

# **A Transnational Logic in the Management of Labour in Multinational Companies? Understanding Variation by Nationality and International Integration**

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## **Abstract**

One of the key features of multinational companies (MNCs) is their potential to build common structures and policies across borders. Currently something of a divide exists between those who argue that there are strong globalising tendencies in MNCs and those who argue that the incentives for MNCs to develop a global approach are very limited. This paper seeks to bridge this divide by analysing sources of variation in the extent to which there is a 'transnational logic' in the way that MNCs manage their workforces. Using data from a comprehensive survey of MNCs, we show that both nationality of the parent firm and the extent and nature of international integration can explain variation between MNCs in this respect.

## Introduction

One of the key features of multinational companies (MNCs) is their potential to build common structures and policies across borders. Arguably, MNCs can be seen as ‘an emerging global class of organizations’ with the potential to ‘form their own intra-organizational field’ (Kostova *et al.*, 2008: 996) in which firms have the scope to organise their operations in very similar ways in different countries. One incentive that MNCs have to do so is to exploit the competencies and expertise that it possesses in the HR field and base international policies on these sources of competitive advantage (Taylor *et al.*, 1996), giving rise to a global dimension in how they manage their international workforces. Much empirical research has examined this global dimension and how it is constrained by local factors requiring firms to be responsive to the peculiarities of each national context. Thus this global-local tension underpins much of the research in this field (for a review, see Edwards and Kuruvilla, 2005).

However, an alternative view of multinationals casts doubt on the incentive they have to pursue a global approach. The basis of this argument is that globalisation is making it easier for firms to segment their production processes so that distinct functions are located in the country with the most advantageous conditions (Buckley and Ghauri, 2004; Dicken, 2007). One articulation of this approach is the literature on ‘global value chains’ which analyses the increasing segmentation of international production (e.g. Gereffi *et al.*, 2005). While this line of analysis has not been developed explicitly by many researchers in the field of international HRM, some authors have argued that segmentation results in the technological context and occupational profile of a multinational’s various sites being so different that it has little incentive to develop a global approach to HR (e.g. Dedoussis, 1995; Kahancova and van der Meer, 2006; Wilkinson *et al.*, 2001).

Consequently, a divide exists between the former argument that there are strong globalising tendencies in MNCs (albeit ones that are balanced against local constraints) and the latter that the incentive for MNCs to develop a global approach is very limited. In this paper we seek to bridge this divide by arguing that how far MNCs have an incentive to develop a global approach is framed according to variations in their configuration. Two key aspects of this configuration are the institutional contexts they continue to be rooted in, reflected in the nationality of the parent firm, and the extent and form of their international integration. In analysing these sources of variation, we aim to enhance our understanding of the extent to which MNCs are governed by a 'transnational logic', which we define as a common element across borders in the way that MNCs manage their international workforces. We explore the extent of, and variations in, this transnational logic in relation to both managerial and non-managerial employees.

The issue is addressed through analysis of data from a large-scale survey of MNCs in the UK. The first of its kind to be based on a comprehensive sampling frame, the survey promises to reveal much about the extent of a transnational logic in MNCs and how we can explain variation in it. In the next section we identify different domains in which we may find a transnational logic and in the following one we go on to develop the reasons why we might expect nationality and the form of international integration to be sources of variation between MNCs in the extent to which there is a transnational logic.

### **Domains of a Transnational Logic**

If a transnational logic comprises commonalities in the way that MNCs manage their workforces across borders, a key question concerns what forms this might take. We identify four domains of this phenomenon. A natural place to start in searching for a transnational logic is the organisation of the HR function internationally. One key indicator is whether a multinational has a body or bodies

with the purpose of forming international HR policies and/or cross-border mechanisms to coordinate the firm's approach to particular HR issues (Tregaskis *et al.*, 2005). A second aspect of the HR function's international organisation also constitutes a transnational logic, and this concerns whether HR tasks are concentrated in international units, such as shared service centres, which provide standard services to the firm's operations across borders (Cooke, 2006).

A second domain of the transnational logic concerns whether there are standard HR policies for key groups of staff. The development of a cadre of managers who have experience of the firm in different countries and are capable of acting as corporate 'bumble bees' (Harzing, 2001) in spreading innovations across sites appears to be a feature of a number of internationally integrated MNCs, such as ABB (Belanger *et al.*, 1999). Thus the existence of internationally harmonised ways of developing staff for management positions and planning for the filling of these positions in the future are important indicators of a transnational logic.

A third domain in which we might explore the extent and nature of a transnational logic is that of organisational learning across borders. Some of the writing on why firms internationalise in the first place emphasises the scope that they have to transfer 'firm-specific advantages' (Dunning, 1993), while a well developed literature in the field of HRM emphasises the scope that MNCs have to observe and learn from practices across their operations (e.g. Pudelko and Harzing, 2007). In examining this issue we might consider whether MNCs have formal, written statements on how they will facilitate cross-border organisational learning and whether they have in place task forces or groups that work together across borders in order to realise this potential.

A fourth domain of a transnational logic is the existence of concrete international structures in the field of employment relations. Some such structures in MNCs are the product of regulations, such as those stemming from the European Union. A prime example is European Works Councils (EWCs). Other

international structures in employment relations are the product of voluntary initiatives, of which codes of conduct on corporate social responsibility are a widespread manifestation. In some cases, these codes are negotiated with employee representatives (Hammer, 2005).

The extent of this transnational logic and the form it takes is variable. For example, Pudelko and Harzing's (2007) analysis revealed considerable variation amongst MNCs in the relative influence of globalising and localising tendencies and therefore in the extent to which their local operations are covered by international HR structures or policies. And when it comes to international employment relations structures, the proportion of the estimated 2,264 MNCs that are covered by the EWCs Directive which have establishment such arrangements is – 15 years after its original implementation – only a little over one-third (ETUC, 2009). Moreover, it is quite conceivable that MNCs may have a transnational logic in one or more of these domains but not in all of them; if this is the case then we might anticipate that the precise sources of variation in the transnational logic will also differ across the domains. This suggests that explaining this variation should be a key task in understanding the transnational logic.

### **Nationality and International Integration as Sources of Variation in the Transnational Logic**

In this section we explore the grounds for expecting the configuration of a multinational to be important in shaping the transnational logic, showing how both the institutional context in which MNCs are rooted and the extent and form of integration shape this logic. The ways in which they do so varies between the four domains.

It is well established that despite the process of globalisation most MNCs retain strong links with their original national base. This shows through not only in the

geographical breakdown of their assets and employees but even more strongly in the location of key functions, such as R&D, and in the composition of senior managerial positions (e.g. Dicken, 2007; UN, 2007). Accordingly, studies of employment relations in MNCs have shown that there is a detectable country of origin effect in the way that they operate. This is particularly evident in the well-developed literature on American MNCs over several decades (e.g. Bomers and Peterson, 1977; Almond and Ferner, 2006) and the wave of studies of Japanese MNCs in the late 1980s and early 1990s (e.g. Turnbull, 1986; Morris and Wilkinson, 1995). But why do these national influences shape the nature and form of the transnational logic?

A part of the answer concerns the structures and forms of control that are characteristic of firms at the national level. In the US, for example, it is common for large firms to deploy corporate control mechanisms that allow a central HQ to exert strategic influence over geographically dispersed operating units in a range of functional areas, including HR (Chandler, 1990). Thus the relatively centralised approach of US MNCs to decision making on employment matters that has been demonstrated in a range of studies (e.g. Child *et al.*, 2001) can be seen as the extension to the international level of domestic forms of control (Ferner *et al.*, 2004). In contrast, the HQs of Japanese MNCs have tended to exert influence through placing expatriates in key positions in subsidiaries (e.g. Chung *et al.* 2006). Thus while we might expect the transnational logic to be notable, it is likely to be less formalized than in US MNCs since it will be expressed through the management style of key managers rather than through corporate structures. British firms have tended to lack the organisational means to realise synergies across their international operations. Historically, this may be traced to the way that many large British firms 'operated as holding companies which were loosely organized as federations of firms, with small central headquarters, little coordination or integration, and with operating decisions left to the constituent companies' (Gospel, 1992: 17). Coupled to this has been the dominance of the accounting profession in British firms (Matthews *et al.*, 1997) and a value system

in which higher status is placed on income generated in trading and finance than in production. In the absence of empirical evidence from previous studies, we might speculate that the transnational logic will be relatively weak in UK MNCs. The forms of control typical in Germany, which require key decisions to be approved through a 'dual' management structure, have been seen by some German MNCs as too bureaucratic for rapidly evolving international markets (e.g. Loewendahl, 1999). Moreover, the expertise that HR practitioners have in Germany tends to focus on labour market regulations, with many entering the function with a legal training. This nationally specific expertise has tended to limit the potential for HR managers in the HQ of German MNCs to play a role in such international HR issues as performance management systems or succession planning programmes (Ferner and Varul, 2000). We might expect the distinctiveness of labour market regulations and institutions to also constrain the scope for HR managers in the country of origin to play an international role in MNCs from other 'coordinated market economies' in Europe, such as France and the Nordic area.

This reasoning indicates that firms are differentially placed by their nationality in the ease with which they can develop a transnational logic to how they operate. One proviso is that MNCs are not locked into using the structures and practices from their home country; it is evident that through the process of 'reverse diffusion' some MNCs have shifted towards radically different ways of organising themselves internationally (Edwards and Ferner, 2004). However, such transformative shifts are not made easily, something that was recognised four decades ago by Perlmutter (1969) who referred to the 'tortuous evolution' of the multinational firm. Thus we might expect a combination of the continuing embeddedness of MNCs in their original national base and the inertia that characterises large firms to mean that there are nationality variations in the extent of the transnational logic.

While nationality affects the extent of the transnational logic it may also affect its form. Previous work in this area demonstrates that the strong central influence in US MNCs is expressed in a formalised manner, with an emphasis on written policies issued by a central policy making body with relatively little input from those outside the US (Ferner *et al.*, 2004; Edwards *et al.*, 2005). This contrasts with the limited evidence from Swedish MNCs which exhibit tendencies towards more emphasis on achieving consensus in decision making and greater inclusiveness in the development of policy (Hayden and Edwards, 2001; Vaara *et al.*, 2004). For example, the extensive case study of the Swedish-Swiss group ABB by Belanger *et al.* (1999) charted the combination of a very small central HQ and the way in which hundreds of geographically mobile managers were actively networking, moving around the firm with a view to identifying practices that could be spread to other sites. This suggests that there is variation by nationality in the balance that MNCs strike between centrally formed policies and those that are formed through the participation of those from across the firm.

There are also grounds for expecting the substance of the transnational logic to vary by nationality. One example of this is the issue of international codes of conduct, which we might expect to be shaped by the corporate governance requirements in the country of origin (Bondy *et al.*, 2004). Indeed, country of origin effects are apparent in van Tulder and Kolk's (2001) study of CSR codes in sportswear manufacturers which showed that the American companies were much quicker in adopting corporate codes of conduct than those of other nationalities and also disclosed considerably more information. An apparently distinctive aspect of German firms was their efforts to work in concert with other firms in the industry, exemplified by Adidas rejecting a corporate code in favour of striving for an industry-wide code. A related issue concerns the willingness of MNCs to reach agreement with labour representatives concerning the nature of a code of conduct or 'framework agreement'. While the overall number of such agreements is not high, MNCs based in France, Germany and the Nordic area are prominent amongst those that have reached agreements with international

union federations and European Works Councils (Hammer, 2005; Telljohan et al., 2009). We might anticipate that the forms of employee representation that firms from these countries are used to in their home country mean that they are more willing than their American counterparts to negotiate their codes in this way.

So what can we expect the influence of nationality to be overall? Perhaps most obviously, we might expect the transnational logic to be stronger in US MNCs than in those of many other nationalities and it is possible to draw some propositions concerning the extent and nature of the transnational logic in this group. The centralising tendencies of US MNCs suggests that a higher proportion of this group will have international HR policy-making bodies and forms of coordination and that the management of key staff will be subject to a strong transnational logic. We might expect organisational learning in US MNCs to be governed more by a formal policy and associated mechanisms (such as audits) and less by forms of participative networking. Finally, international codes or agreements in US MNCs are likely to take the form of management-initiated forms such as CSR and less likely to incorporate management-worker representative structures such as EWCs.

The analysis so far has led us to expect the nationality of the parent firm to shape the extent, form and substance of a transnational logic, but what can we say concerning the second source of variation, the nature of international integration? This has been a relatively neglected factor in the international HRM field. We look to enhance our understanding of this issue by analysing three key aspects of integration that all MNCs grapple with, and draw on the wider literature on strategy and organisation in MNCs to aid the analysis.

The first key distinction is between MNCs that *segment* their operations by differentiating the roles of their sites and building intra-firm linkages across borders on the one hand and those that *replicate* their operations in different national contexts on the other (Edwards and Zhang, 2008). The former involves

each operating unit performing a distinct part of the production or service provision process in a vertically integrated chain or web. The advantages of achieving vertical integration in this way stem from scale economies, control over the supply of components or raw materials and the elimination of transactions costs associated with market exchanges (Hill and Hoskisson, 1987). In this scenario, each site supplies components or services to others, receives components or services from others, or both. In order to segment operations through vertical linkages it must be possible for the firm to separate the stages in a production process and place them in different locations. Where this is feasible, firms may use segmentation of their operations across countries in order to exploit nationally specific expertise, favourable legal climates, low costs or whatever else makes one location more attractive than others.

The effects on the incentive for a transnational logic to HR are not clear cut. One interpretation is that the transnational dimension in firms with well-developed intra-firm linkages is likely to be very limited. This is because the distinct role for the sites means that they differ from each other in the occupational mix of staff, while the tasks that employees are required to perform and the technologies they operate also differ markedly. Indeed, it is this line of argument that those such as Wilkinson *et al.* (2001) have advanced as explaining the way that multinational electronics firms operate. Thus we might anticipate that segmentation severely limits the motivation that MNCs have to develop detailed international HR policies and to operate associated international policy-making bodies.

However, there are also ways in which strong intra-firm linkages create an impetus for a notable transnational dimension in all four of the domains identified above. Concerning the HR function, the process of segmentation in the company as a whole may be mirrored in the organisation of the function. That is, just as the firm concentrates particular parts of its production processes in certain countries, so too will it concentrate particular HR activities in one location, in the form of shared service centres for example. The second domain of management

development and planning is also likely to be influenced by the existence of vertical linkages between sites. As Marginson (1992: 537) notes, 'changes in production, or the adoption of a new technology, in one part of the company can have implications for employment, skills and ways of working elsewhere in the company'. In particular, there is an incentive for the HQ to ensure that flows of components and services between the operating units occur smoothly and they might seek to do this by attempting to instil a corporate culture through establishing networks of staff across countries, common training programmes for particular groups of staff and a global approach to succession planning. Third, the flows of components and services across the firm may be accompanied by corresponding flows of knowledge and so such intra-firm linkages may give rise to networks of actors from across the firm, both in HR and more generally, through which organisational learning takes place. In relation to the fourth domain of a transnational dimension, those MNCs in which intra-firm linkages involve operations in developing nations producing goods for markets in developed nations may have a particular incentive in protecting their reputation by establishing minimum employment standards that apply across sites through international CSR codes. In addition, they may seek to reach an international agreement with worker representatives to ensure smooth flows across the company. Thus we might expect a high degree of intra-firm linkages to be associated with a notable transnational logic.

The alternative form of configuration, the replication of operations across borders, involves the creation of comparable operating units performing essentially the same roles as their counterparts in other countries with no trading links within the firm. This is likely to be found where MNCs face a requirement to have a local presence if they are to serve the national market. This form of organisation results in sites employing a similar profile of workers, who perform comparable tasks and use similar technologies, apparently creating some scope for a transnational logic in HRM. However, it is difficult to ascertain the extent of this scope without considering the second aspect of integration, namely whether

MNCs *differentiate* their product or service to national markets or *standardise* it across borders. A differentiated approach involves the nature of products or services being tailored to nationally specific factors, such as distinctive consumer tastes and regulations. MNCs that differentiate their approach in this way achieve a degree of 'local responsiveness' (Bartlett and Ghoshal, 1998) in that they are able to meet the wishes of local consumers and regulatory bodies. The alternative to differentiation is *standardization*, which involves products or services being largely homogeneous internationally and is found where MNCs require a local presence to serve a national market. An important source of synergies in this scenario is the adoption of international management structures that facilitate the development of a standardized approach across sites.

There are implications for how this distinction shapes the transnational dimension to HR in three of the four domains identified above. The first concerns the logic in having an international HR policy making body. Where the product or service is differentiated then considerable autonomy is granted to local actors concerning how it is tailored to local markets. This is likely to weaken the case for a policy making body and feed through into a local dimension to HRM because the devolution to national level of responsibility for decision-making on strategic issues, such as the fundamental features of the product or service, creates a locus of authority that has knock-on effects on particular functions such as HR. Following this logic, the corollary is that a standardized product makes it more attractive for firms to have the capacity to create global HR policies and to transfer practices across sites. The second implication of the distinction concerns management positions in the subsidiaries. In differentiated firms managerial positions tend to be filled locally by those who understand the peculiarities of the national context. In contrast, there is a much greater incentive for standardized firms to exert influence over the filling of key positions in the subsidiaries and of the development of staff in those roles. Therefore, the latter type of firm is more likely than the former to have a global approach to succession planning and management development. The third implication relates to international codes or

agreements. Where the product is differentiated across countries then the logic in having an international CSR code or agreement is much weaker than where the product is standardised as in the latter scenario the firms have an incentive to shape public opinion at the international level concerning the company.

The third dilemma for companies in deciding on the extent and form of international integration is to decide on how much strategic responsibility should be devolved to subsidiaries. Some research has focused on the ways in which the subsidiaries of MNCs develop 'mandates' for the international company. Birkinshaw (1996: 467) defines a subsidiary mandate as 'a business, or element of a business, in which the subsidiary participates and for which it has responsibilities beyond its national market'. Previous work on this topic has charted the way in which many MNCs that previously viewed foreign subsidiaries either as vehicles for serving new markets or as performing low value-added functions have moved towards a position in which they can tap into expertise in their local context and make innovations that are fed into the rest of the multinational (Birkinshaw *et al.*, 1998; Edwards and Ferner, 2004). Thus where MNCs are characterised by the spread of mandates across borders we might characterise them as strategically dispersed, whereas those in which international responsibilities for product development and major innovations reside at the HQ can be thought of as strategically centralised.

Why does the issue of mandates, and specifically whether MNCs are strategically dispersed or centralised, affect the transnational logic for employment matters? The dispersal of strategic functions across countries indicates that the multinational is an integrated network and key to such firms is a concerted attempt to facilitate organisational learning. Thus we might expect to find both a policy on learning internationally and such measures as cross-border working groups. In contrast, the concentration of strategic functions in the home country suggests that the multinational will adopt a more centralised approach to HR. This scenario is likely to be associated with the existence of HR policy-

making bodies that allow those at the HQ to exert control over their international operations.

The expectations of this analysis for how nationality and the various forms of integration will shape the four aspects of the transnational logic are summarised in Table 1. Returning to the contrasting perspectives on global tendencies, and therefore the incentive to develop a transnational logic in HR, highlighted at the outset, if the effect of national institutional contexts is significant then the implication is that a transnational logic is indeed evident but that its extent, and the relative emphasis placed on the four domains, differs according to the national institutional contexts in which MNCs are rooted. Concerning international integration, forms which emphasise either standardization or operational interdependence across borders are more likely to promote a transnational logic, consistent with the perspective which stresses MNCs' globalizing tendencies. In contrast, forms which emphasise differentiation are more consistent with the perspective which stresses the localising tendencies. The strength of the approach elaborated above is that these different effects may be operating simultaneously amongst differently configured MNCs. In the following section the survey data which were used to address these issues are described.

**Table 1: Summary of the Propositions**

		Nationality (Influence of US ownership)	Integration		
			Intra-Firm Linkages	Product Standardisation	Mandates
The International HR Function	Policy making bodies and int'l HR coordination	+		+	-
	Shared services centres		+		
Management of Key Staff Internationally	Mgt Developm't	+	+	+	
	Succession Planning	+	+	+	
Organisational Learning	Formal Policy	+			+
	Task Forces or Networking	-	+		+
International Codes or Agreements	EWCs and negotiated codes	-	+	+	
	CSR	+	+	+	

## Method

The survey of employment practice in MNCs had a number of innovative features. One of these was that unlike most surveys of this nature which rely on postal questionnaires, the study involved personal interviews with a senior HR executive in each firm. A second was that the survey was based on the most comprehensive listing of the population of multinationals in the UK that has been constructed to date, involving use of multiple databases and extensive cross-checks to resolve discrepancies (see Edwards *et al.*, 2007 for a full discussion). A third was that this population was 'screened' through a short telephone interview to verify key information from the database and establish further key characteristics of the company prior to the main stage of the survey.

The survey covered MNCs with at least 500 employees worldwide. In addition, overseas-owned companies had to have at least 100 employees in the UK, while UK-owned MNCs were required to have an operation employing 100 or more in at least one other country. The population listing contained 3099 firms and the screening process revealed that almost 10% of these turned out not to exist or to have closed down. Moreover, of the 1419 companies where a screening interview was secured, a third turned out to be smaller than the size criteria or not be part of a multinational after all. This complicates the calculation of the response rate since it is impossible to know exactly how many of the companies that we know exist but which did not take part in the screening survey would also have screened out. However, assuming that the same proportion of these would have done so then the 903 successful telephone 'screening' interviews constitutes an estimated response rate of 54%. The main stage involved a wide-ranging face-to-face structured interview with a senior HR manager in the UK operations. Interviews of approximately 70 minutes duration were completed in 302 multinationals, representing just over one-third of the screened sample. Representativeness checks between the two stages of the survey revealed that the profiles of the two groups were similar according to country-of-origin and

employment size, but indicated slight under-representation of service sector firms in the main survey when compared with the screener. Thus, weights were constructed and were applied to correct for this.

There are two limitations to the data. First, inclusion of the overseas-owned as well as UK-owned MNCs in the survey necessitated two versions of the questionnaire. Since interviews were conducted in a foreign unit in the former and in the corporate HQ in the latter, some questions had to be phrased differently. Where this is significant for the independent variable we draw attention to the implications. Second, the survey relies on a single respondent in each firm. This can give rise to the problem of common method variance in which bias is introduced through key variables being derived from the same respondent. As Podsakoff *et al.* (2003) note, this is likely to be 'particularly problematic in those situations in which respondents are asked to provide retrospective accounts of their attitudes, perceptions and/or behaviors' (2003, p881). In this paper, and in the wider study, the key variables are derived from questions about contemporary aspects of the organisation, particularly its structures and the nature of HR policies and practices. Thus we might anticipate the risks of relying on a single respondent to be modest in this case.

The issues at the heart of this paper, particularly those relating to forms of international integration, require some consideration concerning their measurement and it is the key variables that we turn to in the next section.

### **The Variables and Models**

The four domains of the transnational logic have each been broken down into two dimensions in the preceding analysis and each of these is assessed with at least one measure in the survey, giving rise to ten dependent variables in total. Concerning the international HR structures' domain, the first category of international policy-making bodies and coordination is assessed through two

variables: the existence of an HR committee and the presence of meetings of HR managers across borders. The second aspect is a variable concerning international shared service centres. The domain of international HR policies towards key managerial staff has two variables: firstly, whether there is a global system of succession planning; and, secondly, whether there is a global system of management development. The organisational learning domain is assessed through a variable concerning the existence of a formal policy on learning for the worldwide company and a second variable concerning whether there are cross-national working groups of non-managerial staff. The fourth domain, the presence of international employment relations structures, is captured by three variables: first, whether there is a EWC; second, whether there is a CSR code; and, third, if there is a CSR code whether it was negotiated with employee representatives.

The frequencies of these ten variables are listed in Table 2 and the questions used to construct the variables are listed in Appendix 1. It is immediately apparent from Table 2 that there is variation amongst MNCs in the presence or absence of a given practice across all four domains. All the practices identified are found in at least one in five MNCs (the negotiation of an international CSR code, at 19%, represents the lowest incidence) and at most in a little over three in five (regular international meetings of HR managers, at 63%, represents the highest incidence). It is worth noting that three of these variables suffer from some non-response. The two CSR variables are among these owing to the fact that the data in this area were gathered from the 'screener' interview and some of the respondents at this stage were too junior to answer the full range of questions. The non-response concerning cross-national working groups of non-managers was due to a complex series of filters that preceded this question.

There are then a set of independent variables. The first of these is nationality, for which an eight-way distinction is made. The US, Japan, France, Germany and the UK are each distinguished as countries-of-origin. The viability of the

regression analysis which follows required, however, the relatively small number of Swedish-owned MNCs to be combined with companies headquartered in the other Nordic countries into a Nordic group. The two other categories comprise more residual groupings: the rest of Europe and rest of the world. The extent and nature of international integration was assessed through three variables. The first of these measures the nature of intra-firm linkages, with four categories: no linkages between the UK and elsewhere; UK sites supply those in other countries; sites in other countries supply those in the UK; and linkages in both directions. The second variable assesses whether the product or service is standardised across borders or is adapted to national markets. The third variable examines the extent to which mandates are dispersed across the multinational, using a scale of 1 for strongly disagree to 5 for strongly agree on the statement that 'the UK operations have international responsibility for one or more products or services on behalf of the worldwide company'. (For UK MNCs the wording of this statement was slightly different, referring to 'operations outside the UK' instead of 'the UK operations'). In addition, three controls are included, sector, size (which is assessed both through worldwide and UK employment) and union recognition in the UK. These variables are listed in Table 3 and the questions are included in Appendix 2.

Table 3 shows that there is variation amongst the MNCs according to both key configurational dimensions. US-based MNCs account for 41% of the total, and British-owned firms for 15%; beyond there is roughly even spread amongst the four other main countries / areas of origin. Concerning international integration, all three dimensions display a degree of variation across their respective values.

A series of ten regression models were estimated to explore sources of variation in the transnational logic. Nine of these were binary logistic as the dependent variables were dichotomous, but the model for the international CSR code was ordered logistics as it could take four values, which were clearly ordered.. The construction of the models was identical in most respects; all of the models

include nationality, intra-firm linkages, product standardisation and mandates as potential explanatory variables. The sector control variable is also included in each regression. There was some variation in the nature of the size control, however, with the models for the first three domains using UK employment size owing to the fewer missing cases compared with worldwide employment size. The models for the fourth domain use the latter as this has been shown to be a key factor in previous work on these issues (Hammer, 2005; Waddington and Kerckhofs, 2003), justifying the loss of cases. The union control variable is included in the two of the three regressions from the fourth domain where practice is likely to reflect union organisation as well as management preference.

**Table 2: The Dependent Variables**

Variable	Categories	%	Valid N
HR policy-making committee	Yes No	53% 47%	297
HR managers meetings across borders	Yes No	63% 37%	302
International HR shared services centres	Yes No	31% 69%	301
Global system of succession planning	Yes No	59% 41%	285
Global system of management development	Yes No	53% 47%	289
Formal policy on organisational learning for worldwide company	Yes No	39% 61%	267
Cross-national working groups of non-managers	Yes No	53% 47%	225
European Works Council	Yes No	29% 71%	298
International CSR Code	No code Advisory Adv / Mand Mandatory	42% 12% 22% 24%	250
International CSR Code negotiated with employee reps	Yes No	19% 81%	230

**Table 3: The Independent Variables**

Variable	Categories	% / mean	Valid N
Nationality	US French German Nordic British R of Europe Japan R of World	41% 8% 6% 7% 15% 11% 7% 7%	302
Intra-firm linkages	Neither UK to For For to UK Both	17% 7% 19% 57%	296
Product Standardisation	Standardised Adapted	75% 25%	288
Mandates	1 2 3 4 5	20% 15% 11% 32% 22%	302
Sector	Manufacturing Services Other	50% 43% 7%	302
Size – ww emp	Mean	30,578	271
Size – UK emp	Mean	2,126	300
Union Recognition	Yes No	48% 52%	300

## The Results

Overall, nine out of the ten regression models estimated were significant (seven at the 1% level and two at the 5% level) with Nagelkerke  $R^2$ s ranging from 15% to 33%. The model for global management development was not significant. Results for the nine significant regressions are presented in three tables.

Table 4 summarises the findings on the three international HR structure measures. All the regressions are significant at the 1% level. Both types of configuration variable exercise significant influence on the presence of such structure. In terms of nationality, Japanese MNCs are significantly less likely than their US counterparts to have any of the three structures. The effect is sizeable: the odds of a Japanese MNC having either an international committee or shared services are some ten times less than those of a US multinational, and five times less for regular international meetings. British-owned MNCs are significantly less likely to have two of three structures, with the odds of their having regular international meetings or shared services being, respectively, a third and a quarter less than their US counterparts.

Turning to international integration, the existence of supply linkages in both directions between the UK and operations in other countries is a significant influence on the presence of all three structures. As compared to MNCs with no such linkages, the odds of there being an international committee and regular meetings is three times greater; for international shared services the odds are almost twice. International HR structures are more likely to be present where the UK operation does not have an international product mandate. The odds of MNCs where respondents 'disagree' that there is a mandate, as compared to the reference category of 'strongly agree', is twice as great for international committees, four times as great for regular international meetings and three-and-a-half times as great for shared services. Product standardisation is not, however, a significant influence on the presence of international HR structures.

Table 4: International HR structures – regression results

Variable [reference category]	International HR Committee	International HR manager meetings	International shared HR services
<i>Nationality [US-owned]</i>			
Japanese-owned	_-***	_-***	_-**
UK-owned		_-**	_-***
French			
German			
Nordic			
Rest of Europe			_-**
Rest of World			
<i>International integration [no linkages]</i>			
UK supplies ops overseas only			
UK supplied by ops overseas only			
UK both supplied by and supplies to ops overseas	+***	+***	
<i>Product standardisation [nationally adapted]</i>			
Internationally standardised			
<i>International mandate [5 = strongly agree]</i>			
1 = strongly disagree			
2 = disagree	+*	+**	+***
3 = neither agree nor disagree			
4 = agree			
<i>Sector [manufacturing]</i>			
Services		+*	
Other production			+**
<i>UK employment size</i>		+**	+***
Model chi-squared	***	***	***
Nagelkerke R	0.17	0.24	0.27
N	279	282	281

Note: + indicates higher, and – indicates lower incidence than the reference category

\*\*\*, \*\*, \* indicate significance at the 1%, 5% and 10% levels, respectively

Table 5 reports findings for the three significant regressions relating to the second and third domains. Concerning the second domain, the regression model for global succession planning attains significance at the 1% level overall. Of the nationality variables, it is Japanese MNCs which differ significantly from their US counterparts: the odds of their having global succession planning are a fifth of American multinationals. On international integration, MNCs with supply linkages in both directions are significantly more likely to have succession planning than those without: the odds are more than twice. Neither mandates nor product standardisation are significant influences.

Turning to the two measures of organisational learning, the explanatory power of both regression models is relatively less than those for the other three domains: they attain overall significance only at the 5% level. The nationality effects which are significant are not consistent across the two measures. For a worldwide policy on organisational learning, the odds of their being a policy for MNCs based in the UK and the rest of Europe are almost a third less than US multinationals. On cross-border working groups, the practice is not universally more (or as) likely to be found amongst US multinationals: the odds of MNCs based in the Nordic countries engaging in this practice is over seven times greater than for American multinationals. On international integration, supply linkages in both directions has a significant impact on the presence of cross-border working groups (the odds as compared to MNCs with no such linkages are almost three), but not on a worldwide organisational learning policy. Both practices are less likely to be present where UK operations do not have an international mandate: strategically centralised MNCs are less likely to have international policies promoting organisational learning than strategically dispersed ones. The odds of cases where respondents 'strongly disagree' as compared to those where they 'strongly agree' having either practice is between a half and a third less. In both regressions, the effect of product standardisation is insignificant.

Table 5: International HR policies and Org Learning – regression results

Variable [reference category]	Global succession planning	Worldwide policy on org learning	Cross-border working groups
<i>Nationality [US-owned]</i>			
Japanese-owned	_-***		
UK-owned		_-**	
French-owned			
German-owned			
Nordic-owned	_-**		+**
Rest of Europe		_-**	
Rest of World			
<i>International integration [no linkages]</i>			
UK supplies ops overseas only	+*		
UK supplied by ops overseas only			
UK both supplied by and supplies to operations overseas	+**		+**
<i>Product standardisation [nationally adapted]</i>			
Internationally standardised			
<i>International mandate [5 = strongly agree]</i>			
1= strongly disagree		_-*	_-*
2 = disagree			
3 = neither agree nor disagree			
4 = agree			
<i>Sector [manufacturing]</i>			
Services	_-**		
Other production			
<i>UK employment size</i>			
	+**		
Model chi-squared	***	**	**
Nagelkerke R	0.21	0.15	0.17
N	268	254	210

Note: + indicates higher, and – indicates lower incidence than the reference category

\*\*\*, \*\*, \* indicate significance at the 1%, 5% and 10% levels, respectively

Findings from the regressions on the three measures of international employment relations structure are summarised in Table 6. All three regression attain significance at the 1% level overall. Union recognition exercises the positive and significant influence anticipated on the presence of an EWC and the negotiation of international CSR codes: in both instances the odds of MNCs which recognise unions in their UK operations are over three times greater than those which do not. Nationality exercises significant influence in each. EWCs are significantly more likely to be found in French and Nordic MNCs than in American ones, with the respective odds being four-and-a-half and ten times as great. Nordic MNCs are also significantly more likely than US multinationals to negotiate any international CSR code with workforce representatives, the odds of their doing so being eight times greater. In contrast, MNCs headquartered in major 'coordinated market economies' – Japan, France, Germany and the Nordic Area – are significantly less likely to have mandatory CSR code than their US counterparts: the odds range from a fifth for Japanese, through a quarter for German, a third for French and less than a half for Nordic based MNCs.

On international integration, EWCs are significantly more likely to be found where there are supply linkages in both directions, although no such significant effect is evident for the other two measures. The relevant odds for the EWC regression are three times as great where there are supply linkages in both directions, as when there are no such linkages. MNCs where the UK operations do not have an international mandate are more likely to have an EWC and a mandatory CSR code than those which have one. For both, the respective odds of cases where respondents 'strongly disagree' that there is a mandate having an EWC is three times as great as those where respondents 'strongly agree'. Product standardisation is not a significant influence on any of the three measures.

Table 6: International ER structures – regression results

Variable [reference category]	EWC	Mandatory CSR Code	Negotiated CSR Code
<i>Nationality [US-owned]</i>			
Japanese-owned		_-***	
UK-owned			
French-owned	+***	_*	
German-owned		_-**	
Nordic-owned	+***	_*	+**
Rest of Europe			
Rest of World			
<i>International integration [no linkages]</i>			
UK supplies overseas ops only			
UK supplied by ops overseas only			
UK both supplied by and supplies to operations overseas	+**		
<i>Product standardisation [nationally adapted]</i>			
Internationally standardised			
<i>International mandate [5 = strongly agree]</i>			
1= strongly disagree	+*	+**	
2 = disagree			
3 = neither agree nor disagree			
4 = agree			
<i>Sector [manufacturing]</i>			
Services			_*
Other production	_-**		
<i>Worldwide employment size</i>			
<i>Union recognition</i>	+***	n/a	+**
Model chi-squared	***	***	***
Nagelkerke R	0.33	0.20	0.33
N	250	206	191

Note: + indicates higher, and – indicates lower incidence than the reference category

\*\*\*, \*\*, \* indicate significance at the 1%, 5% and 10% levels, respectively

## **Discussion**

Reviewing the findings across the four domains, both nationality and international integration are, in at least one respect in each instance, a significant influence on a transnational logic to HR in the nine regressions. Put differently, in accounting for variation in the extent of such a transnational logic, both – rather than one or the other – of these two key influences are salient, confirming the approach proposed earlier in the paper. The identification of four different domains to a transnational logic to HR is also borne out by the differential pattern of nationality and international integration effects between these.

Concerning international HR structures, Japanese MNCs are less likely to have these across all three measures, and UK-owned MNCs across two of them, than US multinationals. MNCs headquartered in continental and Nordic Europe are not, however, distinctive when compared to their US counterparts. International supply linkages exercise a significant influence across all three measures, and the absence of an international mandate does on two. Product standardisation is not a significant influence. Comparing with international HR policies, the picture on nationality is similar, save for UK-owned MNCs which do not significantly differ with US multinationals. The significant impact of supply linkages is again evident, but international mandates are not an influence. Product standardisation remains an insignificant influence. For organisational learning, Japanese MNCs are no longer distinctive from US multinationals: indeed there is no consistency of nationality effect across the two regressions. Supply linkages exercise a similar significant influence to that for the previous two domains, in one of the two regressions. The effect of international mandates is opposite to that for international HR structures. Product standardisation is again an insignificant influence. The impact of nationality on international employment relations structures differs both from the other three domains and between the three

models. Nordic (and French) distinctiveness, as compared to US MNCs, is apparent for EWCs and the negotiation of international codes, whereas US distinctiveness when compared to the main coordinated market countries of origin is apparent for mandatory CSR codes. Supply linkages are only a significant influence for one of the three measures (EWCs), although the direction of the relationship is the same as for the other three domains. The presence of mandates is significant in two regressions, with the relationship being the same as that for international HR structures; hence opposite to that for organisational learning. Once again product standardisation is an insignificant influence.

Returning to the expectations laid out in Table 1, those on nationality concerned American multinationals. Practice amongst these differed from those in MNCs headquartered in at least one of the other countries / groupings in each of the ways anticipated. The main overall finding is that the transnational logic is generally stronger in American firms but also takes on a different form, being about formal management structures and policies rather than involving teams of employees working across borders and being more on management's terms rather than being negotiated with employee representatives. While the US effect was only significant against some of the other national groupings in each model, this can nevertheless be seen as providing reasonable support for Table 1's propositions.

Turning to the first form of integration, the expectations on intra-firm linkages find considerable, although not complete, support. Where it exercised a significant influence, two-way supply linkages were always positively associated with the practice in question. Significant effects were not found for shared services and mandatory CSR codes, contrary to Table 1's expectations. However, a significant impact on international HR committees and regular international meetings was evident, where none had been expected. The influence of the second form, product standardization, was consistently insignificant; none of the expectations

in Table 1 were supported. In contrast, the three expectations on international mandates all receive a degree of support. In addition, mandates were also negatively associated with two of the measures of international employment relations structures. These results on mandates must, however, be viewed with a little caution, since the significant contrast in each instance was between either 'disagree' or 'strongly disagree' - but not both - and the reference, 'strongly agree', category.

The main overall findings on international integration are: first, the stronger are intra-firm linkages across borders the stronger is the transnational logic in HR; second, that product standardization does not seem to shape the extent of the transnational logic; and third, that mandates act in opposite directions in shaping the transnational logic according to domain. Whereas strategically dispersed MNCs are more likely to have international policies promoting organisational learning than strategically centralised ones, the opposite is the case for international HR structures and international employment relations structures – which are both more prevalent amongst strategically centralised MNCs.

## **Conclusion**

It is evident that the nature of the transnational logic in MNCs is shaped by both nationality and international integration. In demonstrating this we have sought to bridge the divide between the two contrasting perspectives outlined at the beginning of the paper and thereby make an analytical advance which has received empirical support from an authoritative large-scale data source. Hence neither of the two contrasting perspectives is right, or both are right but only up to a point. A particular contribution, therefore, has been to pursue the impact of different aspects of international integration alongside the impact of nationality, and it has strongly suggested that the effects of these variables are contingent rather than universal.

There are of course limitations to the analysis reported here. One aspect of this concerns the distinction we drew between standardisation versus differentiation of the product, which does not find empirical support in our analysis. It may be that this finding is due to the rather blunt distinction and it is conceivable that a more fine-grained measure would have greater purchase in explaining variability in the transnational logic. A further limitation is that we have examined the ways in which the configuration of MNCs impacts on the transnational logic in four particular domains and the results may be different in other domains. Thus future research could in future be extended to, for example, international reward systems for senior managers and common policies towards non-managerial employees such as performance appraisal systems, forms of variable pay and employee involvement schemes.

There are three additional factors which we plan to investigate ourselves as our research on this issue progresses. One is that while it has paid attention to two key aspects of configuration, there are other influences, such as sector. The broad measures of sector deployed in the analysis showed no consistent effect within or across the four domains, but a finer grained sectoral differentiation might reveal differences between MNCs in, say, the manufacturing sector according to features such as technology, nature of product market (intermediate or final goods), spatial scope of product market, and so on. A second extension of the paper would be to explore the effects of nationality in different ways: the method of comparison has taken US MNCs as the reference or benchmark (for good reasons, given their prominence) but the distinctiveness of Japanese MNCs on international HR structures and policies invites comparisons between these and European-based MNCs. Intra-European variations, particularly between British and other European and between Nordic and other European could also be pursued. A further extension of the research could be to explore the transnational logic using data from other countries and regions. While the questions asked in this paper did not relate specifically to Britain – we analysed data on the existence of an international HR committee in the wider company, for

example, not on whether the UK part of the firm was represented on this committee – there may nevertheless be differences between regions in the strength of the transnational logic. It is quite conceivable that some of the aspects of the transnational logic will be regional rather than global in scope and that they will vary in character across regions. The existence of parallel surveys of MNCs in a number of other countries as part of an internationally coordinated project will allow us to explore this issue in future research.

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## Appendix 1: Dependent Variables

### HR Function

#### 1. Worldwide HR Policy Committee

Is there a body within the worldwide company, such as a committee of senior managers, that develops HR policies that apply across countries?

A simple dichotomous variable

#### 2. HR Managers Meetings

Are HR managers from different countries brought together in a systematic way? We are thinking here about things like conferences and task forces.

Yes – on a global basis

Yes – on a regional basis

No

A dichotomous variable was constructed by merging the global and regional categories.

#### 3. HR Shared Service Centres

Does the HR function in the UK operations make use of 'shared services' centres that are part of the company at global or regional level?

A simple dichotomous variable

### The Management of Key Staff Across Borders

#### 1. Succession Planning

The variable is derived from:

'Thinking of the UK operations, is there a formal system of succession planning for senior managers?'

If yes: 'Is this system also used in other parts of the worldwide company?'

If no: 'Does the worldwide company have a formal system of succession planning that is used for senior managers in the UK operations?'

From this, a variable was constructed which is dichotomous with 0 = no global system and 1 = global system

## 2. Management Development

The variable was derived from:

'Do the UK operations have a management development programme specifically aimed at developing its 'high potentials' or senior management potential?'

If yes: 'Is this management development programme specific to the UK operations or does it operate in other parts of the world-wide company?'  
They then had three options: 'UK operations only', 'other parts of the world-wide company in exactly the same format', and 'other parts of the world-wide company in a different format'.

If no: 'Does the worldwide company have such a management development programme that is used for employees in the UK operations?'

From this, a variable was derived that is dichotomous with 0 = no global system and 1 = global system.

## Organisational Learning

### 1. Policy on Organisational Learning

Is there a formal policy on organisational learning for the worldwide company?

A simple dichotomous variable

### 2. Cross National Working Groups

A variable that captures the extent to which MNCs use cross-national teams of non-managers has been derived. This used two questions:

'Do the UK operations regularly use project teams or task forces, embracing employees other than managers, that function across more than one operating unit?'

And then for those that said yes

'Do these groups in the UK also include employees from outside the UK?'

The derived variable is dichotomous variable with 0 = no cross-national non-managerial working groups and 1 = cross-national non-managerial working groups

NB Firms with only one UK site were filtered out – that is 72 and there were five additional non responses meaning that we are down to 225 cases.

### Transnational Codes and Agreements

#### 1. European Works Councils

Is there a European Works Council or similar European-level employee information and consultation structure which covers the UK operations?

A simple dichotomous variable

#### 2. International CSR Codes

The variable is derived from three questions on the 'screening' questionnaire. These three questions asked the following:

Is the UK operation covered by a code on corporate social responsibility?

1. Yes
2. No
3. Don't know

ASK IF YES AT A26:

Does the code.....?

1. Cover all or most of the operations of the ultimate controlling company?
2. Some of the operations of the ultimate controlling company?
3. Cover only the UK company (operation)?

What is the status of the code....?

1. Mandatory?
2. Advisory?
3. Mandatory in some parts, advisory in others?

These were used to create a new variable with four categories

0 = no international CSR code

This was made up of those who said there was no CSR code (41 cases), those who said they didn't know whether there was one (on the basis that if there is one and they don't know about it then it can't have very much influence, 30

cases) and those who said there was one but it covered the UK only (34 cases). There were 105 cases in this category.

1 = international CSR code that is advisory in nature

This was made up of those saying there was an international CSR code from a combination of A26 and A27 and then choosing advisory at A28. There were 29 in this category.

2 = international CSR code that is part mandatory and part advisory

This was made up of those saying there was an international CSR code from a combination of A26 and A27 and then choosing mandatory / advisory at A28. There were 55 in this category.

3 = international CSR code that is mandatory in nature

This was made up of those saying there was an international CSR code from a combination of A26 and A27 and then choosing mandatory at A28. There were 61 in this category.

There are 52 missing cases, 51 of which are because the main stage interview followed a short 'screening' questionnaire which did not have the CSR questions.

### 3. Negotiated CSR Codes

An additional question on the screener asked:

'Was this code negotiated with employee representatives, such as a European Works Council or international union federation?' – check exact wording

From this a dichotomous variable was derived with 0 = international code that was not negotiated and 1 = international code that was negotiated

## Appendix 2: The Independent Variables

### 1. Nationality

An 8-way split – France, Germany, Nordic, UK, Rest of Europe, Japan, Rest of World and US

### 2. Intra-Firm Linkages

The variable was derived from two questions:

‘Are any of the components, products or services of the UK operations produced for operations of the worldwide company based outside the UK?’

‘Do other parts of the worldwide company supply components, products or services to the UK operations?’

A variable with a 4-way split was derived – no linkages, UK to foreign only, foreign to UK only, both

### 3. Standardisation

Which of the following statements best describes the worldwide company’s most important product, service or brand (or group of products, services or brands)?

It is adapted significantly to national markets

It is adapted to different regions of the world but standardized within them

It is standardized globally

A 2-way split was derived from this – adapted to national markets versus standardised (either within regions or globally)

### 4. Mandates

A variable was derived from this question:

‘Please tell me whether you agree or disagree using a scale of 1 to 5 where 1 is strongly disagree and 5 is strongly agree

The UK operations has international responsibility for one or more products or services on behalf of the worldwide company’.

### 5. UK employment size

A continuous variable, though it is truncated at 100.

## 6. Worldwide employment size

A continuous variable, though it is truncated at 500

## 7. Sector

Three categories – manufacturing, services and other

## 8. Union Recognition

A variable was derived from:

Thinking of the largest occupational group for the UK operations, are trade unions recognised for the purposes of collective employee representation at

- No sites in the UK operations
- All sites in the UK operations
- Most sites in the UK operations
- Some sites in the UK operations
- The company's single UK site

From this the second to fifth categories were merged, leaving a dichotomous variable with 0 = no recognition and 1 = unions recognised in at least one site