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Structure, Politics and the Diffusion of Employment Practices in Multinationals

ABSTRACT ▪ This article discusses the diffusion of employment practices across borders in multinational companies (MNCs). Case study data are used to address two central questions: whether all MNCs attempt to engage in diffusion, and how this process occurs. We argue that diffusion is not a universal tendency but is promoted or retarded by such factors as the country of origin, the degree of production integration, the extent to which companies are structured along global lines and the nature of product markets. Where diffusion occurs, we suggest that it commonly involves a process which we term 'networking within hierarchy'. Diffusion should be seen as the interaction of structural factors and political processes, which we call the 'bi-directional' relationship between structure and politics.

Introduction

Estimates suggest that there are 53,000 multinational companies (MNCs) in the world, controlling about 450,000 subsidiaries and selling goods and services estimated at $9.5 trillion. The one hundred largest possess assets worth just over $4 trillion. As well as increasing in size, MNCs are also increasing in scope, establishing operations in a growing number of countries (United Nations, 1998). They are, therefore, one of the driving forces in the internationalization of economic activity.

The internationalization of markets has, in turn, led a growing number of MNCs to integrate their operations across countries (Marginson et al., 1995). Thus MNCs providing a single product or service, such as the motor manufacturers, coordinate production through a single international management structure, whilst those providing a range of products or services are displacing national subsidiaries by international product divisions as the primary axis of internal organization. Further,

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subsidiaries are increasingly dependent on other parts of the firm as intra-enterprise trade grows.

One implication of greater internal integration is that the headquarters (HQ) is likely to seek greater control over employment practice in subsidiaries. As production processes become more integrated, stoppages in one location have knock-on effects in others (Marginson, 1992). In addition, many researchers have pointed out that the MNC is a relatively efficient way of transferring knowledge and expertise across national borders, because much of the context for implementing employment practices is the same throughout an organization's subsidiaries (Capelli and McElrath, 1992). Corporate objectives, management structures and organizational culture have common elements throughout the MNC, and the creation of international management structures and integrated production or service provision results in the organizational context becoming more alike in different parts of the enterprise, facilitating the diffusion of employment practices.

What factors promote or retard the process of diffusion? And how does this process occur? In this article we identify structural characteristics which promote cross-border diffusion; and we suggest that diffusion is likely to involve a process of 'networking within hierarchy'. Moreover, we argue that the extent and nature of diffusion are shaped by a strong bi-directional relationship between structural influences and internal political processes: that is, structural features of MNCs influence political processes while the actions of MNCs, themselves the result of political activity, also influence structures. This argument is consistent with the notion of 'duality of structure'; people are active social agents who reproduce society, which at the same time has a structure that influences their behaviour and beliefs. This is illustrated with data from four case studies, two from the food sector and two from automotive components.

Structural and Political Approaches to Diffusion in MNCs

Many studies have stressed the structural characteristics of organizations and their environment as factors explaining differences between MNCs. Edwards et al. note that 'much effort has been devoted to distinguish different kinds of MNC. Usually, some notion of "strategic contingencies" relating to market and environment is used as the basis of differentiation' (1993: 7). As will become evident, our use of the term 'structure' covers organizational structure as well as the external environment. In the literature on diffusion of employment practices, various structural factors have been used to explain the presence or absence of diffusion. We consider four of these.

First there is the country of origin: MNCs from economically successful countries have an incentive to export to their foreign subsidiaries those practices which are seen as contributing to this success. For instance, for much of the century American MNCs were key diffusers of 'Taylorism', and there is also evidence that they have transferred formalized structures based upon bottom-line responsibilities, together with particular industrial relations innovations such as productivity bargaining and performance-related pay (Ferner, 1997a). More recently, Japanese MNCs have been active in diffusing 'lean production' and associated practices designed to secure worker commitment to their overseas subsidiaries (Morris and Wilkinson, 1995). There is also evidence, albeit more limited, that German MNCs have exported elements of their domestic practice, particularly the long-term approach to training and investment decisions (Ferner and Quintanilla, 1998).

A second structural influence is the degree to which production is integrated internationally. Where production is uniform and interdependent across borders, the HQ has an incentive to manage these linkages and hence to exert control over employment practice in overseas plants. Hamill (1984) shows this leads to centralization of decision-making on industrial relations issues, and Marginson et al. (1995) argue that it promotes the development of common policy approaches to labour management.

A third structural factor is the nature of international management structures. Porter (1986) argues that where competition is highly internationalized, MNCs attempt to 'capture the linkages across borders', partly through organizing around international product divisions, which he terms a 'global' structure. In contrast, where competition is largely national or local, the HQs make little attempt to generate linkages between operations in different countries. International divisions deepen management structures across borders and are consequently likely to encourage international management structures in the personnel field. Indeed, Marginson et al. (1995) show that the global structure is not only increasingly prevalent but also is strongly associated with the existence of a world-wide personnel policy committee, with regular meetings of personnel managers from different countries and with senior managers moving from one site to another on international assignments. This facilitates the transfer of employment practices from one country to another.

Both the second and the third factors are related to the sector in which MNCs operate. In particular, the nature of product competition shapes both the extent to which MNCs integrate production in different countries and also their international business structures. Where consumer tastes differ significantly between countries, MNCs are constrained in the extent to which they are able to integrate their activities internationally and tend to organize around national subsidiaries. Conversely, where

tastes are similar, MNCs have more scope for cross-national integration and standardization.

Fourth, the method by which an MNC has grown can have a significant impact on the likelihood of cross-border diffusion. Managers generally enjoy greater choice of employment practices in greenfield sites than in plants acquired as going concerns (Ferner, 1994). This is because the MNC has more scope to influence the sort of employees recruited, the terms and conditions on which they are employed and the nature, if any, of representative structures. In contrast, in plants that are acquired the scope is constrained by pre-existing practices that may be difficult to change, particularly as the very act of acquisition may create resentment (Lindgren and Spangberg, 1981, cited in Ferner, 1994).

In sum, these four arguments indicate that control over employment practice in general, and the diffusion of practices in particular, is greatest where certain environmental and organizational characteristics are present. This indicates that not all MNCs are likely to engage in cross-border diffusion. The primary criticism of the 'structural approach', however, is that it is often deterministic, implying that outcomes, in this case the diffusion of practices, follow directly from environmental and organizational factors. Consequently, it underplays the scope for organizational actors to exercise choices which may either encourage or obstruct diffusion. As Child argues, the 'many available contributions to a theory of organizational structure do not incorporate the direct source of variation in formal structural arrangements, namely the strategic decisions of those who have the power of structural initiation – the dominant coalition' (1972: 16). An alternative approach, therefore, is to examine internal political processes within MNCs and the part these play in the diffusion of practices. This 'political approach' highlights the ways in which organizational actors can draw on power resources to further their own interests.

What sources of power can managements of subsidiaries use in order to block diffusion? It may be imperative that the MNC has an operating plant in the market it wishes to serve; for example because of the advantage of being seen as a 'local' producer in politically sensitive industries such as defence, or because consumers prefer to buy products that are manufactured locally. Generally, a local operating presence will require expertise concerning the local environment and market, and their specialist knowledge may strengthen local managers in their dealings with the company HQ. Where plant managers do not wish to implement a practice favoured by the HQ they may be able to draw upon this source of power (Edwards et al., 1993). Furthermore, 'domestic' managers may be able to lessen the influence of expatriates through their greater familiarity with the language and culture of the host country, as Broad's (1994) study of a Japanese transplant in Wales demonstrated. Here, a network of

indigenous managers secured information from the shop floor through rumours and gossip, and kept this from the Japanese expatriates. The British managers used this network to hinder the implementation of 'high involvement management' favoured by the parent company.

Conversely, central managements in MNCs possess sources of power which can be used to ensure that plants engage in diffusion. It is relatively rare for HQs to issue formal policies and guidelines on employment practice (Edwards, 1993; Hamill, 1984; Purcell et al., 1987). Coller (1996) argues that this is because such 'direct control' would restrict the ability of plant managers to respond flexibly to the local environment and would also demotivate them. Instead, the literature suggests that MNCs rely on more subtle ways of influencing employment practices at plant level, through shaping corporate culture and 'participative' policy making (Ferner and Edwards, 1995; Ferner et al., 1995; Ghoshal and Bartlett, 1990).

The HQ often underpins this subtle, or 'unobtrusive' control by generating internal competition between plants for new investment and new orders, creating pressure on local managers and worker representatives to adopt practices favoured by the HQ, a process known as 'coercive comparisons' (Coller, 1996; Frenkel, 1994; Mueller and Purcell, 1992). In a growing proportion of MNCs, investment and divestment decisions are linked to performance on a range of industrial relations indicators. This is illustrated in the case study by Martínez Lucio and Weston of an American car manufacturer, where 'competitive relations were systematically established between plants across different countries over investment and therefore employment. This represented an attempt to both embody the ideology of competition necessary for organizational survival, whilst at the same time eroding potential resistance to change' (1994: 113). This literature on coercive comparisons also demonstrates that the HQ can reduce dependence on any one plant through sourcing the same product from more than one location.

Moreover, there is evidence that the pay and promotion prospects of plant managers are influenced in part by their willingness to engage in the sharing of best practice across sites (Coller and Marginson, 1998; Edwards, 1998). In this way, the HQ ensures that a network of managers moving around the organization take with them knowledge of practices which have operated successfully in one part of the organization and disseminate this information to other plants. In these circumstances, managers at plant level are likely to cooperate, rather than resist the pressure to implement practices favoured by the HQ. It appears that in many MNCs diffusion occurs through networking between plants, underpinned by HQ control over investment decisions and the prospects of plant managers. We term this process 'networking within hierarchy'.

The implication of the political approach is that structural factors do

not have determining effects; rather, internal political factors can override the influence of structural factors. Equally, however, political processes do not operate independently of structure, but are shaped and constrained by it. In this sense, the reproduction of social structure cannot be separated from the activities of skilled social agents, and vice versa. Social action and social structures presuppose and require one another. Edwards et al. make this point succinctly: 'Actors are certainly free to pursue their own interests, but only within limits constrained to a greater or lesser extent by structural features of organizational hierarchy, corporate strategy, market environments and so on . . . Political processes are not separate from structural forces but represent the working out of responses from these forces' (1993: 3).

It is clear that both the structural and political approaches enhance our understanding of diffusion within MNCs. Crucially, however, it is the interaction of structural and political factors which shapes the nature of diffusion, as recognized in a growing literature (Coller and Marginson, 1998; Edwards et al., 1996; Ferner and Edwards, 1995; Marginson and Sisson, 1994; Mendez, 1994). This literature sheds light on how political activity is bounded and shaped by organizational factors. Ferner and Edwards (1995: 243) argue that 'different combinations and patterns of power relations are likely to characterize different kinds of MNCs' and show that networking between plants, of which diffusion across sites forms a part, is most likely to occur in highly integrated and cohesive firms such as ICI, and in network-based firms such as ABB. There may be limited networking in a third type of firm, the 'federal' firm, which is based on an association of independent national partnerships, such as the big accountancy firms, though the HQ is less influential in this type. In the final type of firm, the conglomerate, linkages between different operating plants are weak and networking is unlikely.

Evidence from Four Case Studies

In the previous section we reviewed both 'structural' and 'political' approaches to the analysis of diffusion in MNCs, and noted that a recent strand of the literature seeks to integrate these two approaches, seeing diffusion as the product of a combination of structural and political factors. We now employ this integrated approach in an analysis of data from four case studies.

The data are used to explore the options open to MNCs and the constraints upon them. After a brief description of the four organizations, this section summarizes the extent of cross-national diffusion in each case, interpreting the processes of diffusion with reference to the structural and political factors described above. Whilst not all of these factors are evident

here (all four cases, for example, are wholly or jointly British-owned, and so no 'country of origin effect' can be isolated), the cases nevertheless serve to highlight the importance of structural factors in promoting diffusion, the process of 'networking within hierarchy', and the way in which structural and political factors are interdependent. The case studies were conducted between the summer of 1994 and the summer of 1996 as part of three separate research projects which all addressed the management of labour in MNCs.[1] In all cases, in-depth interviews were conducted with managers, the data being supplemented with analysis of company documents. Two of the companies operate in the food sector, the other two in automotive components.

The Food Manufacturers

The first food company, VitaFood, is a very large MNC, operating in a variety of product areas. It has around 170,000 employees, some 80 percent of whom are employed outside the UK. Case studies were conducted in a Spanish plant producing ice cream and a British plant producing ready meals. Both plants have adopted a day-to-day system of production, much in keeping with just-in-time principles (JIT), because the perishable nature of the product and the volatility of demand prevent the factories from operating with stocks. The second company, Global-Choc, is a long-established MNC producing confectionery and soft drinks. It employs around 35,000 people, half of whom work outside the UK. The research involved interviews in one British plant and at the corporate HQ. As with VitaFood, stocks are kept to a minimum and all the various stages of production take place at each site.

The extent of diffusion differed significantly between the two companies. In VitaFood, the HQ had been active in diffusing practices across sites in order to increase numerical and functional flexibility. Hence both the Spanish and British plants had increased their use of part-time and shift workers, so as to be able to respond to fluctuations in demand. Moreover, a practice known as 'line process improvement', a form of teamwork involving job rotation, is found in different plants across the company. These practices were implemented primarily at the instigation of the HQ, which saw flexibility as a key element in the integration of production across the company.

The HQ had created mechanisms which brought together HR managers from different plants, in order to spread the message about practices that operated elsewhere within the group. It operates a system known as 'best proven practice', identifying manufacturing practices regarded as particularly successful and with the potential to be diffused to other plants. VitaFood had developed the mobility of managers across sites in order to facilitate the diffusion of 'best practice' across borders: at any

one time as many as 1600 expatriate managers were on overseas assignments. Expatriates were expected to undertake company training courses and attend international conferences and workshops on specific issues. These mechanisms served to spread information about practices favoured by the HQ, and led plant managers to solutions operating elsewhere within the company.

It was clear that the way this international network of managers operated was strongly shaped by the actions of the centre. First, the HQ was able to use the training courses, conferences and workshops to teach the 'company way' and to structure the corporate culture, resulting in a greater identification amongst plant managers with the company as a whole. Second, managers at plant level were regularly appraised and evaluated, with their active engagement in the network being one criterion; promotion to senior positions was conditional on being a good 'corporate player'. Third, pressure to engage in the network stemmed from the internal competition for investments and orders, the allocation of which was influenced by a systematic comparison of plant performance in terms of quality, reliability and costs. In order to obtain business from the centre, local plants had to be ready to vary production quickly, reliably and efficiently, creating strong pressure towards the implementation of flexible working practices.

In sum, it was evident that plant managers in VitaFood were not simply presented with information by the HQ about practices and left to make a decision about whether to implement them. Rather, a degree of pressure was exerted to adopt the practices favoured by the HQ. This combination of mechanisms bringing managers from different parts of the group together, coupled with central pressure to engage in diffusion, can be identified as the 'networking within hierarchy' which we defined earlier.

In GlobalChoc, by contrast, there was no evidence that practices were diffused across borders, despite attempts by the centre to bring about a degree of networking. There were senior managers in both business streams (confectionery and soft drinks) charged with ensuring that the company transferred 'best practice' across sites, and mechanisms existed to bring together HR managers from different plants. For example, a human resources conference is held every 2–3 years, attended by the head of HR in each business unit, and there are also periodic visits by HR managers between plants. In comparison with VitaFood, however, it is clear that the mechanisms in place at GlobalChoc were not as well developed or as influential on employment practice at plant level. In particular, while HQ would issue advice it did not impose 'coercive comparisons' between sites. Rather, plants primarily served their own local market and were provided with investment according to the HQ view of growth prospects in each market.

How can the data from the two food MNCs be understood in terms of

the structural aspects of each organization and the political processes within them? Differences between VitaFood and GlobalChoc can be explained with reference to two of the structural factors discussed earlier, the degree to which production is integrated across sites and the nature of international business structures. The role of product markets in shaping these two characteristics is also relevant, showing a bi-directional relationship between structural factors and political processes.

We saw in the previous section that the higher the degree of production integration, the greater the scope for diffusing employment practices across borders. This is because where production contains strong similarities and interdependences across borders, the HQ has an incentive to manage these linkages, in part by diffusing practices between sites and also by sourcing their products from more than one location. These processes were evident in VitaFood. Management had established a network of plants whose function is to support each other when one plant is unable to meet demand in the home country. Where this happens, as is frequent in peak season, the HQ reallocates the excess demand among other plants according to their reliability, quality and production costs. However, the HQ was rarely dependent on any one plant to fulfil this role, allocating the excess among a variety of plants which competed for the extra orders. This puts pressure on local managers, leading to the adoption of flexible working practices favoured by the HQ. In GlobalChoc, in contrast, production was not integrated to the same extent; rather, local plants tended to operate relatively independently.

As indicated in the previous section, MNCs with international divisions are likely to possess international management structures in the personnel field, which in turn facilitate the transfer of employment practices from one country to another and are a framework for networking within hierarchy. The importance of a global structure was certainly evident in VitaFood, where meetings of personnel managers in the food division complemented group-wide structures such as the system of 'best proven practice'. In contrast, the role of international business divisions was less pronounced in GlobalChoc. Despite such mechanisms within each of its broad business areas (both the confectionery and beverage streams had an executive responsible for transferring best practices across countries), national subsidiaries nevertheless retained a key role. Hence the 'multi-domestic' element in the matrix structure (Porter, 1986) hindered the development of management structures as influential as those in VitaFood.

It was argued earlier that the nature of competition shapes the extent to which MNCs seek to integrate production in different countries and also their international business structures. Significant differences in consumer tastes between countries limit the extent to which MNCs can integrate their activities internationally, and enhance the autonomy of

national subsidiaries. But where tastes are similar, MNCs have more scope for such integration through standardizing products and their production, and are also inclined to adopt international divisions as the main axis of internal organization, encouraging the diffusion of employment practices across borders.

Our case study data confirm this. In GlobalChoc, the products were tailored to meet local tastes. The variations in production limited the scope for integration, enhanced the role of national subsidiaries and thus constrained the ease with which practices could be diffused. These variations also limited the extent to which central management could credibly threaten to move production from one site to another. In VitaFood, by contrast, product markets were less differentiated and most products were sufficiently similar to allow the HQ to 'network' production in the manner previously described. This allowed production to be integrated and management structures to be internationalized. Moreover, the similarity in the nature of the products was a key factor in allowing the HQ to generate internal competition for orders and investment.

The Automotive Components Manufacturers

The other two case study companies operate in the automotive components sector. The first of these, EngineCo, is an engineering company, the largest section of which is involved in producing automotive components. It has around 35,000 employees, half employed outside the UK. Interviews were conducted in British and American plants and at divisional and HQ levels. The automotive division supplies the major car assemblers across Europe and in the USA. The second firm, StopFast, is smaller, with half of the group's workforce employed in one domestic plant and the rest distributed across much smaller plants, two in the UK and the rest in continental Europe and North America. The company has 4000 employees, around 40 percent working outside the UK. StopFast also sells directly to the major car assemblers. Interviews were carried out at plant and HQ level.

The extent of diffusion also differed between these two MNCs. In EngineCo, diffusion across the organization was a strong influence on employment practice. For example, the HQ had ensured that performance-related pay was established in all of the plants in the division. Moreover, at the time of our research the practice of team-working based on cellular manufacturing, which originated in the Spanish plant, was being diffused to all the other plants in the division. A further example is a practice developed in the French plant which involved breaking up the plant into a series of small production units each with their own support services.

The HQ had been active in making sure that personnel specialists from

different parts of the group met and shared information on a regular basis. For example, the 'International College of Engineering' ran courses on those practices which the HQ thought could beneficially be diffused across the organization. In addition, there were regular meetings of personnel managers from all the plants with the brief of standardizing practices as far as possible. Also in evidence in EngineCo were management training courses relating to particular topics, all of which acted to spread information about practices favoured by the HQ, and led plant managers to solutions operating elsewhere within the company.

The mobility of plant managers across sites in different countries was an additional diffusion mechanism. One criterion by which managers were selected for a foreign assignment was the extent to which they had been innovative at plant level; for example, engineers and managers from the Spanish plant who had expertise in the development of cellular manufacturing were sent on assignments to other plants in order to help with the introduction of this practice. Similarly, a manager from the French plant was given the role of 'internal consultant', roaming across subsidiaries to advise on the implementation of new practices which had been developed in France.

These mechanisms were underpinned by a strong central influence. This arose in part from the way that plant managers were promoted and rewarded. As we saw earlier, some managers had been promoted to senior positions within the company and given key roles on international assignments as a result of their contribution to the network. Conversely, the prospects for those managers not participating in the network were less rosy. The network was not only underpinned by HQ control over middle managers' careers but also by the strength of internal competition for orders and investment. Plants in EngineCo were constantly made aware that their security depended on their performance in relation to other plants. This internal competition, the degree of force exercised by the centre and the process of diffusion were described by a senior manager in the company in the following way:

> To an increasing degree we make decisions about sourcing which can entail moving production from one country to another for a variety of different reasons. Not only in terms of volumes but there is also influence over manufacturing processes now, so there is a greater co-ordination of manufacturing processes to make sure that the world's best practices are shared and adopted across the organization. (field notes)

This internal competition underpinned the more subtle forms of HQ influence discussed previously, creating an impetus for organizational actors at plant level to engage in cross-national diffusion. As in the case of VitaFood, therefore, diffusion occurred through the process of 'networking within hierarchy'.

In StopFast, however, there was no evidence that practices had been diffused across sites. Managers at both plant and HQ level appeared to know relatively little about employment practices in different plants, and had clearly not made any attempt to emulate these. In part this is due to the relative absence of mechanisms bringing managers together across sites. Meetings of senior managers from across the group did take place to enable them to discuss common issues, but these senior managers were not personnel specialists and employment practices hardly ever featured on the agenda. Moreover, the HQ did not attempt to exert pressure on plants to engage in networking. Indeed, it would be more difficult for the centre to exercise coercive comparisons between its plants because plants primarily supply customers in the local market; like GlobalChoc, therefore, the future of plants in StopFast is shaped more by their success in securing orders in the local market than by winning orders from the HQ.

The degree to which production is integrated internationally is a key factor in explaining differences between the two firms. Its impact upon diffusion was clear at EngineCo, where customer pressure to supply identical components in different countries meant that failure to satisfy customer demand in one plant would have knock-on effects in others. Hence, the HQ became more dependent on each individual plant. However, because the same components are standardized across the division's plants the HQ could move production from one plant to another, thereby creating counter-balancing dependencies. In StopFast, production was not integrated to the same extent; rather, local plants tended to operate relatively independently.

The presence and nature of international management structures was also a key factor in explaining differences between EngineCo and StopFast. The importance of a global structure in facilitating diffusion was certainly evident in the automotive section of EngineCo, where there were numerous mechanisms that brought managers together to discuss issues of common interest; regular meetings of personnel managers from different sites, international assignments and courses run at 'Manufacturing Councils' all fulfil this role. These mechanisms, moreover, were specific to the automotive division, demonstrating the importance of a global structure in the development of more specific management structures that cross borders. In contrast, the role of international business divisions was less pronounced in StopFast, where national subsidiaries were the primary axis of internal organization, limiting the role of cross-national structures.

We have argued that MNCs have most scope for diffusing employment practices across borders in international markets characterized by homogeneous consumer tastes. Our data from the automotive components manufacturers illustrate this. As the motor manufacturers seek greater integration in their own operations they demand increasingly similar

components from their suppliers. Consequently, many of the first-tier automotive components manufacturers face markets which are becoming more homogeneous. However, StopFast does not supply the same customers internationally: the British plants supply Rover and Toyota in Britain, the German plant supplies VW in Germany, the Italian plant supplies Fiat in Italy, and so on. An important consequence of this is that the components are tailored to individual customers and, hence, they vary between plants. This both restricts the motivation for the company to seek greater integration and also makes it more difficult for the HQ to exercise coercive comparisons.

The market for EngineCo, in contrast, is marked by significant homogeneity of demand; indeed, the product in the automotive division is identical in different countries. At the time of our research, the division was under pressure to supply exactly the same product to each of its main customers (Ford, General Motors and Toyota), whether this be in North America or Europe. This pressure was leading the division to standardize working practices as well as the end product, and we detected numerous instances of practices being diffused across the organization. The homogeneity of demand, coupled with orders being placed centrally, has also increased the ability of the divisional HQ to exercise coercive comparisons in terms of quality and cost, tying decisions about investment and production levels to the performance of plants.

Diffusion and the Bi-Directional Relationship between Structure and Politics

The previous section demonstrated how integrating the structural and political approaches helps explain both the incidence of diffusion and the way it occurs. In this section we extend this perspective: not only are both structural factors and political processes influential over the extent and nature of diffusion but, further, we argue that diffusion is characterized by a bi-directional relationship between the two. In particular, political processes operate at different structural levels, acting to either consolidate or challenge these structures.

These arguments draw upon the fundamental structure/agency dualism within sociological theory. We can delineate three broad positions in this debate. First, ethnomethodologists and phenomenologists assert that structures are not determining and that emphasis should be placed on how individuals create the world around them. Second, there is a contrary view that the proper focus of sociology is the way that social structures determine the characteristics and actions of individual actors. Functionalists focus on the functional relationships between social structures, whilst many Marxists similarly argue that social relations, not individuals,

are the proper objects of analysis; individuals are only the 'bearers' of social relations. It is a third, 'compromise' position which we support here, one which seeks to avoid an over-emphasis either on structures as determining individual action or on individuals independently creating their world. Rather, change is seen as occurring as a result of the mutual interrelationship between structure and action.

In a classic statement of this position, Berger and Luckmann (1967) argued that there is a dialectical process in which the meanings given by individuals to their world become institutionalized into social structures, structures which at the same time become part of the meaning-systems employed by individuals and limit their actions. Other theorists have similarly been concerned with transcending the duality of structure and agency. Bourdieu's (1977) analysis of 'cultural power' is part of a larger project that attempts to grasp how individuals, through attempting to achieve their goals, reproduce the social structures that surround and inform their actions. Elias (1978) developed his 'figuration theory' which also attempts to overcome theoretical divisions in sociology and stress the interdependence of social actors. For Elias, individuals do not create meaning in isolation; rather, the social context influences individual actions and provides the cultural and social resources which inform meaningful behaviour.

A more recent advance on these arguments has been made in Giddens's (1979, 1984) theory of 'structuration'. This also expresses the mutual dependency, rather than opposition, of human agency and social structure. The structural properties of social systems provide the means by which people act whilst being at the same time the outcomes of those actions. Giddens conceptualizes the production and reproduction of social life as the 'duality of structure', where structure both generates interaction and is reproduced by it. In this view, people are knowledgeable reflexive agents, and structure derives from routines and patterned social practices which become regularized in institutions; accordingly empirical sociological work should analyse 'recurring social practices' (Giddens, 1989: 252).

All these theorists are searching for a theoretical language that can express the inseparable interconnections between individuals and the social relations in which they are embedded. In this article we have used terms such as 'networking within hierarchy' as part of our own set of theoretical constructs to help make sense of this dialectical process within MNCs. As we have seen, characteristics of the sector in which MNCs operate, particularly the extent to which consumer tastes are homogeneous across countries, shape international management structures and the extent to which production or service provision is integrated. In turn, these characteristics influence the incidence of diffusion. The nature of the sector, however, is not determined independently of political activity

within MNCs but rather is shaped by such activity. Many MNCs can influence consumer tastes through their marketing strategies, and in some cases can establish their production processes as the dominant mode of production in an industry. These tendencies are likely to be most marked where an MNC has a high degree of product market power as, for example, in the case of McDonalds (Ritzer, 1993). The way in which diffusion occurred in VitaFood demonstrated the bi-directional relationship between structure and political processes. The company possessed a high degree of dominance in many of its markets, in some cases accounting for as much as 90 percent of sales. This oligopolistic power enabled the company to exert considerable influence over its markets, which it has used to drive the homogenization of tastes. MNCs can also exercise a degree of influence over other aspects of their environment, such as laws, taxation levels and trade unions. By appearing to be undecided as to where to locate new investment, MNCs may be able to influence labour standards in the countries in which they operate by drawing governments and unions into a competitive battle to secure the investment (see Ferner, 1997b, for a review). Thus the actions of MNCs, themselves the outcome of internal political activity, can shape even macro-level aspects of their environments to facilitate the diffusion of employment practices.

The interaction between structure and politics at the macro level has implications for relations between senior and middle management in MNCs. Thus managers at the HQ are active in shaping such organizational characteristics as the degree to which production is integrated across borders and the nature of international business structures. We have seen that many MNCs are responding to convergence in their markets by seeking greater integration and by organizing themselves around international divisions. In our case study firms these structural developments were key factors in bringing about the networking of managers across plants. In VitaFood, for example, the integration of production was accompanied by HQ pressure to share innovative practices across sites, while in EngineCo the emphasis placed on the divisional structure generated a number of mechanisms that brought together managers to discuss issues of common concern.

The way in which these mechanisms operate in practice is in part shaped by the product markets. Where consumer tastes differ significantly between countries, the MNC is likely to require a local presence in order to serve a local market. Hence, management at the HQ are dependent on expertise held by plant managers, giving the latter the ability to resist the diffusion of practices which they view unfavourably. In this way, plant managers are able to use distinctive features of their environment in order to influence the extent and nature of diffusion. In contrast, where tastes are broadly similar across countries, the HQ is less dependent on local expertise and consequently can credibly threaten

actors at plant level that production will be moved to another site unless quality, reliability and costs are favourable. This was illustrated at EngineCo where a structural development in the firm's market had a significant influence on power relations between different managerial groups. The move by EngineCo's customers to place orders at the HQ rather than a series of orders at individual plants meant that the HQ was much more influential over the process of diffusion. Thus management at this level used benchmarking and coercive comparisons to underpin the mechanisms that established networking between plants.

Where plants compete with one another the autonomy of plant managers over employment practice is likely to be constrained. When plant managers accept the diffusion of practices they would not otherwise have implemented the legitimacy of networking structures becomes strengthened. This was evident in both VitaFood and EngineCo. However, also apparent was a degree of cooperation between plant managers in order to resist, or at least moderate, the pressure from HQ. Thus at EngineCo central pressure to implement performance-related pay in all plants in the division met a degree of coordinated resistance, resulting in the practice being tailored to reflect the concerns of plant managers. This demonstrates how political processes between layers of management in MNCs are embedded within organizational structures, and have the potential to challenge or reinforce these structures. Moreover, the interaction between structure and politics at this meso level is shaped by the macro-level influences delineated earlier.

The pressures exerted on plants by benchmarking programmes, coupled with internal competition for investment and new orders, create a further level at which political processes operate. Actors at the micro level within plants must respond to these central pressures and this may create tensions between different groups of managers who have different priorities, as Broad (1994) demonstrated in his case study of a Japanese transplant in Wales. Alternatively, managers may be unified in seeing the benefits both to their plant and possibly also to their individual careers in being active members of the network, as was illustrated in both VitaFood and EngineCo. Bargaining at plant level is also influenced by inter-plant benchmarking. In some cases managers and worker representatives may form uneasy alliances in order to moderate central pressure (Martínez Lucio and Weston, 1995). Perhaps more commonly, plant managers may use inter-plant comparisons in order to strengthen their position within plants, playing on the risk of investments going elsewhere if worker representatives block the introduction of new practices. Such tactics in bargaining are increasingly common in MNCs and lie behind the introduction of such novel collective agreements as the pay deal reached at Vauxhall in 1998 (EIROnline, 1998). It is clear that political processes at the micro level are shaped by the interaction of structural and political

processes at the meso and macro levels whilst they also influence these higher-level processes.

We have seen that the process of diffusion is characterized by the interaction of structural factors and political processes. That is, the actions of different groups of organizational actors, and how they relate to those of others, are shaped by the structures within which they operate. Features of these structures can constrain some courses of action but actors may also be able to use them to facilitate others. In this sense, 'structure is both enabling and constraining' (Giddens, 1979: 69). Moreover, we have shown how political processes operate at different structural levels, serving either to reinforce or to challenge these structures.

Conclusion

This article opened by posing two questions that were subsequently addressed. The first was whether all MNCs seek to achieve international integration in general and the diffusion of employment practices across borders in particular. It has been shown that these are not universal tendencies but rather are promoted or retarded by certain structural factors. Furthermore, many of these factors are interrelated. For instance, the greater the homogeneity of consumer tastes, the more likely are MNCs to seek to integrate their production operations. In turn, where production is highly integrated internationally, the need for management structures that cross borders is increased. Thus developments in markets, production systems and management structures have mutually reinforcing effects.

The second question was how MNCs which seek greater integration and cross-national diffusion achieve this. Our evidence adds to the growing body of literature which demonstrates that diffusion commonly occurs through a process which we have termed 'networking within hierarchy'. In both case study companies where significant diffusion occurred, mechanisms designed to facilitate the exchange of information about practices across plants were underpinned by a degree of internal competition for orders and investment.

We have argued for an approach that integrates an analysis of the structural and environmental aspects of MNCs with the political processes within them, and which recognizes that the relationship between these is 'bi-directional'. That is, structural features not only influence whether or not a company engages in cross-national diffusion but also the process through which this occurs. Moreover, the actions of large MNCs, themselves the consequence of internal political processes, have the potential to shape elements of the structural environment in which they operate. In particular, they can encourage an increasing homogenization of tastes in

international product markets, which facilitates both the integration of production and the diffusion of practices across borders. Such standardization also increases the ability of MNCs to exercise 'coercive comparisons' between their plants in order to ensure that diffusion occurs. This structural development has, in turn, occurred at least in part out of the actions of large MNCs themselves, principally through their ability to devote considerable resources to marketing. Large MNCs can also drive the homogenization of markets for their suppliers, many of which are themselves multinational; the automotive components sector is one where this tendency is particularly well developed.

NOTES

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