of transfer all contribute to our knowledge of the processes involved. The research identified a ‘stronger’ form of transfer, replacement transfers. Replacement transfers are closely linked to absorption integration and the brand structure in particular. MNCs undertaking absorption integration and intra-brand transfers will most likely do so by replacing some practices in the subsidiary with others from the parent (brand). This may give rise to some resistance. Employees in the subsidiary may be hostile to new practices coming from the parent company replacing long established and codified practices. The research links replacement transfers to one-way channels of transfer, such as the *Esprit* and other corporate-wide standards, hence replacement transfers are likely to be largely FT. Until Edwards’ (1998) study was published research had not tended to differentiate between FT and RT. The further contribution of the present study is to indicate the utility of differentiating between different types of FT.

The research did not identify any resistance in the subsidiaries (or the parent companies) to transferred practices. The MNCs applied different ways in which to minimise the resistance. In Cardo, the employees are involved in implementing changes through the CIT, which gives the employees a sense of ‘ownership’ of practices and thus less resistance. In Höganäs, and Smith and Nephew the parent company has requested the subsidiaries to follow ISO standards. This means that the subsidiaries themselves must be responsible for the accreditation. In both cases this meant involving

the workforce, which again facilitated the acceptance of new practices. In Hilton, the use of replacement transfers through the *Esprit* programme was so strong that employees suggested that it would only be if Hilton tried to introduce practices which contravened labour laws or collective agreements that it would be possible to resist their implementation.

The research examines whether the practices in the 6 RT are ‘pulled’ from the HQ or ‘pushed’ from the subsidiary. In all 6 instances, the practices are ‘pulled’ from the HQ. This demonstrates clearly the parent company retains the control of transferring practices to and from the subsidiaries. This finding adds to the debate of the hegemony effects whereby certain systems enjoy higher legitimacy than others. Despite some systems being characterised as ‘dominant’ and practices are expected to flow from these to ‘follower’ systems (Smith and Meiksins, 1995; Edwards, 1998; Edwards, 2000), the research’s findings show the decision to engage in transfer and what to transfer lies with the parent company.

The research investigates the channels through which practices are transferred. It finds that FT take place through the one-way channels. This is equivalent to Ferner and Edwards’ (1995) *authority relations* channel. RTs are identified in the two-way channels or fora. These link with Ferner and Edwards’ (1995) *resource-dependent power relations, exchange relations* and *cultural relations* channels, and Coller’s (1996) unobtrusive control. The MNC is a battleground for power. Ferner and Edwards’ (1995) framework depicts the different power relations within the MNC and how different parties interact in their quest for power. The identification of FTs in the one-way channels and RTs in the two-way channels is in line with Ferner and Edwards’ (1995) predictions. The findings also confirm Edwards’ (1998:706) finding that RT does not occur in all MNCs but rather that certain company characteristics promote its incidence.

However, there has been an over-emphasis on structural characteristics and the role of political processes has been downplayed (Edwards and Kuruvilla, 2005:11). This thesis investigates the role of both the structural and political company characteristics on transfers. It not only identifies the structural and political company characteristics promoting FT and RT, but also combines the two. This leads to the conclusion that both the structural and political characteristics have to be favourable for transfers to occur. The discussion of the subsidiary's 'significance' and the presence/absence of channels of transfer illustrate this point.

6.4 The Four Hypotheses Reviewed

This section focuses on supporting or rejecting the four hypotheses developed in Chapter 2. Table 6.2 reproduces the hypotheses from Table 2.7.

Table 6.2: Research Hypotheses

	Hypotheses	Hypothesis supported or not supported
H 1	Some countries are more institutionally permissive to the transfer of employment practices than other countries.	Not supported
H 2	The transferability of employment practices across borders depends on the type of employment practice.	Supported
H 3	Some countries have ‘dominant’ systems and transfers are more likely from these countries to countries with ‘follower’ systems.	Supported
H 4	Company and acquisition characteristics affect the transfer of employment practices.	Supported

The empirical investigation identifies a clear difference in the incidence of transfer between DP, DR and IP practices. DP and DR practices have a significantly higher incidence than IP across all five MNCs. There are also relatively more potential transfers in the IP category than in DP and DR categories which could further indicate IP are less transferable than DP and DR practices. With DP and DR practices depending less on the institutional and legal support compared to IP practices, leads to a support for hypothesis 2.

If DP and DR practices are less constrained by the institutional and legal environment in their transfers than IP practices, one should consider the latter in order to investigate which countries, if any, are more institutionally permissive or restrictive to transfers. It is suggested in Chapter 2 that Sweden has a more restrictive NBS than

the UK leading to the argument of practices affected by the institutional environment are less likely to be transferred from the UK to Sweden. Contrary to expectations the research finds IP transfers from the UK to Sweden. The findings may suggest that despite being deeper embedded within the NBS, MNCs are able to circumvent the stricter system of industrial relations in the host country and transfer IP practices. If MNCs are able to exercise corporate isomorphism on IP practices, their pattern of transfer is then likely to be influenced by the 'dominance effect' or mimetic isomorphism, which can explain the IP transfer from the UK to Sweden. Therefore, hypothesis 1 is not supported.

In order to find support for hypothesis 3, a pattern of transfers from the UK to Sweden must be identified. The UK MNCs have a higher incidence of FT than their Swedish counterparts and only Swedish MNCs engage in RT. Some of the RTs in the Swedish MNCs are also examples of country-of-origin transfers. This shows evidence of Swedish MNCs using their UK subsidiaries as 'vanguard subsidiaries' and thus modelling practices from dominant systems. Hence, we have found empirical evidence supporting hypothesis 3.

The research has also found empirical evidence suggesting that transfers are not only influenced by factors at the national level, but also structural and political company level factors impact of transfers. Particular attention has been paid to the post-acquisition integration approach, 'significance' of the subsidiary, organisational structure and political processes. The direction as well as occurrence of transfer (both FT and RT, and from one country to another) are linked to the post-acquisition integration approach. Only subsidiaries of high 'significance' engage in RT. Further, brand structured MNCs transfer practices according to the brand rather than the nationality of the subsidiary. This company characteristic is also suggested of overriding national influences. Finally, a positive relationship is made between the

incidence of transfer and the number of channels of transfer. We can therefore conclude that company characteristics do, to varying degree, influence transfers, hence supporting hypothesis 4.

CHAPTER 7

CONCLUSIONS

This research examined the influence of the NBS and company characteristics on the transfer of employee participation practices in UK and Swedish MNCs. It set out to fill the gap in the literature of transfer of employee participation practices in MNCs following acquisitions. It analysed the constraints and facilitators by the home and host-country NBSs. Further, it investigated how MNCs were influenced by their company characteristics in their transfers. Finally, the research explored how MNCs engaged in the transfers.

The empirical investigation is based on detailed case studies of 2 UK and 3 Swedish MNCs and their acquired subsidiaries. The findings increase the understanding of the complex influence of institutions and company characteristics on the transfer of employee participation practices. This chapter concludes the thesis in three sections; namely the research questions in the light of the main findings; contributions to academic knowledge, policy and practice; and, last, future research.

7.1 Review of the Research Questions

Chapter 1 mapped out three main research questions, and the main findings on each are reviewed in turn.

Research Question 1:

Do NBS and company characteristics affect the transfer of employee participation practices following acquisitions?

A significant higher incidence of DP and DR transfers compared to IP transfers leads to the conclusion of an NBS effect in IP transfers in Swedish and UK MNCs. For DP and DR practices there is little NBS effect. The examination of company characteristics is useful in providing evidence of their impact on transfers. Firstly, the transfer of DP and DR practices is more influenced by the MNCs' strategy and integration approach than restricted by the host country's NBS. Secondly, Swedish parent companies are able to circumvent the stricter Swedish system of industrial relations when transferring IP practices from the UK. This suggests that MNCs have room to manoeuvre and exercise corporate isomorphism even for IP practices. Thirdly, Swedish MNCs' transfer of practices from their UK subsidiaries reveals that MNCs located in 'follower' systems emulate both direct and indirect employee participation practices on companies from 'dominant' systems. Fourthly, MNCs' transfers are not solely influenced by the institutional environment in which they operate. The incidence and direction of transfers are also influenced by the MNC's company characteristics. This is evidenced most clearly by the company characteristics of organisational structure, subsidiary 'significance', post-acquisition integration approach and MNC maturity. Fifthly, the study links the post-acquisition integration approach to the nationality of the MNC, evidenced by the absorption integration by UK MNCs and symbiotic integration by Swedish MNCs. It also links the direction of transfers to the

post-acquisition integration approach as absorption integration uses solely FT and symbiotic integration uses FT and RT. Finally, the examination of the brand structured MNC provides evidence of transfers linked to individual brands of the MNC.

Research Question 2:

How do MNCs engage in transfer of employee participation practices with their acquired foreign subsidiaries?

The study identified the channels available to and used by the MNCs for transfer. Firstly, forward transfers are firmly associated with one-way channels and reverse transfers are linked to two-way channels, such as the existence of fora. Secondly, national differences in how practices are transferred were identified. UK MNCs tend to be more formal and make extensive use of written policies and guidelines. Swedish MNCs adopts a more subtle and informal approach. The two different national approaches link to Coller's (1996) discussion of direct and unobtrusive control mechanisms. Thirdly, the investigation establishes a relationship between company characteristics promoting RT and channels of transfer. Both of these company level characteristics must be present for transfers to occur. Fourthly, the conceptualisation of transfers was extended by the identification of replacement transfers. These transfers are particularly evident in absorption integrations as they replace 'old' subsidiary practices with 'new' parent company practices. This form of practices is facilitated by written policies and codified brand standards. Finally, the findings indicate that the parent company remains in control of RT as the practices are 'pulled' rather than 'pushed' from the subsidiaries. It underlines the difficulty subsidiaries have in initiating and engaging in RT if the parent company is not supportive.

Research Question 3:

Why are some employee participation practices transferred and others not?

The research identifies the effect of NBS and company characteristics on transfers. Some practices are institutionally more embedded than others, i.e. IP practices ‘travel badly’. Others are less embedded, i.e. DP and DR practices are ‘good travellers’. Secondly, the empirical investigation supports the argument of the ‘dominance effect’. MNCs in ‘follower’ systems emulate practices on MNCs from ‘dominant’ systems. These MNCs use their foreign subsidiaries located in the ‘dominant’ system as vanguard subsidiaries. Finally, the research identifies the company level political processes and structural characteristics facilitating transfers. Without both of these in favour, the MNC does not engage in transfers.

7.2 Thesis Contributions to Academic Knowledge, Policy and Practice

The research analyses have answered the research questions which have driven this investigation. These answers allow us to draw up contributions to academic knowledge, and policy and practice.

7.2.1 Contributions to Academic Knowledge

The results of this study contribute to academic knowledge in debates on employment practice transfers between the liberal Anglo-Saxon and continental European economies, and transfer of employment practices in acquisitions.

- The study has identified that the NBSs of Sweden and UK have an effect on the transfer of IP practices but less so on DP and DR transfers (Rosenzweig and Nohria, 1994). The findings are important as comparative studies of MNCs in industrial relations to date mainly have focused on US, Japan, UK and Germany (Ferner and Varul, 2000; Edwards, 1998; Ferner and Quintanilla, 1998; Ferner, Quintanilla and Varul, 2001; Child *et al.*, 2001; Royle, 1999; Bird *et al.*, 1998). This study adds Sweden – an important Nordic country in the Nordic Model to the picture.
- The research found that Swedish MNCs undertook RT from their UK subsidiaries but UK MNCs did not engage in RT from their Swedish subsidiaries. This finding may suggest a flow of practices from the ‘dominant’ system of the UK to the ‘follower’ system of Sweden (Smith and Meiksins, 1995).
- The investigation also found evidence of MNCs being able to transfer practices from a permissive to a restrictive system of industrial relations (Muller, 1998; Ferner and Varul, 2000). This was shown by Swedish parent companies transferring DP and IP practices to Sweden from their UK subsidiaries.

- The research has developed the under-researched area: transfer of employment practices following an acquisition. Most of the literature so far has not distinguished between MNCs' mode of entry when examining transfers. The study has successfully linked Haspeslagh and Jemison's (1991) framework of post-integration approaches to the nationality of the MNC. This study found that UK MNCs integrated their acquired subsidiaries by absorption (Pitkethly *et al.*, 2000). It also revealed that Swedish MNCs integrated by the symbiotic approach.
- The research also linked Haspeslagh and Jemison's (1991) integration approaches with the direction of transfer. MNCs, integrating by absorption, did so by forward transfers. MNCs, adopting the symbiotic integration approach, made use of both forward and reverse transfers. These findings suggest that Anglo-Saxon MNCs are more centralised than Swedish MNCs and operate with more standardised global practices which are transferred and implemented in the acquired subsidiaries. It also suggests that Swedish MNCs are more decentralised and 'open', and willing to pick up new practices from its acquired foreign subsidiaries.
- The identification of the brand structured MNC is a new and innovative dimension to Bartlett and Ghoshal's (1998) MNC typologies. No other research has been identified as describing MNCs being organised according to brands. The brand structure allows MNCs to have a dual management style, i.e. combining the multi-domestic and global approaches into one. This finding expanded the concept of isomorphism by adding an extra dimension, the local-global isomorphism, to Ferner and Quintanilla's (1998) four types of isomorphisms. The brand dimension may be significant in accounting for transfers or their absence when analysing the way in which MNCs expand.

- The analysis further contributes to knowledge about RT. It was found that the flow of practices from the subsidiary to the rest of the organisation was positively linked to the nationality of the MNC and its subsidiary, and to the ‘significance’ of the subsidiary (Tempel, 2001; Gupta and Govindarajan, 1991; Bartlett and Ghoshal, 1989).
- The research’s findings extend and refine the conceptualisation of transfer in two ways. Firstly, a further type of transfer, replacement transfer, was identified. This is a stronger degree of transfer and requires more commitment as it replaces an existing practice. The research linked the replacement transfers to the absorption integration approach and UK MNCs. Secondly, the investigation revealed that the parent company remained in control of RT, as all RTs were ‘pulled’ rather than ‘pushed’ from the subsidiaries (Edwards, 1998 and Edwards, 2000).
- Finally, the study linked FT to one-way channels of transfer and RT to two-way channels (Ferner and Edwards, 1995; Coller, 1996). This point underlined that the right channels of transfer must be present for transfers to occur (Edwards, 1998).

7.2.2 Contributions to Policy and Practice

- The research linked the nationality of the MNC with the integration approach and direction of transfer. UK MNCs were found to integrate by absorption and Swedish MNCs by symbiotic integration. Employees in acquired subsidiaries by UK MNCs can expect to see a great inflow of practices and a strong control from their new owners. Employees working in companies acquired by Swedish MNCs can expect to have a greater influence on practices used in the MNC. There is in Swedish companies a general expectancy to be listened to and to

have the ability to express one's voice and opinions. The attitude of listening and learning from others was also demonstrated in transfers, as Swedish MNCs allowed new practices to come from the subsidiaries to the parent companies or the rest of the organisations. UK MNCs acquiring in Sweden, and possibly in other Scandinavian countries, must be careful not to over-integrate their acquired subsidiaries. Steamrolling new practices into the acquired company may create resistance in the subsidiary and key employees may leave. Swedish MNCs acquiring in the UK, must also be ready to take the lead after the acquisition. The subsidiary expects to be led by its new owner. The initiative must come from the centre.

- The identification of the brand structure and acquisition of 'brand' companies is significant. It allows the MNC to focus fully on different segments of the market according to the brand(s) and to transfer the practices which fit the brand standard. Within the brand, the MNC does not necessarily have to continue with production, for example, at the existing facility. The management can threaten the employees with relocation of production to a cheaper or more flexible labour market if they do not concede to management's changes.
- The research's findings pointed out a positive correlation between the nationality of the subsidiary and RT. However, it also suggested that the issue of RT is more complicated. The research demonstrated that the subsidiary must be of high 'significance' and there should be channels of transfer available. This underlines the complexity in employment practices transfers. It is seldom one single condition which is 'accountable' for transfers. In most cases it is a combination of several conditions which have to be satisfied for transfers to occur. For MNCs and acquisition integration managers, it is not enough to identify in due diligence a company with 'significant' features and then expect

these practices to be transferred. The MNCs must adopt the right integration approach. Managers must ensure there are fora or other opportunities where these practices can be identified and the channels through which they can be transferred.

- The research identified replacement transfers and linked them to the absorption integration. Replacement transfers provide integration managers with a tool to fully amalgamate the acquired unit into the acquirer. They are a very strong tool in creating consistency through the organisation, as they streamline practices. They are also effective when implementing a new brand standard.
- The research found that replacement transfers are a strong tool in reducing or even removing resistance in the subsidiaries. Relying on external bodies, like ISO standards, are also examples of ways in which to reduce resistance, as the employees are involved in identifying and implementing new practices.
- Practitioners both at parent and subsidiary levels can benefit from the finding that RT is possible in ‘young’ MNCs. This provides evidence that practices can be identified and transferred from an early stage, especially if the acquired company is at the same development level.

7.3 Limitations and Future Research

Although the research has examined the transfer of employment practices in two different countries at both national and company levels, and have produced some insightful findings, there are areas beyond the research's boundaries and remaining as further opportunities. This section details the research's limitations and provides future research issues.

7.3.1 Limitations of the Research

The research adopted the case study approach which is considered the most appropriate for uncovering the complex and under-the-surface processes governing transfers. However, this method also comes with limitations. One significant limitation regards the generalisability of findings beyond the case study companies. Due to the very limited number of case study companies it is not possible to find companies which are representative of the UK or Sweden. The findings can, therefore, not be generalised to industry or national levels. Instead, the research aims for analytical generalisation where the findings are used to build a new theory or add to an existing one.

Ideally, the data should have been collected before the acquisition, during and shortly after the acquisition, and after 18-24 months in order to fully expose the processes surrounding transfers in acquisitions. However, there are serious access and time obstacles to be overcome for this approach to be used in a doctoral research. Instead, data for this research were collected during one or two-day visits to the companies. This presents the researcher with a snapshot of the situation in each MNC at one particular moment in time after the acquisition. This way of collecting data puts a limitation on the data triangulation, as the researcher only has one observation in time. The researcher has tried to overcome this problem by considering secondary material in

the form of annual reports, other company written material and other publicly available information on for example the Internet.

A third limitation is researcher bias. The qualitative research method opens up the possibility for the researcher to ask questions in a certain way and ‘put the words in the mouth of the respondents’. This could lead to incorrect conclusions, thus casting doubts over the findings. The researcher has dealt with this issue by being as objective as possible. For example, respondents were asked about what type of practices were in use, thus giving them the opportunity to identify the range of practices themselves, rather than asking respondents to confirm the existence of specific practices.

Fourthly, this research has focused on MNCs from the UK and Sweden which are examples of a permissive and restrictive NBS respectively. Findings are generalised to the NBS theory on MNCs’ ability to transfer practices from a permissive to restrictive NBS, and MNCs willingness or strategic choice to transfer from the restrictive to the permissive system. Since the research only considers one restrictive and one permissive NBS, the findings may have been different have we examined MNCs located in other permissive and restrictive NBS, i.e. US and Germany. Therefore, the geographical coverage is a further limitation.

The final limitation relates to the type of foreign expansion. The research examines explicitly acquisitions. In this form of expansion, the purchasing company is in a very strong position to introduce new practices in the foreign subsidiary. It is possible that findings are not applicable to other forms of expansion, including mergers and greenfield investments.

7.3.2 Future Research

The findings of the research have given rise to new questions, some of which could be investigated in future research. Firstly, the brand structure is a new addition to

Bartlett and Ghoshal's (1998) four-fold MNC typology. It would be of great interest to have the findings confirmed by other studies. This could also shed light on whether brand structured MNC is sector specific or if it exists in other industries. Relatedly, further research could also determine, in case units from the parent brand are rebranded into the acquired brand, whether the flow of practices is from the parent HQ and out or from the brand HQ. This is important because it determines whether the parent company needs to have a brand integration approach for each brand or just the acquired brand. The research also demonstrates that the brand structured MNC has a very clear idea of what practices to transfer. The practices are part of the brand standard or specified in written guidelines. Further research could inform if brand acquisitions are more successful in achieving their initial targets. If they were, they could inform about the importance of having a set of clearly defined practices to transfer, how to transfer them and means to assess when full integration has been achieved.

Secondly, questions flow from the finding of a link between the integration approach and the nationality of the parent company, i.e. UK MNCs follow absorption integration and Swedish MNCs follow the symbiotic approach. One could also take a view that UK subsidiaries are integrated in the symbiotic approach and Swedish subsidiaries by absorption. Should one instead focus on the nationality of the subsidiary rather than the parent company? Are subsidiaries from 'dominant' systems better integrated by the symbiotic approach and subsidiaries from 'follower' systems by absorption? Do MNCs have different integration approaches varying from acquisition to acquisition? If so, why? What are the determinants for selecting the integration approach?

Future research could also test the findings against MNCs from other countries. Is the symbiotic integration approach widely used in other Scandinavian countries, or other continental European countries? Do Swedish MNCs only undertake symbiotic

integration in subsidiaries located in other European countries? How do they integrate subsidiaries acquired in Africa, South America and South East Asia? Is the absorption integration approach also preferred by MNCs in other Anglo-Saxon countries?

APPENDICES

Appendix 2.1:

Distribution of Stock Ownership in the 50 Largest Listed Swedish Companies, 2004

Company		3.0 – 4.9		5.0 – 9.99		10.0 – 24.99		25.0 – 49.99		50.0 - 74.99		75.0 - 100		Total	
1	Ericsson	1		0		2		0		0		0		3	
2	Nordea	1		0		1		0		0		0		2	
3	Telia	0		0		1		1		0		0		2	
4	H&M	0		0		0		0		1		0		1	
5	Handelsbanken	3		0		2		0		0		0		5	
6	Volvo	5		0		1		0		0		0		6	
7	SEB	0		1		1		0		0		0		2	
8	AstraZeneca	4		0		1		0		0		0		5	
9	ForeningsSparbanken	3		1		1		0		0		0		5	
10	SCA	0		1		1		1		0		0		3	
11	Investor AB	5		0		0		1		0		0		6	
12	Atlas Copco	0		0		1		0		0		0		1	
13	Scania	0		2		1		1		0		0		4	
14	Electrolux	1		0		0		1		0		0		2	
15	Securitas	2		0		3		0		0		0		5	
16	Assa Abloy	2		0		3		0		0		0		5	
17	Tele2 AB	1		1		0		1		0		0		3	
18	Skandia	2		1		0		0		0		0		3	
19	SKF	2		1		0		1		0		0		4	
20	Gambro	1		2		0		1		0		0		4	
21	Industrivärden	3		4		1		0		0		0		8	
22	Skanska	1		0		0		1		0		0		2	
23	Swedish Match	2		0		0		0		0		0		2	
24	Holmen	0		1		1		0		1		0		3	
25	Kinnevik	4		1		1		1		0		0		7	
26	ABB	1		1		0		0		0		0		2	
27	SSAB	2		2		1		0		0		0		5	
28	Getinge AB	1		0		0		1		0		0		2	
29	Wihlborgs Fastigheter	2		2		1		0		0		0		6	
30	Axfood AB	0		0		0		1		0		0		1	
31	Alfa Laval	3		2		1		0		0		0		6	
32	MTG AB	0		1		1		1		0		0		3	
33	SAAB	1		1		0		2		0		0		4	
34	Ratos AB	0		1		2		0		0		0		3	
35	Lundbergföretagen	0		0		0		0		0		1		0	
36	Eniro	1		3		0		0		0		0		4	
37	Castellum AB	2		4		0		0		0		0		6	
38	Hufvudstaden	0		0		0		0		0		1		1	
39	SAS	2		1		3		0		0		0		6	
40	OMX	1		3		1		0		0		0		5	
41	Trelleborg	1		0		0		0		1		0		2	
42	Lundin Petroleum	0		1		0		1		0		0		2	
43	NCC	1		1		1		0		1		0		4	
44	Autoliv	3		2		0		0		0		0		5	
45	Oriflame	2		3		2		0		0		0		7	
46	Metro Int.	3		1		1		1		0		0		6	
47	Clas Ohlson	1		0		0		2		0		0		3	
48	Nobia	2		5		0		0		0		0		7	
49	Billerud	2		0		0		0		0		0		2	
50	Capio	4		2		0		0		0		0		6	
51	Hoganas	2		2		0		1		0		0		5	
54	Cardo	1		1		0		1		0		0		3	
Total		81	41%	55	28%	36	18%	21	11%	4	2%	2	1%	199	100%

Source: 2004 Annual Reports for above listed companies

Appendix 3.1:

THOMSON FINANCIAL M&A DATABASE COVERAGE

THOMSON FINANCIAL TRACKS:	THOMSON FINANCIAL DOES NOT TRACK:
<ul style="list-style-type: none"> • Acquisitions of private companies resulting in change of control at the ultimate parent level • Government concessions, if 20 years or more • De-merger (see Spinoff) • Divestment of company, division or trading assets resulting in change of control at ultimate parent level • Dual-headed collapses • Dual-headed share unifications • Equity carveout of a wholly-owned subsidiary only when 100% sold via IPO • Government equity carveouts of any percentage • Exchange offers (Company offers to exchange new securities for its equity securities outstanding or its securities convertible into equity) • RTC sales of failed US banks • Acquisition of stakes in existing JVs or the formation of a JV by merging existing assets • Leveraged buyouts • Management Buy-outs/Buy-ins • Mergers • Pharmaceuticals (post-clinical trials) and other brand rights • Privatizations • Property (see Real Estate) • Real Estate (inclusive) <ul style="list-style-type: none"> • Transaction value of US \$100 mil or more on announcement • Completed buildings (ie structures not just land) • Sale of property company, property portfolio • Sale and leaseback involving change of title • Recapitalizations (A company undergoes a shareholder leveraged recapitalization in which a company issues a one-time dividend in the form of cash, debt securities, preferred stock or assets allowing shareholders to retain an equity interest in the company) • Reverse takeovers • Rumored transactions • Sale of licensed operating asset (Subsequent to award of license) • Seeking buyer transactions (eg auctions, bankruptcy or receivership sales) • Spinoffs of any size • Stake Purchases and Repurchases <ul style="list-style-type: none"> • 5% or more • 3% or more with value over US \$1mil • less than 3% but result is majority ownership of more than 50% • acquisition of remaining interest • Tender offers • Tracking stock 	<ul style="list-style-type: none"> • Acquisition of film rights • Acquisition of land • Acquisition of non-convertible preferred shares or saving shares (Non-voting) • Acquisition of ships except cruise ships and drilling barges • Acquisitions by creditors of less than 50% (Bankruptcy) • Acquisitions of stakes in start up companies (Companies not yet operational) • Acquisitions or mergers of wholly-owned subsidiaries or any internal restructuring • Awarding of licences or rights to operate • Consolidation of multiple classes of stock • Conversion of a company to a limited partnership • Distribution rights from a manufacturer to a distributor • Equity placement which would only maintain or reduce a shareholder stake (eg rights issue) • Formation of JVs and cash only alliances where no assets are changing hands • Leaseback or acquisitions of operating leases or financial leases • Multiple bids in the auction, bankruptcy or receivership process as individual transactions • Open market share disposal unless part of a privatization • Privatization of services or contracts (eg phone or postal services) • Reincorporations • Stake purchases by mutual funds or institutional investors

Appendix 3.2:

List of Foreign Acquisitions by UK MNCs into Sweden and Swedish MNCs into the UK 1993-2001

No	Target	Country	Bidder	Country	Deal Value	Month	Year
1	3C Scotland	UK	Alloon AB	Sweden	£ 0.9 M	December	1998
2	Vickers-S&W Medico Teknik (Denmark)	UK	ARTEMA Medical	Sweden	SEK 85 M	August	1997
3	Williams-Yale locks	UK	Assa Abloy	Sweden	\$ 1.3 BN	April	2000
4	Stratton Paper Company	UK	AssiDoman	Sweden	N/A	August	1997
5	Fisons PLC (R&D operations) - Fisons PLC	UK	Astra AB	Sweden	£ 202 M	April	1995
6	Kango Ltd - Dobson Park Industries	UK	Atlas Copco AB	Sweden	£ 7.8 M	June	1993
7	Marling Industries	UK	Autoliv	Sweden	£ 30.9 M	November	1997
8	Hogg Robinson-Bennett BTI Travel	UK	Berg I Karlstad AB Benot	Sweden	£ 2.90 M	February	1999
9	Hogg Robinson Freight Services - Hogg Robinson PLC	UK	Bilspeidition AB	Sweden	£ 0.2 M	July	1995
10	PC Henderson (Hepworth)	UK	Cardo	Sweden	\$ 23.5 M	March	2000
11	Cell Strategv	UK	Cell Network	Sweden	N/A	February	2000
12	Designspirit	UK	Cell Network	Sweden	N/A	March	2000
13	BMT ICoNS Ltd - British Marine Technology	UK	Celsius Industrier AB	Sweden	N/A	June	1994
14	Comstat Holdings PLC	UK	Consilium AB	Sweden	N/A	February	1996
15	Audioline	UK	Doro Telefoni	Sweden	£ 10.3 M	May	1998
16	Ferguson International-Hindson Print	UK	Elanders Kommunikation AB	Sweden	£ 6.8 M	August	1999
17	Bredon Group	UK	Electrolux	Sweden	N/A	August	1996
18	Orbitel Mobile Communications - Vodafone Group	UK	Ericsson Telefon	Sweden	N/A	May	1996
19	Chubb Safe Equipment Company	UK	Gunnebo	Sweden	£ 50 M	September	2000
20	RIM Fabrications	UK	HI Display	Sweden	N/A	January	1999
21	Powdrex	UK	Hoganas	Sweden	\$ 15.2 M	August	2000
22	Metadesign London	UK	Icon Medialab International	Sweden	N/A	February	2000
23	Mimetrix	UK	Medivir	Sweden	\$ 9.6 M	April	2000
24	Plvmouth Gin	UK	N/A	Sweden	N/A	March	2000
25	Berisford-Magnet	UK	Nobia	Sweden	\$ 134 M	June	2001
26	IAE Group PLC	UK	Nordbanken AB	Sweden	£ 21.7 M	April	1994
27	UK North Sea Oil & Gas Interests - Neste OY	UK	Sands Petroleum	Sweden	£ 135 M	September	1995
28	Bricom Group	UK	Securum	Sweden	£ 10.9 M	March	1993
29	Romeike Group Holdings	UK	Sifo Group	Sweden	£ 127.5 M	January	2000
30	Teleca	UK	Sigma	Sweden	N/A	May	2000
31	Bennett & Company, G F	UK	Skandia AB	Sweden	N/A	August	1994
32	Risk & Insurance Research Group	UK	Skandia Forsaekring AB	Sweden	N/A	July	2000
33	Interlife Assurance	UK	Skandinaviska Enskilda Banken	Sweden	N/A	June	1993
34	Int. Combustion Ltd (industrial Milling Div)-Rolls Royce Plc	UK	Svedala Industri AB	Sweden	N/A	May	1994
35	Powerscreen International	UK	Svedala Industri AB	Sweden	\$ 9.10 M	March	1999
36	S&H Bulk Material Handling Division	UK	Svedala Industri AB	Sweden	£ 3.8 M	June	2000
37	AM Paper Group	UK	Svenska Cellulosa	Sweden	£ 192 M	September	1999
38	Marco Polo 1	UK	Swedish Space Corporation	Sweden	£ 21 M	January	1994
39	COOL-Jex	UK	Telelogic	Sweden	N/A	April	2000
40	Invensys-AVS Businessl	UK	Trelleborg	Sweden	£ 155 M	January	2000
41	Laird Group-LAC	UK	Trelleborg	Sweden	£ 102 M	December	2000
42	Park Rubber Ltd	UK	Trelleborg	Sweden	£ 2.9 M	April	1997
43	DFC Truck & Bus Ltd - Dawsongroup PLC	UK	Volvo AB	Sweden	£ 7.32 M	April	1996
44	NFC-BRS Truck Rental Operations	UK	Volvo AB	Sweden	£ 49 M	February	1998
45	Atle	Sweden	3I Group	UK	£ 851 M	March	2001
46	Mediekompens	Sweden	Aegis Group Plc	UK	£ 3.6 M	April	1997
47	SAS Leisure AB	Sweden	Airtours PLC	UK	SEK 870 M	June	1994
48	Trivselresor Holding	Sweden	Airtours PLC	UK	£ 11.8 M	July	1999
49	Haegglunds	Sweden	Alvis	UK	SEK 975 M	October	1997
50	Jarfalla ICC AB	Sweden	Amstrad PLC	UK	N/A	April	1995
51	Nordic Water	Sweden	Anglian Water PLC	UK	SEK 380 M	March	1993
52	Ericsson-Enterprise Operations	Sweden	Apax Partners	UK	£ 326 M	April	2001
53	Steridose Systems AB	Sweden	APV PLC	UK	N/A	March	1996
54	M & P Rekrvtering / Synk Mediacom	Sweden	Beaufort Group	UK	£ 0.82 M	August	1998
55	ABB Powdermet AB	Sweden	Bodycote International	UK	SEK 42 M	November	1994
56	Brukens Thermotreat	Sweden	Bodycote International	UK	SEK 625 M	December	1996
57	Gyproc	Sweden	BPB Industries	UK	£ 94.7 M	November	1998
58	GEAB	Sweden	Carphone Warehouse	UK	N/A	September	1998
59	Esab AB	Sweden	Charter PLC	UK	£ 390 M	August	1994
60	AssiDoman-Corrugated & Containerboard Business	Sweden	Cinven	UK	\$ 1.1 BN	April	2001
61	Iro AB	Sweden	CWB Capital Partners	UK	SEK 620 M	January	1995
62	Freber Elektronik Leasing	Sweden	Deltron Electronics	UK	SEK 53 M	November	1997
63	Astral	Sweden	ECsoft Group	UK	\$ 6.4 M	May	1997
64	Libris Media (organiser distribution business)	Sweden	Filofax Group PLC	UK	SEK 18 M	September	1993
65	CST Grafiska	Sweden	Gibbon Group PLC	UK	SEK 8.5 M	January	1996
66	Backupcentralen Infosec Holding	Sweden	Guardian IT	UK	\$ 21.6 M	July	1999
67	Scandic Hotels	Sweden	Hilton Group	UK	\$ 947 M	June	2001
68	Bennett Travel Group AB	Sweden	Hogg Robinson PLC	UK	SEK 680 M	July	1995
69	Nordell, J.	Sweden	Hozelock Group PLC	UK	£ 0.2 M	April	1995
70	Tour & Andersson Hydrionics	Sweden	IMI	UK	£ 97 M	May	1997
71	Semco AB	Sweden	Inchcape PLC	UK	N/A	June	1994
72	Absalon Group	Sweden	Infobank International Holding	UK	\$ 28.8 M	March	2000
73	Global Refund Group	Sweden	Investor Group-backed by Apax Patners	UK	£ 160 M	September	1999
74	Nordisk Parkering	Sweden	Investor Group-backed by Bridgepoint Capital	UK	\$ 70.8 M	August	2001
75	CTS Svenska AB	Sweden	ISA International PLC	UK	£ 6 M	March	1993
76	KMLab	Sweden	Kelda Group	UK	\$12.1 M	September	1999
77	Delta Insurance Services	Sweden	Lambert Fenchurch Group	UK	SEK 25 M	June	1998
78	Brummer & Partners	Sweden	Lazard Houses	UK	N/A	February	1998
79	Plat Johan AB	Sweden	McLeod Russel Holdings PLC	UK	N/A	November	1995
80	Liungdahis Mailman AB (electronic printing & finishing div.)	Sweden	Microgen Holdings PLC	UK	£ 0.8 M	February	1996
81	Wenneroren-Williams	Sweden	More Group	UK	SEK 840 M	December	1996
82	Cell Internet Commerce Development	Sweden	NewMedia Spark	UK	\$ 133.6 M	April	2000
83	CD Plant Manufacturing AB	Sweden	Nimbus Records Ltd	UK	N/A	July	1994
84	SBL Vaccin	Sweden	Powderject Pharmaceuticals	UK	\$ 52.51 M	August	2001
85	Kvaerner Ships Equipment	Sweden	Powell Duffryn PLC	UK	\$ 57.1 M	January	1999
86	Bidlet	Sweden	QXL.com	UK	\$ 550 M	April	2000
87	Trygg-Hansa Forsakrings	Sweden	Royal & Sun Alliance Insurance	UK	\$ 509 M	July	1999
88	AU-System Communication	Sweden	Schroders	UK	\$ 135 M	May	1999
89	LipidTeknik	Sweden	Scotia Holding PLC	UK	£ 9 M	March	1995
90	Bilspeidition Data AB	Sweden	Sema Group PLC	UK	N/A	June	1994
91	SKD Foretagen (Majority of business)	Sweden	Sema Group PLC	UK	SEK 250 M	November	1993
92	Habia Teknoflour AB	Sweden	Senior Engineering Group PLC	UK	SEK 27 M	March	1996
93	Carnegie AB	Sweden	Singer & Friedlander Group PLC	UK	£ 53.5 M	December	1994
94	Perstora Pharma (Wound care business)	Sweden	Smith & Nephew	UK	£ 12 M	December	1997
95	Swabus	Sweden	Stagecoach Holdings	UK	SEK 1 BN	August	1996
96	Forsheda	Sweden	TI Group	UK	SEK 2 BN	November	1996
97	Bake Off	Sweden	Unilever	UK	N/A	January	1993
98	Molnlycke AB (Melka & Tenson businesses)	Sweden	William Baird PLC	UK	£ 14.5 M	February	1995
99	Enertech Industries	Sweden	Wolseley PLC	UK	SEK 512 M	May	1993
100	CRoSSAB	Sweden	WPP Group	UK	N/A	September	1998
101	Sifo Research & Consulting (Sifo Group)	Sweden	WPP Group	UK	\$ 70.3 M	April	2000
102	Jacobson & Widmark	Sweden	WSP Group	UK	\$ 100.8 M	June	2001
103	Astra	Sweden	Zeneca	UK	N/A	January	1999

Appendix 3.3:

Standard Letter Sent to the Companies Requesting Participation

Morten D. Andersen
Doctoral Researcher
Warwick Business School
University of Warwick
CV4 7AL
England
Phone 024 7652 2867
morten.andersen@wbs.ac.uk

Date

Mr. XXX
Head of Human Resources
Swedish Company YYY
Road
Town
Postcode

Dear Mr. XXX,

The transfer of employment practices is often problematic and companies can face difficulties implementing them across borders. I am a researcher at Warwick Business School carrying out a project which investigates the influence of European national business systems on multinational corporations' transfer of employment practices to their acquired subsidiaries abroad by examining companies based in Sweden and the UK. The research focuses on what companies can gain from transferring employment practices and identifies the constraints and facilitators of the transfer. It also examines the consequences of poor implementation. I am writing to request **Company YYY** to participate in the research.

Company YYY is a particular valuable example for this project because:

- it is a part of an MNC expanding through cross-border acquisitions.
- it is a subsidiary of an English multinational company.
- of its size in terms of number of employees.

The research is case study based with interviews of a limited number of managers and, if possible, employee representatives. The findings from your company can, if you wish, be presented in an anonymised way.

Upon completion of the research, I would like to share the findings and analysis with you by, for example, holding a presentation or providing a case study report if wanted.

I would be happy to present my research project in more details to you and your company to discuss the possibility of undertaking interviews in your company.

If you have any queries, please do not hesitate to get in contact with me as I will be pleased to answer any questions you might have.

Thank you and best regards,

Morten Andersen

Appendix 3.4:

Standard Interview Questions

Name of interviewee:	Company name:
Current position:	Employed prior to the acquisition:
Employed since:	Date of interview:
Position held prior to the acquisition:	Length of interview:
Interview done in:	Place of interview:

1. Contextualisation:

- 1 What is your job title and what are your responsibilities in [company]?
Hvad er din jobtitel og hvad laver du i [company]?
- 2 How long time have you been employed in [company] ?
Hvor lang tid har du været ansat i [company]?
- 3 Do you have any subordinates and if yes, how many?
Har du nogen underordnede og i så fald hvormange?
- 4 Can you briefly explain the corporate structure.
- 5 How many employees are working here in this workplace?
Hvor mange ansatte er der her på [company]?
- 6 Do you have a trade union in the company? Is it recognised? which one(s)? How many percent are unionised? Were there one before the acquisition? Which companies are covered?
Er der en facklig organisation her på hotellet? Hvilken en? Hvor mange procent er i facklig organisation?
- 7 Do you have a works council, joint consultative body or similar?
Do you have any elected employee representatives?
How do you consider the role of this representative body?
Har I et samarbejdsudvalg, eller andet ligende?
Hvorledes anser du dets rolle at være?
- 8 Is [company] covered by a collective agreement?

2A. Mapping participation:

Please refer to the largest occupational group if the following practices are not valid to the entire workplace.

- A** What one-way downward communication practices does [company] use?
communication from the management to the employees who have little chance of giving back,
such as: videos, internal newsletters, presentations, leaflets, memos, use of PCs
(Computer based learning), use of intranet

- 1 Can you briefly explain what it is?
- 2 What information/issues are usually communicated in this way?
- 3 How frequently is it done?
- 4 Who and what percentage of your employees is covered by [*the channel*]?
- 5 Is there a possibility for the employees to give their viewpoint on the information given?
- 6 How often are the views of the employee(s) incorporated in the decision?
- 7 How are the views of the employee(s) incorporated?
- 8 Do you find it a good way of communicating this type of information?
What are its disadvantages?
- 9 How does [*the channel*] relate to other channels used, i.e. how important is it compared to the others?
- 10 When did the company start communicate in this way?
- 11 Why has it been decided to communicate in this way?
Was the introduction connected in any way to legislation, i.e. was there a legal requirement?
- 12 What was the origin of [*the channel*]?
Where was it first used?
- 13 Is [*the channel*] used elsewhere in the company, for example in other countries?
If yes, was [*the channel*] used in another country before this one? **Go to section 5**
- 14 When was the Intranet introduced in your company?
Is it for the entire company or does every country have their own?
What language does it come in? Do you have a Swedish version as well?
When was it set up?
Where was it set up first?
Was it launched simultaneously across several countries?
Is there any possibility of interaction/communicating with the management via the Intranet?
What is communicated through this channel from the management?
How much communication is done on the intranet and what kind of information/communication

2B. Mapping participation:

Please refer to the largest occupational group if the following practices are not valid to the entire workplace.

B What one-way upward communication practices does [company] use?

communication from the workforce to the management such as: suggestion schemes, attitude surveys, speak-up sessions

- 1 Can you briefly explain what it is?
- 2 What information/issues are usually communicated in this way?
- 3 How frequently is it done?
- 4 What questions or areas are covered?
- 5 Do you find it a good way of communicating this type of information?
What are its disadvantages?
- 6 How often are the views of the employee(s) incorporated in the decision?
- 7 How are the views of the employee(s) incorporated?
- 8 Is there any feedback on results or follow up?
- 9 How does [*the channel*] relate to other channels used, i.e. how important is it compared the others?
- 10 Who and what percentage of your employees is covered by [*the channel*]?
- 11 When did the company start communicate in this way?
- 12 Why has it been decided to communicate in this way?
Was the introduction connected in any way to legislation, i.e. was there a legal requirement?
- 13 What was the origin of [*the channel*]?
Where was it first used?
- 14 Is [*the channel*] used elsewhere in the company, for example in other countries?
If yes, was [*the channel*] used in another country before this one? *Go to section 5*

2C. Mapping participation:

Please refer to the largest occupational group if the following practices are not valid to the entire workplace.

C Does [company] use any two-way communication practices?

Are these on an individual basis

dialog between management and employee such as: regular review meetings, individual appraisal sessions, regular meetings with immediate manager

- or group basis?

team briefings, quality circles, task groups etc.

- 1 Can you briefly explain what it is?
- 2 What issues are often covered in this way?
- 3 Who sets the agenda?
- 4 How frequently do you use [*the channel*]?
- 5 Who and what percentage of your employees is covered by [*the channel*]?
- 6 Do you find it a good way of communicating this type of information?
What are its disadvantages?
- 7 How often are the views of the employee(s) incorporated in the decision?
- 8 How are the views of the employee(s) incorporated?
How do you reach a conclusion
- 9 How does [*the channel*] relate to other channels used, i.e. how important is it compared the others?
- 10 When did the company start communicate in this way?
- 11 Why has it been decided to communicate in this way?
Was the introduction connected in any way to legislation, i.e. was there a legal requirement?
- 12 What was the origin of [*the channel*]?
Where was it first used?
- 13 Is [*the channel*] used elsewhere in the company, for example in other countries?
If yes, was [*the channel*] used in another country before this one? **Go to section 5**
- 14 Is the appraisal agenda fixed (same points every time)?
What are being discussed?
How do you assess the employees?
Is the appraisal two-way?

2D. Mapping participation:

Please refer to the largest occupational group if the following practices are not valid to the entire workplace.

D To what extent are non-managerial employees empowered to decide on how their own work is carried out without speaking to a manager.

Examples could be:

Like the management sets the target and it is up to the employees to get there?

- 1 What can the employees do without asking a manager?
Hvilke beslutninger kan medarbejderne tage uden at skulle spørge en manager først
- 2 In which areas?
Inden for hvilke områder?
- 3 What are the limits?
Hvad er begrænsningerne?
- 4 To whom has this been delegated?
Hvem er blevet tildelt dette?
- 5 Why have they been empowered?
Hvorfor er de blevet tildelt dette?
- 6 How independent are the employees?
Hvor selvstændige kan de være?
- 7 How were they delegated this power?
From management?
Through negotiations by works councils?
Hvorledes var de tildelt dette?
direkte fra ledelsen?
via forhandlinger foretaget af den facklige organisation?
- 8 Can they do the same in other factories in other countries?
Kan de gøre det samme i andre hoteller i udlandet?
- 9 Are any rules applied across the entire group?
Er der regler der er gældende i hele gruppen?
- 10 Is [*the channel*] used elsewhere in the company, for example in other countries?
If yes, was [*the channel*] used in another country before this one? *Go to section 5*
Er den brugt andet steds i virksomheden, for eksempel i andre lande?
Var den brugt i et andet land førend i dette?

3A. In-depth questions for Indirect Participation (IP):

- A** You mentioned earlier that your company has/does not have a works council. Do you use any other forms of indirect participation where the management is communicating with employee representatives?

Du nævnte tidligere at hotellet (ikke) har et samarbejdsudvalg. Har I en anden form for indirekte involvering af medarbejderne?

Meetings of trade union representatives with management, health & safety meetings
Møder mellem fagforeningen og ledelsen eller sikkerhedsmøder osv.

- 1 How is [*the channel*] composed?
- 2 How are the representatives elected or nominated?
- 3 What information/issues are usually communicated in this way?
- 4 How frequently is it done?
- 5 Do you find it a good way of communicating this type of information?
What are its disadvantages?
- 6 What can be decided at these meetings?
- 7 Do you use any subcommittees to put the decision-making as close as possible to the employees most affected by the decision?
If yes, how often are they used and in which areas?
- 8 How often are the views of the employee(s) incorporated in the decision?
- 9 How does [*the channel*] relate to other channels used, i.e. how important is it compared the others?
- 10 Who and what percentage of your employees is covered by [*the channel*]?
- 11 When did the company start communicate in this way?
- 12 Why has it been decided to communicate in this way?
Was the introduction connected in any way to legislation, i.e. was there a legal requirement?
- 13 What was the origin of [*the channel*]?
Where was it first used?
- 14 Is [*the channel*] used elsewhere in the company, for example in other countries?
If yes, was [*the channel*] used in another country before this one? *Go to section 5*

Additional question about indirect participation (IP)

- 1 Are direct and indirect participation practices complimentary, i.e. is it the same topics discussed at both channels, or are there certain issues which are only used in direct participation and others which are only presented in the indirect participation channels?
- 2 Do works councils/trade unions have advanced notice of important information going down the DP channel?
- 3 When you introduced direct participation, were works councils/trade unions consulted?
Did anything get modified as a result?

4. General questions:

- 1 Overall to what extent does the parent company try to influence the use of practices in its foreign subsidiaries?
Do you feel there is a strong unified [company] culture (how you define it) in your company both in Sweden and abroad?
Are you trying to create one. What have you done so far to promote one?
Is it important to have one?
How is that expressed? How is it transferred? What are the main contributors for its transfer?
- 2 Since the acquisition has the workforce been directly affected by major changes in work organisation? If yes, how were they consulted?
- 3 Did labour laws (Co-determination) have any impact on the way/degree that employees were involved?
Har arbejdsloven (Medbestämmandelagen - MBL) haft en indflydelse på hvorledes medarbejderne er involveret?
- 4 Are you using supervisors in your company and in that case for which types of work and employees?
- 5 How important do you feel it is to control or supervise the work of your employees?
- 6 Are there cases where [company] is learning from foreign subsidiary?
- 7 Do you have any international meetings of managers? Also for HR?
How often do they take place? Where? Who is present? What is being discussed?
Do you think it is used to transfer practices between sites? How? Is it informal where one learns from a colleague or is it more formal where a directive is drawn up at the end of the meeting?
- 8 According to your experience do you feel that Swedish employees are more open than employees in the UK
- 9 Do you feel that UK companies are more hierarchical than Swedish ones?
- 10 Do you feel that Swedish employees are more independent and can act on their own compared to British employees?
- 11 According to your experience do Swedish employees take more the initiative than British employees?
- 12 What are the major differences between Swedish and British companies

[Managers only]

- 13 How independent would you like your subordinates to be?
Do you want them to challenge/be responsive about your decisions?
Hvor selvstændig vil du foretrække dine underordnede at være?
Vil du have at de sætter spørgsmålstegn ved dine beslutninger?
- 14 Has anything Swedish in the area of employee participation been implemented in the UK that we have not yet talked about?
Er der noget svensk inden for medarbejder konsultering som er blevet indført i England som vi ikke har snakket om endnu?
- 15 Has anything English been transferred to Sweden that we have not yet talked about?
Ligeledes er der noget engelsk inden for medarbejder konsultering som er blevet indført her i Sverige som vi ikke har snakket om endnu?
- 16 Any final comments?
Nogen slutkommentarer?

5. Section on transfer:

- 1 Was anything changed from its original form when it was transferred to/from Sweden?
 What was changed?
 How was it changed?
 Did legislation play any part in this change?
Var der noget der blev ændret da det blev overført til/fra Sverige?
Hvad blev ændret?
Hvorledes var det ændret?
Spillede arbejdsmarkedsloven nogen rolle?
- 2 How was it transferred to/from Sweden?
Hvorledes var det overført til/fra Sverige?
- 3 Who initiated the transfer?
Hvem tog initiativ til overførslen?
- 4 Who was involved in the transfer?
Hvem var involveret i overførslen?
- 5 Regarding the transfer were the employees consulted in the receiving company:
 Before
 Under
 After
Hvorledes var medarbejderne i den modtagne afdeling konsulteret
Før
Under
Efter
- 6 Were they involved directly or indirectly through their representatives?
 Was anything changed by this consultation?
Var medarbejderne involveret direkte eller indirekte via deres facklige repræsentanter?
Var der noget der blev ændret som følge deraf?
- 7 Who played the most important part in the transfer?
Hvem spillede den vigtigste del ved overførslen?
- 8 How rapidly was the transfer achieved?
Hvor hurtigt blev overførslen gennemført?
- 9 In the process of transfer what was the role of legislation, did it constrain or facilitate the transfer?
I den proces spillede lovgivningen nogen rolle. Gjorde den det lettere eller sværere?

Appendix 3.5:

List of Interview Codes

Area	Codes
Downward - DOWN	
Emails	DOWN-EM
Through management group	DOWN-GRP-MAN
Hilton University	DOWN-HIL-UNI
Intranet	DOWN-INT
Directly from immediate manager	DOWN-MAN
Memo	DOWN-MEM
Newsletter	DOWN-NEW
Notice boards	DOWN-NOT
Sigge school	DOWN-SIG
Video	DOWN-VID
Welcome day	DOWN-WEL
Upward - UP	
Upward meetings in general	UP-GEN
Monthly reports	UP-REP-MON
Requests forms	UP-REQ
Suggestion box	UP-SUGG
Survey	UP-SUR
Two-Way - TWO	
Continuous improvement teams	TWO-CIT
Group meetings	TWO-GRP
HR-managers	TWO-HR
Kick-Off meetings	TWO-KICK
Company meetings	TWO-MEET-COMP
Department meetings	TWO-MEET-DEP
Morning meetings in departments or	TWO-MEET-MOR
One-to-one meetings	TWO-ONE
Open door policy	TWO-OPEN
Delegated - DEL	
Independence of employees	DEL-IND
Use of supervisors	DEL-SUP
Indirect Participation - IND	
Advance notice	IND-ADV
Agenda setting	IND-AG
Collective agreements	IND-CA
Other committees	IND-COMM
Employee representatives	IND-ER
European works council	IND-EWC
Health and safety committee	IND-HS
Legislation	IND-LEG
Production meetings	IND-PROD-MEET
Trade union representatives	IND-TU
Works councils	IND-WC
Miscellaneous - MISC	
Appraisal	MISC-APP
Rebranding of Scandic hotels	MISC-BRAND
Alignment teams	MISC-ALIGN
Cross-national teams	MISC-CROSS
Company culture	MISC-CUL
Difference between Hilton and Scandic	MISC-DIFF-HIL-SCAN
Esprit	MISC-ESPRIT
Exchange of staff	MISC-EXCH
Use of expatriates	MISC-EXPAT
Failure Mode Effects Analysis	MISC-FMEA
Degree of hierarchical structure in the	MISC-HIER
Independent actions by subsidiary	MISC-IND-SUB
Parent influence on subsidiary	MISC-INFL-PAR
Subsidiary influence on parent	MISC-INFL-SUB
International meeting of managers	MISC-INT
Investor in People	MISC-IP
Quality systems – ISO, QS, BS	MISC-ISO
Omtanke	MISC-OM
Organisational change	MISC-ORG-CHG
Organisational structure	MISC-ORG-STRUC
Reverse transfer	MISC-REV-TRS
Difference between Swedish and	MISC-SW-UK
Training	MISC-TR

Appendix 4.1:

Höganäs Expansion

Höganäs' Expansion, 1984 – 2003

Subsidiary	Country	Year	Acquisition, joint-venture or greenfield
Ph Oskar Weiss	West Germany	1984	Acquisition
Coldstream	Belgium	1985	Acquisition
Bohlin & Löfgren Eldfast	Sweden	1986	Acquisition
Saitama	Japan	1987	Greenfield
Ahmednagar	India	1988	Greenfield
Ugnsbygge AB	Sweden	1989	Acquisition
Svenska Forshammar AB	Sweden	1990	Acquisition
Hettiger Schweisstechnik	Germany	1991	Acquisition
Halmstad	Sweden	1992	Greenfield
Mahindra Sintered Products	India	1992	Acquisition
Elkem Metal Company	USA	1995	Acquisition
Shanghai	China	1995	Joint-venture
North American Höganäs Inc.	USA	1999	Greenfield
Mogi des Crusez	Brazil	1999	Acquisition
Pyron, Niagara Falls	USA	2000	Acquisition
First Miss, Stony Creek	USA	2000	Acquisition
Powdrex	UK	2000	Acquisition
SCM, Raleigh-Durham	USA	2003	Acquisition
SCM, Johnstown	USA	2003	Acquisition
Jacarei	Brazil	2003	Greenfield

Source: Höganäs homepage

Appendix 4.2:

Höganäs Turnover

Höganäs Turnover – Divisions, 1996-2003 (million SEK)

	1996	1997	1998	1999	2000	2001	2002	2003
Press Powder	1,264	1,481	1,543	1,814	2,137	2,115	2,205	
Welding Powder	165	182	178	159	115			
Chemicals and Metallurgy	240	270	277	209	268			
Other Iron Powders						455	417	
Iron Powder								2,587
Thermal Coating	142	166	167	154				
Division Coldstream					453	563	551	
Other Activities	28	28	45	56	97	112	76	
High-alloy Metal Powder								1,191
Total	1,839	2,127	2,210	2,392	3,070	3,245	3,249	3,778

Source: Höganäs Annual Reports 1996-2003

Appendix 4.3:

Cardo

Method of Growth Cardo, 1995-2003

Company Name	No of Employees	Country	Year	Method
SEA B2L SAS	30	France	2003	Acquisition
Amber Doors Holding Limited	260	England	2002	Acquisition
Nopon Oy	65	Finland	2002	Acquisition
Swedmeter AB	26	Sweden	2001	Acquisition
P C Henderson	325	England	2000	Acquisition
Miflex Miljøexpert A/S	36	Denmark	2000	Acquisition
Hafa	170	Germany	1998	Acquisition
Cardo Door	30	China	1999	Greenfield
Cardo BSI Rail AB (remaining 40% of shares)	N/A	Sweden	1999	Acquisition
Frings	SEK 40m	Germany	1997	Acquisition
Allhabo AB	120	Sweden	1997	Acquisition
Shenyang Liming	30	China	1997	Joint Venture
Crawford Door Polska	N/A	Poland	1997	Greenfield
Railway Products India Ltd	SEK 45m	India	1997	Acquisition
Normstahl	370	Germany	1997	Acquisition
Transferia Tebel	160	Netherlands	1996	Acquisition
Alsta	150	Netherlands	1996	Acquisition
Carpro	35	Sweden	1996	Acquisition
Windsor Doors A/S	SEK 30m	Denmark	1995	Acquisition
Scaba AB	50	Sweden	1995	Acquisition

Disposals Cardo, 1995-2003

Company Name	Country	Year
Rail Business	Corporate	2002
Tebel	Netherlands	2000
Pullen Pumps Ltd	UK	1995

Cardo Subsidiaries, 2003

Country	
Austria	Belgium
Brazil	Canada
China	Denmark
Estonia	Finland
France	Germany
Greece	Hungary
Ireland	Italy
Japan	Malaysia
Netherlands	Norway
Poland	Portugal
Saudi Arabia	Singapore
South Africa	Spain
Sweden	Switzerland
Thailand	Turkey
UK	United Arab Emirates
USA	

Appendix 4.4:

The Development of a Pharmaceutical

Preclinical Research Phases					Preclinical Development Phase	Clinical Development Phase			Registration
Target Identification	Hit Identification	Lead Identification	Lead Optimisation	Late Preclinical Research Phase	Regulated Preclinical Development Phase	Clinical Development Phase I	Clinical Development Phase II	Clinical Development Phase III	
Time taken app.: 7 months	Time taken app.: 9 months	Time taken app.: 6 months	Time taken app.: 24 months	Time taken app.: 6 months	Likelihood of reaching next development phase: 40% Time taken app.: 6-15 months	Likelihood of reaching the market: 23% Likelihood of reaching next development phase: 70% Time taken app.: 6-12 months	Likelihood of reaching the market: 31% Likelihood of reaching next development phase: 50% Time taken app.: 12-18 months	Likelihood of reaching the market: 64% Likelihood of reaching next development phase: 67% Time taken app.: 12-24 months	Likelihood of reaching the market: 90% Time taken app.: 8-18 months
Primarily undertaken by Medivir's laboratories					Primarily contract laboratories			Performed by licensing partners	

Medivir, 2001: 8-9

Appendix 4.5:

Smith & Nephew’s Subsidiaries, 2003

Direct Markets	Indirect Markets
Australia	Austria
Canada	Belgium
France	China
Germany	Denmark
Ireland	Finland
Italy	Hong Kong
Japan	India
New Zealand	Korea
UK	Malaysia
US	Mexico
	Netherlands
	Norway
	Pakistan
	Portugal
	Puerto Rico
	Singapore
	South Africa
	Spain
	Sweden
	Switzerland
	Thailand
	United Arab Emirates

Appendix 4.6:

International Hotels

Top Ten Hotel Chains Operating in Europe 2002

Name of Company	Nationality	Number of hotels	Number of rooms
Accor	France	1.922	201.042
Six Continents	UK	423	68.841
Societe du Louvre	France	918	62.856
Hilton International	UK	259	51.948
Sol Melia	Spain	225	46.725
Choice Hotels (Scandinavia)	US	442	36.875
TUI/Preussag	Germany	154	33.586
NH Hoteles	Spain	298	31.861
Rezidor/SAS Hospitality	US	109	23.961
Whitbread	UK	343	23.832

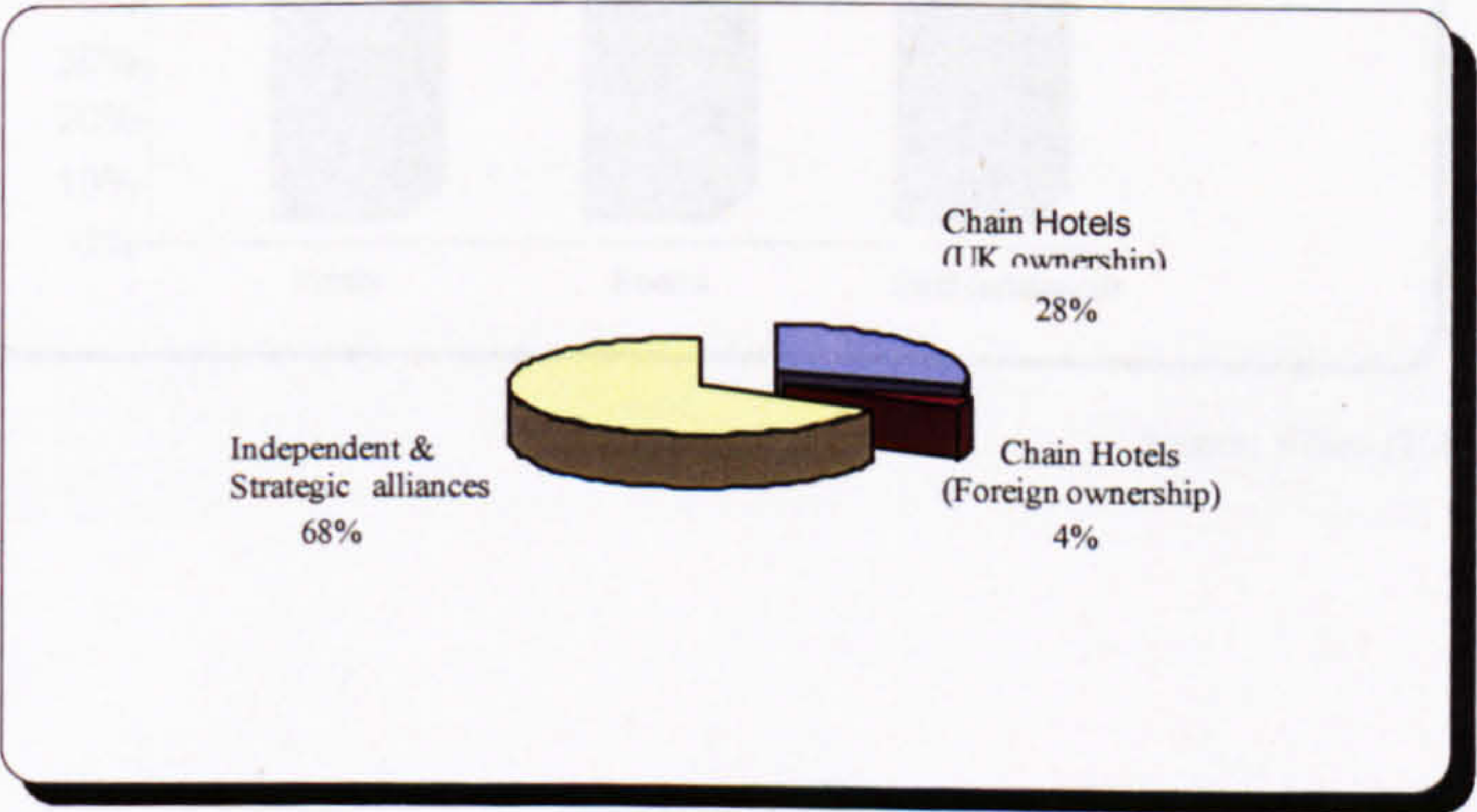
Source: Mintel, 2002

The Ten Largest Chain Hotels Operating in the UK 2002

Name of Company	Nationality	Number of hotels	Number of rooms
Six Continents	UK	188	27.993
Whitbread	UK	343	23.832
Hilton International	UK	75	14.794
Pemira	UK	204	10.996
Thistle Hotels	Singapore	56	10.761
Accor	France	73	8.814
Premier Lodge	UK	121	7.373
MacDonald Hotels	UK	108	7.669
CHE plc	UK	89	6.722
Jarvis Hotels	UK	66	6.701

Source: Mintel, 2002

The UK Hotel Market, 2002 (number of rooms)



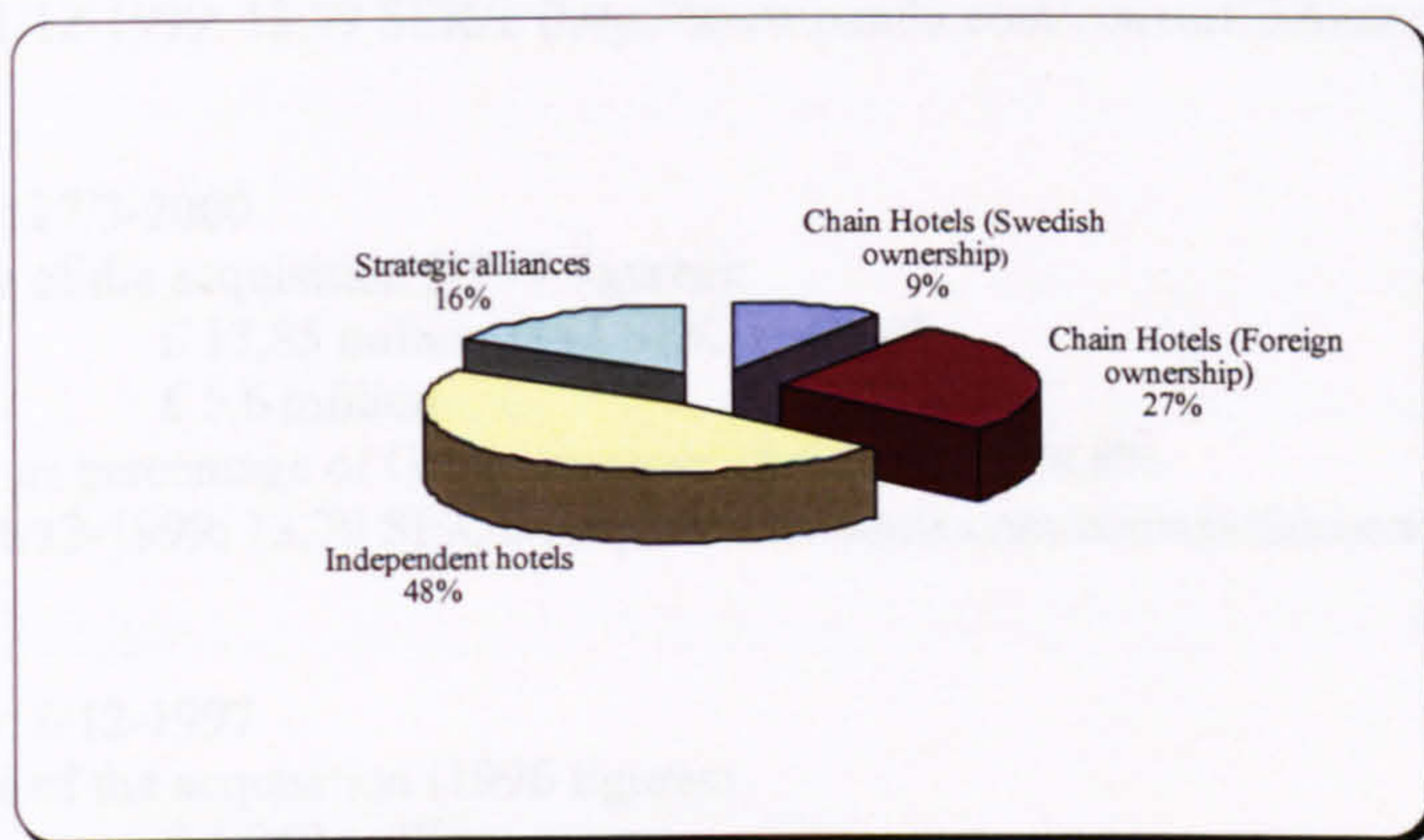
Source: Mintel, 2002

The Largest Chain Hotels Operating in Sweden, 2001

Name of Company	Nationality	Number of hotels	Number of rooms
Hilton/Scandic	UK	72	13,116
Choice	US	42	5,420
First	Sweden	44	4,950
Radisson SAS	Sweden	17	3,296
Accor	France	22	2,706
Rica	Norway	12	1,595
Comwell	Denmark	4	303

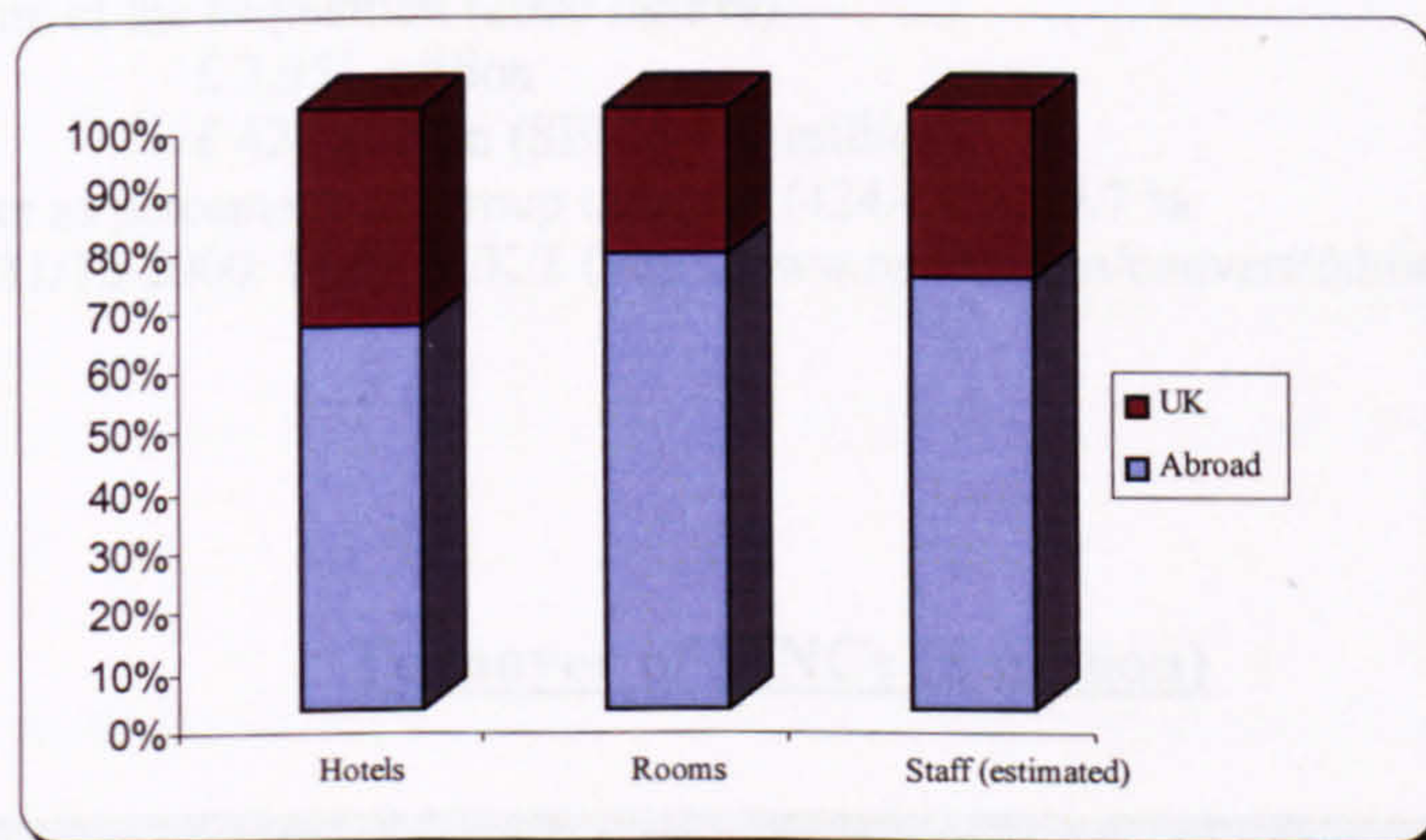
Source: Mintel, 2002

The Swedish Hotel Market, 2002 (number of rooms)



Source: Horesta, 2003 and SHR

Proportion of Hilton Hotels, Rooms and Staff in the UK and Abroad, 2003



Source: Hilton (2000)

Appendix 4.7:**Subsidiary Size - Calculations****Höganäs:**

Date of Acquisition: 8/8-2000

Turnover at the time of the acquisition (1999 figures):

Höganäs Sweden: £ 173 million (SEK 2,392 million)

Powdrex: £ 4.2 million

Subsidiary turnover as percentage of Group turnover (4.2/177): 2.4 %

Exchange rate on 31/12-1999: 13.79 SEK/£ (<http://www.oanda.com/convert/fxhistory>)**Cardo:**

Date of Acquisition: 16/2-2000

Turnover at the time of the acquisition (1999 figures):

Cardo: £ 688 million (SEK 9,489 million)

PC Henderson: £ 23.6 million

Subsidiary turnover as percentage of Group turnover (23.6/711): 3.4 %

Exchange rate on 31/12-1999: 13.79 SEK/£ (<http://www.oanda.com/convert/fxhistory>)**Medivir:**

Date of Acquisition: 27/3-2000

Turnover at the time of the acquisition (1999 figures):

Medivir: £ 13.85 million (191 SEK million)

Mimetrix: £ 5.6 million

Subsidiary turnover as percentage of Group turnover (5.6/19.45): 28.8%

Exchange rate on 31/12-1999: 13.79 SEK/£ (<http://www.oanda.com/convert/fxhistory>)**Smith & Nephew:**

Date of Acquisition: 8/12-1997

Turnover at the time of the acquisition (1996 figures):

Smith & Nephew: £ 1,069 million

Perstorp: £ 6.0 million (SEK 70 million)

Subsidiary turnover as percentage of Group turnover (6.0/1075): 0.6 %

Exchange rate on 31/12-1996: 11.70 SEK/£ (<http://www.oanda.com/convert/fxhistory>)**Hilton:**

Date of Acquisition: 11/6-2001

Turnover at the time of the acquisition (2000 figures):

Hilton Group: £ 3,951 million

Scandic: £ 424 million (SEK 5,971 million)

Subsidiary turnover as percentage of Group turnover (424/4375): 9.7 %

Exchange rate on 31/12-2000: 14.06 SEK/£ (<http://www.oanda.com/convert/fxhistory>)**Turnover of MNCs (£ million)**

	End of Year	Group	Acquired Subsidiary	Subsidiary Turnover as % of Group Turnover
Höganäs	1999	173	4.2	2.4
Cardo	1999	688	23.6	3.4
Medivir	1999	13.9	5.6	28.8
Smith & Nephew	1996	1,069	6.0	0.6
Hilton	2000	3,951	424	9.7

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