The Different Dimensions of 'Europeanisation' in the Banking Sector: Implications for EWCs

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Editor’s forward

The Warwick Papers in Industrial Relations series publishes the work of members of the Industrial Relations Research Unit and people associated with it. The papers may be of topical interest or require presentation outside the normal conventions of a journal article. A formal editorial process ensures that standards of quality and objectivity are maintained.

In this Paper Miriam Quintana, a doctoral candidate within the Unit, examines the processes of internationalizion in European banks and the implications for the institutions and agenda of industrial relations. She analyses the multi-level and multi-speed nature of change, and focuses specifically on the implications for European Works Councils (EWCs). She concludes that so far EWCs have been weak within the sector, but that the dynamics of international convergence in work organisation offers the potential for a more constructive future role.

Jim Arrowsmith

Abstract:

There is considerable academic interest in the consequences of European integration for human resource management within multinational companies. In the context of this debate, a discussion is developed on the implications of changes in the organization of production and markets for the management of human resources (HR) in the banking sector, one of the sectors under more rapid and substantial transformation in recent years. The analysis is framed with special reference to British and Spanish banking firms, and implications are drawn regarding the impact of such changes for the most prominent development in terms of European legislation at company level, European Works Councils (EWCs). It is argued that deregulation and European integration have facilitated restructuring and consolidation within national boundaries, which in turn have facilitated cross-border mergers and acquisitions. As a result, the number of banks with operations in two or more countries of the European Union has increased. While business continues to be geographically segmented according to countries, affording EWCs a relatively limited role at present, growing similarities in work organization and processes in banks across countries indicate that this is likely to change.

I distinguish three dimensions within the internationalization/Europeanisation of banking firms: a) business ownership; b) work processes; and c) internationalization of business organizations and HR/industrial relations (IR) policies. I argue, specifically with regard to retail banking, that the first two dimensions are at a more advanced stage. Internationalization of business organizations and HR/IR policies appears to be more under-developed, although it is increasingly facilitated by the first two dimensions, in particular because of convergence in work processes. This, it is suggested, has the potential to enhance the presently limited role of EWCs in the banking sector.

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I Introduction

Recent decades have seen radical transformations within the banking sectors of most industrialised countries. Banks, which until recently could be seen as highly bureaucratic organizations operating in closed national markets (Baethge et al., 1999:3), have expanded the scope and nature of their operations. Today, they are more likely to be efficient and modern institutions operating in a highly competitive environment, and often inclined to search for international markets.

While various factors lie behind these transformations, three primary driving forces can be identified. Firstly, there are the globalisation processes that have characterised the world economy in the last twenty years. These have impacted on the banking sector both directly, through the increasing interdependence of national financial markets, and indirectly, through the parallel internationalization of enterprises, which constitute an important customer base (Walter, 1988, cited in Canals, 1996).[1] Accompanying this has been the relaxation of regulations affecting the banking industry in most countries, including the decreasing intervention of central banks. Finally, the introduction of new technologies has been an important factor behind the transformations.

Above all, these changes have been associated with a rapid increase in competition, both at national and international level, often resulting in significant profit reductions for the less competitive banks. In order to maintain or gain competitiveness many banks have seen the need to modify their competitive strategies and traditional forms of organization. In the context of these changes, this paper seeks to explore the implications for processes of transnational information and consultation in international banks,[2] with specific reference to the role of European Works Councils (EWCs).

Debate on the impact of multinational companies on employment and IR practices has often focused on the dichotomy between 'national business systems' and more 'global' approaches. A distinctive variant of these arguments has highlighted the significance of developments at a European level; in particular, the emergence of distinct forms of company organization around specific employment and IR policies. This has emerged partly as a response to Community

[1] In this sense, globalisation can perhaps be considered a more complex process for banks than for companies in other sectors (Canals, 1996).
[2] We follow Marginson (1992:63) and refer to international banks in terms of direct ownership of production and service provision in overseas operations, taking the form of wholly or partially owned operations or joint ventures.

legislative developments, and here we are concerned with one particularly important legislative development, the Directive on EWCs (European Commission, 1994). Accordingly, this paper addresses the tension between the legislative requirements for multinational firms operating within Europe and the general economic and organizational behaviour of these firms. On the one hand, institutional pressures for a European dimension to corporate activity, for example in the form of European-level employee information and consultation, are said to promote internal corporate structures that might generate more integrated approaches to industrial relations across European countries. On the other hand, however, international competitive pressures and historical developments can often be associated with a company's choices regarding the structure and evolution of their operations, including outside the European Union, and hence the orientation of their IR practices.

In Section II I shall explore banks' strategic responses to the aforementioned changes, discussing in particular their internationalization strategies. Section III then examines the nature of internationalization with specific regard to company structure. In Section IV I discuss the relationship between the strategic and structural nature of internationalization and the management of human resources (HRM), by exploring developments in job content and work organization and comparing them across borders. Section V suggests links between the internationalisation of firms and HR/IR-related issues, in particular transnational processes for information and consultation, and questions the EWC arrangement. In Section VI a conclusion is formulated.

Throughout, it will be important to distinguish between two distinct, but often linked, parts of the sector; retail and wholesale/investment banking. Whereas in retail banking the national context is often said to play an important role, with local presence and knowledge important, in wholesale and investment banking the local element is regarded as less significant in the context of truly global markets dominated by institutional investors (Kalff, 1996:176). The focus of this paper is primarily on retail banking, where most employment is concentrated and there is a higher presence of collective employee representation. It is argued that there are clear signs of emerging cross-national developments and underlying currents of internationalization in this part of the sector.

II Strategic Responses: Internationalization and Diversification

II. i. A Changing Competitive Environment: European Developments in Banking

The transnational integration of financial markets has affected the operations of banks throughout most of the industrialised world. Economic and Monetary Union (EMU) within the European Union (EU), including the establishment of a single currency and the definition of a common monetary policy by the European Central Bank (ECB), has accelerated developments towards a single European market (Sisson and Marginson, 2000). A move towards increasing deregulation has accelerated developments towards such integration processes. Although various degrees of financial deregulation could previously be observed in different countries, regulatory barriers to cross-border activity were widespread. These included the need to attain permission from the host country's regulatory authority before starting to operate in their domestic market, exchange controls, and restrictions on the range of financial services that could be provided by the entering bank (Harris, 1999:213). The relaxation of these barriers, and in the case of Europe the unification of national regulations precipitated by the transposition over recent years of EU directives on banking into the Member States' legal systems[3], has increased the exposure of banking firms to other competitors, from both national and foreign markets. This has often implied a threat for profit margins and market share.

As a result, and with regard to banking organizations, various trends can be observed:

- A rapid restructuring process affecting the banking industry following increased competition within and across countries. This is mainly reflected in rapid growth in the number of mergers and acquisitions between banking firms, which is resulting in high concentration of the industry in each respective country.[4] As an illustration, 49% of the turnover of the Spanish banking industry in 1998 was produced by five firms, and in

[3] Steps towards the establishment of a EU single market in financial services have included the introduction of seven main banking directives and changes in 12 of the existing banking directives, most of which have been largely implemented through national laws (Harris, 1999:213). Among them are the first banking co-ordination Directive (1977); the second banking co-ordination Directive (1989); the second Non-Life (Services) Directive (1990); the third non-life Directive (1991); and the third Life Directive (1994). For a more detail explanation of these, see Walker (1995).

Denmark only 2 firms were responsible for 58% of the total turnover (European Commission, 1998:12). Similarly in Portugal, the combined market share of the five biggest banks have climbed to 85%, the highest in Europe after Finland and Sweden and levelled with the Netherlands (Financial Times, 3/2/03).

- A juxtaposition of the activities traditionally carried out by other financial firms, altering conventional distribution channels. There has been a wave of firms changing their activities to a certain extent, and also their status. Examples include building societies and savings banks becoming banks with PLC status (Storey et al., 1999:131), banks conducting both retail and investment activities, and the dismantling of the traditional divide between banking and insurance activities. In Portugal, for instance, the percentage of life insurance distributed through bank branches has risen from 13% to 80% between 1991 and 1996 (European Commission, 1998:13). Competition is also emerging from new players in the form of major retail and manufacturing companies, and even football clubs, which are rapidly moving into the financial services sector following the relaxation in regulations. Indeed, traditional banking activities, such as credit provision, have been threatened by the services offered by mortgage firms, leasing companies, investment banks and the stock market. This trend has stimulated responses from the banks themselves towards a greater diversification of the products and services on offer; including, for example, new products such as options, futures or investment funds. Canals (1996:27) labels the creation of new products and services 'financial innovation', and notes that this new development has important implications, not only for the range of products offered by the banks, but also in terms their distribution channels[5], as stressed in the next point.

- A further transformation of traditional distribution channels is occurring due to the appearance of new forms of banking as a result of advances in information technologies as well as their more widespread use. These include automatic cash machines (ATMs), the electronic payment of bills, and the emergence of telephone and internet banking.

[4] While throughout most of Europe the merger activity is occurring largely *within* individual countries, there are signs of cross-national mergers in certain regions such as Benelux and the Nordic countries.
[5] By way of illustration, one way of coping with product diversification has been the creation of business divisions within banks, sometimes with legal independence. New technologies have also intervened in the distribution of new products; for example with the expansion of automatic cash machines or Internet banking, which have contributed to pronounced reductions of branch networks.

- The functional separation of different activities, the most striking example being the creation of cheque processing and call centres specialised in certain operations.

In sum, the banking sectors of most EU countries have thus experienced a continuous wave of transformations over recent years, both in terms of the markets serviced and the products offered, as well as methods of delivery, which has given rise to additional competitive pressures at both national and international level. Such important changes and the rapid pace of developments have been particularly important for the formulation of banks' business strategies, as there is a well-recognised need for successful organizations to quickly respond to the competitive environment in which they operate (Deakins and Mackay, 1995:158). In order to maintain and/or increase banks' competitive positions, Canals (1996:445) notes that the relaxation of legal barriers and the increasing interdependence of national financial markets has led to the increasing search of international markets.

II. ii The Extent of Internationalization

The study of internationalization has its origins in the internationalization processes of industrial enterprises, where growth and size have traditionally been associated with increased competitiveness. In the banking sector, however, companies of a medium size and operating at national level, such as Banco Popular in Spain, may be among the most efficient (Crawford, 2000). In consequence, there are indeed significant differences between the internationalization of banking, and that of enterprises belonging to other sectors of the economy. One reason for this is the characteristics, such as intangibility and heterogeneity, which define their services. A further reason is the diversity found within parts of the banking industry itself, each with different degrees of pressure to internationalize. Investment banking, for example, has a relatively long internationalization history, following the initial liberalization of capital movements and globalisation of international financial markets. Likewise, corporate banking responded early to the increase in the number of multinational firms which had become global themselves, demanding an integrated service from their banks across national borders.[6] Retail

[6] For example, Gruzin and Davidow (2000:29) note that "in the period 1993-1996 the proportion of revenues derived from foreign markets among the top 100 transnational companies increased by 20 per cent" and that, today, almost one third of the world's largest financial services companies have operations in three or more continents.

banking on the other hand has, until recently, remained largely a national business.[7] However, initial movements towards internationalization are now taking place, either through cross-border mergers and acquisitions,[8] or through the establishment of subsidiaries in foreign countries.[9] Although in most cases at early stages of development, there are increasing examples of banks taking elements of their national practices when they operate abroad, or even the emergence of uniform corporate policies to be implemented across large parts of the group, both nationally and internationally. For example in the case of the Spanish bank BBVA, its international expansion has been accompanied by the implementation of the 'BBVA management model' defined by among other things common principles in evaluation and remuneration systems as well as training.

When considering the extent of internationalization the type of financial system and regulation that characterizes each home country is also significant, since these are likely to condition to a greater or lesser extent the strategic moves of the banking groups. In this sense there are distinct differences in the internationalization processes of European and American banks. We can distinguish two discrete ways in which financial activities are organized in the industrialized world. On the one hand is the market-oriented capitalist system we find in the US and the UK, where firms are mostly financed directly through the stock market. On the other hand, the model existing in most other Western European countries, and Japan, is for banks to play an important direct role in managing firms' financial needs over the longer-term, often including an ownership stake. Within this second model there are also variations, and in countries such as Spain there is a stronger relationship between the public sector and the banks, whereas in countries such as Germany or Japan the tendency is towards strong links between the banks and non-financial enterprises such as commercial firms.

These two financial systems are polar models, and in reality there are variations between the two extremes. Moreover, the models themselves are not static, and recent developments have demonstrated increasing parallels between the two. Indeed, Canals (1996:190) maintains that an

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[7] Competitive environments have traditionally varied notably between countries, providing structural barriers to foreign entry. Economies of scale are an important incentive for internationalization, and while clear economies exist in areas such as corporate finance, treasury, foreign exchange and bonds, it has been claimed that there are few clear economies in merging retail banking operations across nations, in part due to the structural differences in national markets. See Clay Harry, 'Consolidation Route is unclear: Banking Restructuring in Europe' *Financial Times,* September 24th, and John Willman, 'Friends in Other Places', *Financial Times,* November 22nd 2000.
[8] See John Willman, 'Freeze or Jump? That is the Question' , Banking in Europe, *Financial Times,* May 26th 2000.
[9] This has been the strategy followed by the two main Spanish Banks, BBVA and BSCH.

increasing number of countries in the industrialized world are evolving towards a financial system that combines advanced capital markets with major banks offering more extensive and sophisticated products. Recent legislative developments in the US, for example, have ended the traditional separation between the activities of investment banks and those of retail banks, imposed by the Glass-Steagall Act in 1933 (Santomero, 1990). Legislation in Europe, particularly the Second Banking Coordination Directive (89/646/EEC), has reinforced the principle of universal banking by extending the range of business activities allowed for by credit institutions. The large variety of potential services might be seen as a problem for American or other foreign banks when attempting to enter retail banking in most European countries, where, in addition, extensive branch networks and proximity to clients can be a significant entry barrier.

Although universal banks present obvious advantages deriving from a large and relatively stable customer base, they also present problems, mainly related to the increased risk involved in their large number and range of operations. In addition, at the organizational level there is the problem of complex co-ordination of their different activities, which might present very different characteristics. This might help explain, for example, why the main British banks did not try to offer universal banking services to all European consumers in their attempt to expand to other European markets during the 1990s (following the advent of the single European market). Specializing in market segments such as medium-sized corporate clients and high net-worth retail customers that could be serviced through a limited number of branches was for instance the strategy of Nat West when establishing operations in Spain, France, the Netherlands and Italy (Dixon, 1991:94).

The extent to which a bank decides to internationalize its operations will be strongly influenced by the rationale behind the desire to internationalize. It has been suggested that there are an increasing number of companies that are European in both size and orientation (European Commission, 1998:11). Nevertheless, there is also scope for firms, while having operations throughout Europe, to maintain the core of their business at the national domestic level, or alternatively to have a more global orientation, with major operations in other countries worldwide, including Europe or not. Examples of European banks operating mainly within their domestic markets are Banco Popular in Spain or the Co-operative Bank in the UK. A significant number of banks, however, despite maintaining their major business operations within their country of origin are also expanding into foreign markets, mainly within Europe. Examples of this second type are Nat West–Royal Bank of Scotland in the UK, La Caixa Group in Spain, or Barclays Group, which despite operating in over sixty countries around the world has almost 75% of its workforce in the UK. Finally, there are those banks, generally of a larger size, which besides having a leading role in their domestic market, have an important proportion of their business revenue (and often workforce) in foreign countries. The two largest Spanish banking groups, BBVA and BSCH, have important percentages of their total assets in countries other than Spain, a figure that rises to more than 40% in the case of commercial banking activities (Sanchez Peinado, 2000). The internationalization of these two banks is however strongly concentrated in South America, where BBVA for example has 73,314 employees compared to 37,052 in Spain and only 2,035 in the rest of the world (BBVA, 2001). In the case of the British HSBC Group, we can observe a broader 'global' orientation, with a major presence in the Asia-Pacific Region and Western Europe, but operations also in America, the Middle East and Africa.[10]

Generally, it can be said that increasing concentration and consolidation within national boundaries is propitiating internationalization. The banks' international expansion is happening towards different geographical regions depending on the companies' history and strategic choices, and it is resulting in an increasing number of banks operating in a variety of different countries. As will be addressed later in this paper, this does not always mean their business is truly international, but may be geographically segmented.

II. iii Specific Strategies for Internationalization

When it comes to the actual process of internationalization Canals (1996:322) has distinguished between three types of strategies followed by banking firms in recent history. Some banks, such as Citibank or Barclays, have opted for the development of their own network of branches in the foreign country/ies in which they operate. A perhaps more popular strategy has been the acquisition of foreign banks, examples of which are the acquisition by HSBC of Midland Bank in 1992, and, a few years later, the French banks CCF and Banque Hervet. An alternative to direct acquisition is merger, as in the example of the Franco-Belgian bank Dexia, one of the few truly cross-border European financial institutions (Minder, 2001). Finally, a third strategy is

[10] Although it has an advantageous position in Europe, with 37,6% of its overall revenue, it continues expanding in the Asia/Pacific and other locations worldwide. See, *The Banker*, September 2000, p.20.

partial acquisition through financial participation, often within the framework of an alliance or some other arrangement for co-operation. This is by far the most widespread strategy when referring to European markets, examples of which are the cross-share holdings of the Spanish bank BSCH with the Royal Bank of Scotland in the UK, Societe Generale in France, Commerzbank in Germany and SanPaolo-IMI in Italy, or on a smaller scale those of the Spanish BBVA in the Italian Banca Nazionale del Lavoro and the French Credit Lyonnais.

Each of these strategies presents both advantages and disadvantages, and selection might depend on a number of factors, varying from the size and resources of the bank to the nature of the market the bank wishes to enter. In particular, it will depend heavily on the specific operations of the bank in question; whether they are retail banking, corporate banking, or investment banking. Internationalizing through development of a banks own set of branches is an attractive option from the perspective of establishing close relationships with clients, and initiating practices based on the bank's principles and strategy in its current country of operation. It also avoids the co-ordination problems of expansion by merger or acquisition. For retail banks in particular, however, such a strategy is costly. This is especially so in the European context, where national markets are often characterized by large branch networks. Successful expansion of operations into certain European markets requires a significant branch presence, which can be prohibitively costly in the initial stages, as was experienced, for example, by Barclays when initially entering the Spanish market. As a result Barclays opted for serving more specialized segments of the market where customers can be serviced through a limited branch network (Burns, 1997).

Expansion through merger and acquisition are alternative strategies that despite their complexity from an organizational and cultural point of view have been popular in the last decade or so. This has resulted in considerable consolidation in banking sectors around the world; to a larger extent in the US, but also among European banks.[11] Merging with or acquiring a foreign bank can solve to a large extent the problem of high costs associated with organic expansion into international markets by retail banks. The branch network is already in place in the case of an acquisition or merger, and there may be the added benefit of integrating and sharing a common information system, and back office activities. Mergers and acquisitions pose alternative problems, however, in terms of organizational complexity and tensions from forging together two previously separate and different, companies. Indeed, the Benelux and the Nordic countries

[11] In particular, within Europe, the Spanish banking sector has experienced the highest number of mergers and acquisitions (Canals, 1996:176), and it is today highly concentrated.

are the only regions within Western Europe where cross-border bank mergers appear to have had good results, and this is due mainly to the affinity of the countries within those regions in terms of culture, language and history (Robinson, 2000). An attractive option for retail banks, then, is often the third strategy. This fulfills the goal of a presence in new markets without the costs of branch expansion or the organizational complexity involved in a *full* merger. Participation through part-ownership and alliances, however, has the disadvantage of potentially not fully realizing the benefits of an international presence inherent in the alternative strategies.

In summary, this Section has introduced some key developments regarding the internationalization and diversification strategies of banks, in particular as a response to globalization and deregulation trends in financial systems. As a result, the number of multi-country or international banks has notably increased, even if their business is not always wholly international. Deregulation and European integration have led to restructuring processes and consolidation of the industry within national boundaries, which has subsequently facilitated international expansion. This is especially the case because tighter competition policy accompanying domestic consolidation has meant smaller scope for future domestic mergers. This trend can be seen in recent cross-border mergers; for example Barclays acquisition of Banco Zaragozano (Financial Times, 9/5/03).

The internationalization of banks shows commonalties with parallel processes in other sectors in the economy. However there are also marked differences, mainly derived from the peculiarities of the sector and products offered. Whereas wholesale or investment banking have a pronounced international character, retail banking tends to present a more geographically limited scope of operation. It is common for corporate and investment banking activities to be carried out worldwide, yet retail operations are often confined to a national territory. However, this appears to be changing, and the scope for internationalization of retail operations broadening, certainly to incorporate foreign regions that are geographically close or with cultural and/or historical links. The Spanish banks BBVA and BSCH, for example, are increasingly coordinating their retail operations across the Iberian Peninsula and many Latin American countries. Moreover, the strategy followed by Deutsche Bank in the 1980s and 1990s involved the establishment both of worldwide investment banking services *and* of retail activities at European level. Although internationalization of the retail banking industry in institutional terms is still claimed to be in its early stages (Anderton, 1995:10), later in the paper we will discuss other processes at work, such as work organization, corporate policies and technological developments, which are arguably promoting converging practices across countries.

III The Nature of Internationalization: Structure and Decision Making

In the past, it was common for multinational companies to base their operations around a polar structure. On the one hand were central headquarters, often in charge of strategic decisions around activities such as corporate planning, investment allocation or research and development. On the other hand were national subsidiaries, functioning under the frameworks of different national business and IR systems, and in charge of more operational matters in order to respond to the requirements and regulations of the country in question. This implied a decision-making structure highly divided between the corporate offices and the national subsidiaries. Such a structure however is now far from universal. I will proceed in this Section to explore the nature of company structures and organization associated with the internationalization process among retail banks.

As seen in the previous section an important factor behind the restructuring of banking firms has been the choice between specialization and diversification of activities, at national and/or international level. From this, obvious implications are derived for the organization of work and the company's general structure. As Purcell and Ahlstrand (1994:21) note "the more diversified the enterprise the more likely it is that the internal operating procedures will change and a form of multidivisional structure will be adopted". While the drive towards a multidivisional type of organization is not universal, statistics nevertheless show that the number of multidivisional companies has increased considerably over the past century, and its popularity is likely to continue (*Ibid*. 21). Moreover, following the tendency towards decentralization into quasi-autonomous units in firms belonging to other sectors of the economy (Fligstein, 1985; Franco, 1974; Marginson, 1992), the development of these organizational forms, which originated in the USA and UK (Maycock, 1986), has certainly been the trend in financial organizations over the last quarter of a century.

"The basic principle of this type of organization is a structure based on quasi-autonomous divisions or even wholly owned operating firms, organized on either a product or a geographical basis" (Purcell and Ahlstrand, 1994:15). There is not a single model of divisional company, however, and Birkinshaw (2000), for example, describes four types of structures behind international companies: international division, global product division, area division and global matrix.[12] In reality, firms contain elements of Birkinshaw's organizational forms but will tend to have their own specific structure for organising their operations across international markets. If we examine some of the main banking organizations in Europe we are likely to find a great variety of combinations, with some divisions established on a product basis and others on a territorial basis.

Table 1, for example, shows the general organization of three large European banking groups. Whereas Barclays has business lines organized along functions (Barclays Plc, 2000), Nat West-Royal Bank of Scotland presents a mixed organization, with some divisions based on geographical areas and others based on particular functions (NW-RBS, 2000). This is also the case for the Spanish Group BSCH. Under the Group's general organization, there are four business areas concerned with retail banking: BSCH Retail Banking Spain, Banesto, Europe, and Latin America (BSCH, 2001). The first two divisions are individually responsible for retail banking activities within Spain, as the bank decided to keep Banesto as an independent bank within the Group. The Europe division comprises the operations of the Group in Europe, mainly through a limited number of BSCH branches and strategic holdings in a variety of other European banks. The Latin America division has an array of subdivisions in charge of the different business areas in Latin America, one of which is commercial and retail banking. The fact that retail banking is divided into four different business areas suggests that the running of these areas is organised separately, with the possibility of having different arrangements in terms of, for example, the management of human resources.

[12] International division refers to companies whose structure is organized in product units under the headquarters, with an additional international division in charge of the distribution of the products to all foreign markets. In those companies organized under a global product division, each product unit under headquarters would be responsible for the different geographical areas. Area division is where under headquarters the operations are organized by area, with separate product divisions falling under the area units. Finally, a global matrix structure would be a mixed approach which aims at achieving global integration and differentiated responses for the various geographical areas under which the company operates, by creating a network of managers responsible for each geographical area and each different product line (Birkinshaw, 2000).

Table 1: Banking Groups and their Internal Organization

Banking Group	Business Lines	Markets National	EU	Rest
Barclays Plc.	Retail Financial Services	√	√	√
	Barclaycard	√	√	
	Corporate Banking	√	√	√
	Barclays Capital	√	√	
	Barclays Global Investors	√	√	√
Nat West –Royal Bank of Scotland	Royal Bank of Scotland Retail	√		
	Nat West Retail	√		
	Wealth Management	√		
	Retail Direct	√		
	Corporate Banking & Financial Markets	√		
	Direct Line	√		
	Ulster Banks		√	
	Citizens (USA)			√
	Banco Santander -Central Hispano		√	
BSCH	Retail & Commercial Banking-Spain	√		
	Banesto	√		
	Subsidiaries Spain	√		
	Global Wholesale Banking	√	√	√
	Asset Management and Private Banking	√	√	√
	Europe		√	
	Latin America			√
	Resources and Costs	√	√	√

Source: Company Annual Reports

Indeed, in whatever specific form, a crucial question in managing these complex organizations is the relationship between the headquarters and the units, and among the units themselves (Quintanilla, 1998). In examining the nature of the former relationship, various factors have been analyzed. These include external factors, such as contextual circumstances like the local institutional environment (Nohria and Ghoshal, 1997), and internal factors, such as the size and scope of the operations of different business units, and the role exerted by central management, including their control and coordination mechanisms (Welge, 1981). The nature of the corporate control of subsidiaries has important implications for how decision-making power is allocated between the different units of the company, both between the headquarters and divisions, and among the different divisions. Lamers (1999:33) distinguishes four main levels at which decisions are made in international groups: central group level, the level of the national holding, the international business unit, and at the level of corporate offices such as the directors of the different departments. The fact that there are different structures associated with internationalization implies scope for different levels of decision making. In this sense, Birkinshaw's four structures can be associated with Lamers' corresponding levels of decision making. For example, in companies structured along 'international divisions', decisions are likely to be taken at the level of the international business unit. In companies structured as 'global product divisions', decisions are likely to be taken at central group level. In companies organized by 'area division' where separate product divisions fall under different area units, decision making is likely to rest partly at the level of the different corporate offices and partly on the national holdings. Lastly, for companies structured along 'global matrix structures', responsibility on decision making is likely to rest primarily at the level of the national holding with overall guidance from headquarters. Nevertheless, both Lamers' levels of decision making and Birkinshaw's typologies can be seen to vary within groups, and other intermediate levels can be found; for example an international level under the central group level, or a European level under either the international level or the central group level.

Strategic choices in company structures and corporate control are therefore likely to have important implications for decision making within the company and will influence the degree of centralisation/decentralisation between headquarters and subsidiaries in the different areas of the business. For the purposes of this paper, an area of particular interest is that of the management of the workforce. In the context of internationalisation a key question refers to the extent to which the management of the workforce is also internationalised or remains mainly a matter of subsidiary management discretion. In the next section this issue is further explored in the specific context of the changes taking place in banking organisations.

IV Implications of Business Strategy and Structure for HRM

IV .i   Organizational Change, Internationalisation and HR Consistency across the Firm

As already suggested in Section III, firms vary in the degree of autonomy conferred from the central headquarters to the different business units, divisions and subsidiaries. Indeed, the large research project on divisionalized companies conducted by Purcell and Ahlstrand (1994) revealed distinct differences in the control systems and degree of centralization in the companies studied. As indicated by the variety of business structures and associated levels of decision making, the particular orientation of the parent firm or central headquarters places differing levels of pressure on corporate functions, including the HR corporate function, to maintain policies that are consistent with the general strategy of the group and its operational structure. The extent to which HR policies and practices are co-coordinated at domestic level first and across borders therefore varies from firm to firm. Furthermore, consistency is often threatened by financial pressures derived from the competitive environment in which the firm operates, and by country or regional institutional or market characteristics, as well as the nature of the industry/ies in which the Group operates. Beechler et al. (1993) showed that the likelihood of achieving internal fit between business strategy and HR strategy will vary according to different companies and industries, so, for example, those internationalized firms with a strategy centred on cost leadership within an industry affected by global competition will be more interested in maintaining consistency between the policies in the headquarters and those in the subsidiaries, than those based on product differentiation and where the nature of competition is 'multi-domestic' (Porter, 1986). This question of "fit" might therefore differ between the distinct parts of the banking industry, which present very different industry features and, often, degrees of internationalization. As a result, different levels of HR integration are likely to be expected in the different banking business such as retail, commercial or corporate banking. The extent to which HR policy and practice is co-coordinated both at domestic level and across national borders, in particular within specific product divisions, is a sign of whether the institutional internationalization in terms of business ownership is followed by organizational and actual internationalization of working practices. An important determinant of this is also the existence of commonalities in working methods and practices across countries (again within specific product divisions) in the current context of organizational change embracing the banking sector in general.

IV. ii Job Content Impact and Implications for HR in Banking

In previous sections the impact that the radical restructuring of the banking sector in Europe has had for the banks' business strategies and organizational structures has been examined. In this section, the implications of technological innovations and changes in the institutional environment and market conditions for the qualitative aspects of employment are explored. A number of effects can be identified:

- *Decrease in the number of back-office or administrative jobs*. The automation of many of the tasks previously carried out in the branches is causing a shift of work towards regional or national, even international, processing centres, as well as a widespread reduction in the number of bank branches and employees. Increasing workloads can now be processed in an automated form with a lower number of employees. The reduction in the number of branches might also be seen as part of a cost-reduction strategy in response to increased competitive pressures (Storey et al., 1999), and post-merger or acquisition rationalisation. New technology is likewise contributing to the change in the role of the traditional branch, following the automatization of operations and the introduction of new channels of delivery such as ATMs or telephone and internet banking. An increasing number of the remaining branches are experiencing a re-focus in the nature of their activities. In particular, increased emphasis on selling activities, with movement from a "transaction-based" organizational model towards a "sales and service" orientation (Baethge et al., 1999:10), is resulting in a reduction in clerical positions in favour of more commercial-type jobs.

- *Changes in employee career structure and progression.* In the past, the branch system was the basis for employees' career structure and progression within the firm, which was typically achieved through seniority and years of service. This is no longer the case in a large number of banking organizations, where the changing role of branches, marked dualization of employment and separate recruitment policies for each group, and the introduction of performance management techniques are leading towards similar segmented patterns in career progression. Seniority is no longer the main factor on which progress is based, and whereas graduates entering the firm would be normally given a career path, this would not normally be the case for clerical workers. Similarly, automatic pay increases are no longer the norm and payment is now often largely based on contingent performance, profit-related pay or other new appraisal systems (Storey, 1999:135).

- *Variations in Working Time.* Longer opening hours, increased competition and workload, and the establishment of 24-hour call centres have altered the traditional working times in the banking sector. Employees are now required to be more flexible, and long working hours are common in the banking sector, both in retail and in investment banking, where the nature and inter-relation of financial markets, as well as servicing customers in different parts of the world, increases the importance of longer 'opening' hours.

- *Decline in job security and changing patterns of recruitment.* As a consequence of the above trends, the pattern of recruitment is also undergoing a significant transformation, and becoming increasingly segmented (Regini, 1999). At one of the extremes lie full-time, specialised, skilled and highly-paid jobs mainly directed towards graduates, and at the other lies lower paid jobs, often on a part-time or temporary basis.

Such changes in work organization and the nature of jobs themselves reflect the current issues which HR or personnel departments have to confront in a large number of banking firms. This suggests clear implications for managerial strategies in terms of the design and implementation of HRM practices and policies, and secondly for the labour relations within the firm - between management and employee representatives. One question that arises is whether these developments are simultaneously affecting particular countries within Europe. The cases of the UK and Spanish banking sectors are thus in turn explored.

IV. iii The Transnational Dimension to HR: International Convergence in Working Practices?

There has indeed been considerable debate in recent literature on whether the economic, technological and structural pressures affecting the banking industry in each respective European country, and in particular the resulting effects on employment and employment relations, are leading towards convergence across borders, or whether national distinctiveness tends to remain. The extensive cross-national study on the banking sector of eleven industrialized countries in Europe, North America, Asia, Australia and New Zealand, conducted by Regini et al. (1999), suggests similar effects in all of the countries resulting from the widespread deregulation of the industry. These include increased competition, cost-minimization strategies and business diversification, high levels of concentration in the industry and a general decrease in employment. However, the same study also highlights diversity across the different countries in their human resources policies and labour relations, partly as a consequence of the different institutional settings present in each country.

This finding is in line with a theoretical approach which stresses the importance of institutions and social structures such as the educational or the industrial relations systems in explaining the differences found in working systems and organizational structures across countries (Whitley, 1992; Smith and Meiksins, 1995). Nevertheless, the importance played by technology driven changes, stressed in so-called “neo-contingency” theories (Köhler and Wordward, 1997), must not be underestimated and is indeed highlighted in Regini’s study (1999). In this approach, the market relations that tie factors such as products, markets, technology and organizational structures would explain trends operating across countries. This might therefore help to explain convergence in work organization and employment relations found in individual companies across countries, as a result of choices in their business strategies with regards for example to the company's size or market position. These two approaches are by no means exclusive, and might indeed coexist in explaining convergence and divergence trends across countries. The Köhler and Woodard (1997) comparative study conducted in the manufacturing industry of four different countries suggests for example that while the institutional and social framework affects higher level factors such as the structure of the industry, the neo-contingency theories emphasizing convergence based on common technological and market developments are more likely to be relevant at company and plant level.

If we take two countries such as UK and Spain, the comparative aspect - in terms of the implications of current changes in banking for the HR policies within firms - is of interest. These countries represent two very different institutional frameworks and industrial relations traditions, which would be expected to have an influence in the actions and policies adopted by management. Whereas Britain is characterized by a "voluntarist" approach to industrial relations (Edwards et al., 1998), and dismantled sectoral-level collective bargaining in the banking sector more than a decade ago, Spain has a more institutionalized framework, with multi-employer collective bargaining in place, and legal support for trade union organizations (Ortiz Gervasi, 1999). Furthermore, the UK and Spain are representatives of two distinct model-types of financial systems; the Anglo-Saxon model based on the relevance of the financial markets, and the 'continental' model based on stronger relations between banks and industry. The different traditions in each of these models could also be expected to be influential for later developments in employment practices. An attempt to make a comparison across the two countries follows, with reference to the trends identified above.

- *Decrease in the number of back-office or administrative jobs.* There has been a general reduction in total employment in both the UK and the Spanish banking sectors. In the UK, employment in retail banking has dropped from 456,782 employees in 1990 to 386,757 in 2000 (Andersen, 1997:114). In Spain, employment levels in the industry have followed a downward trend from 252,607 in 1990 to 240,345 in 2000 (La Caixa, 2001). Spain's downward trend (-4,9%) appears to be less pronounced than in the UK(-15,3%) which might be explained by stronger legal protection against dismissals. Falls in employment have been accompanied by branch restructuring in both countries which have resulted in more aggressive marketing policies and a change or orientation from administrative to a more commercial type of function, and falling figures in the number of employee per branch. Between 1990 and 1995, the number of employees per branch dropped from 32.2 to 30.6 in the UK, and from 9.4 to 8.2 in Spain (Serrano del Rosal and Lawlor, 1999:149). Centralization in Spanish banks can be appreciated in the role of branch managers, who despite retaining a considerable degree of discretion over operational matters, are not in charge of the human resource management strategies and criteria, which is left to specialized functions in central headquarters (Miguelez, et al., 1999:237). Subcontracting some of the bank activities – in particular administrative functions or IT - appears to be another strategy employed both in Spanish and UK banks in order to balance the less administrative role of their branches.

- *Changes in employee career structure and progression*. Gender segmentation seems to be evident at higher levels of the career structure, that is in terms of promotion for managerial grades. A perhaps more marked segmentation trend, however, is that between recruitment of clerical staff for more routinized tasks in processing or call centres, and graduates for more specialized commercial or managerial jobs. This task differentiation is extended to skill formation and training programs, which has raised concerns in UK banking about an increasing divide between career and non-career staff (Baethge et al, 1999). In Spanish banks career segmentation seems to be more pronounced in the larger banks, and not so much in smaller and less traditional banks, where more versatile employees often share administrative and commercial tasks, in particular when workload increases and as branch employment falls (Miguelez et al, 1999).

- *Decline in job security and changing patterns of recruitment*. The transition in the last twenty years or so from a traditionally 'job-for life' industry to high levels of turnover is one of the most striking features of the banking sectors of most industrialized countries. Cost-minimization strategies have led to rationalization and extensive reduction in the levels of employment, an important part of total costs. In Spain, for example, mergers and acquisitions have been a popular strategy for maintaining competitive advantage through the efficiency gains of combining operations and resources (Crawford, 2000). These processes have been associated with job losses in both the UK and Spain, although perhaps in Spain the transition has been smoother and less dramatic. A key reason behind this is the role of trade unions in Spain, which enjoy legal backing. Agreements have been reached with management to structure redundancies in a less dramatic way, for example emphasizing early retirement schemes rather than involuntary redundancies (Bermejo Parra, 1999). Similar situations have been reported in other European countries where unions have traditionally played a more institutionalized role in employment relations, such as France, Italy or Germany where compensation policies tend to fall under the discretion of specific arrangements and laws (Baethge, et al, 1999). Nevertheless, the processes in both countries present clear similarities in terms of the issues presented.

Extensive rationalization processes are also associated with lower levels of recruitment, with new hiring particularly directed to young people, perceived to have higher training and greater capacity to adopt new working practices and technology. In Spain, new recruitment has been reported to be higher in banks pursuing expansion strategies as opposed to traditional banks of larger size (Miguelez, et al.1999: 230), which shows the presence of divergence within, as well as across, countries. The use of part-time employment as an adjusting mechanism in recruitment needs has gained popularity in most European countries due to the relaxation of legal frameworks. Although the proportion of part-time employment is generally lower in countries with 'tighter' regulations and industrial relations systems - in countries such as Spain, France and Italy it represents a minimal part of total employment in the sector - differences seem to lessen in terms of the activities carried out by bank employees hired under a part-time contracts (Andersen, 1997). The association between female employees and lower paid/part-time work is another pattern identified in European retail banking, happening also both in the UK (Baethge et al, 1999:143) and Spain (Carrasquer et al, 1996). Finally another source of flexibility has been the widespread use of temporary and agency workers. Although exact figures tend to be scarce, this phenomenon has been on the increase generally across Europe but perhaps the most dramatic increase has been in countries like Spain as a counter effect to the greater statutory protection against dismissal of full-time members of staff (Miguelez et al, 1999).

- *Variations in Working Time.* In some European countries, such as Spain or Germany, working time is regulated and established through collective bargaining at industry level, whereas in others arrangements tend to be more individualized. Nevertheless, in reality the situation is not so clear cut, and even within those countries where collective agreements exists, the use of unpaid overtime is widely spread, in particular among medium and higher level employees often subjected to new payment methods based on contingent compensation, such as performance-related pay. In Spain for instance, extra-time and its association with higher commitment are a means of exerting pressure on employees with a view on the extension of temporary contracts, the conversion of temporary into more permanent employees, or even future promotions. The fact that medium and higher level employees are more affected by overtime pressure is important when we consider that the trend is towards an increasing proportion of high-skilled employees in relation to the total number of employees, and often these groups tend not to be members of trade union organizations. Directors and specialists accounted in 1996 for more than fifty per cent of the total workforce in the Spanish banking sector (Miguelez, et al, 1999:238)[13]. Companies in both less regulated countries like UK (Gall, 1997) or with more legal provisions such as Spain, are increasingly moving away from national and homogeneous pay rates and systems. Despite the existence of sectoral collective agreements - increasingly turning into framework accords - in the Spanish banking sector, banks of a larger size and therefore more likely to have operations in foreign markets are establishing their own company agreements, with sectoral collective bargaining affecting mostly smaller banks (Sisson and Marginson, 2000).

The above analysis suggests caution in accepting arguments based on international differences in workplace practices and HR policies related to distinct national institutional and social frameworks. There are two main reasons behind this thinking: Firstly, national IR systems are under similar processes of transformation, in which despite different degrees of trade union strength and traditions in each state, outcomes show a large degree of convergence. Thorley et al. (1997), for example, argue that despite differences in trade union organization in the UK and French banking sectors, trade unionists' perceptions of current restructuring process, as well as IR and HR, changes coincide to a large extent, and there is increasing harmonization of working practices and experiences in both countries. And secondly, the business strategies of the individual banking groups play an important role in establishing patterns of convergence or divergence in HR matters, both within and across countries (Müller-Jentsch and Sperling, 1996: 234).

[13] Furthermore there have been signs of firms moving the more standardised activities performed by low paid/skilled employees e.g. in processing centres to other countries with lower labour costs. This is the case of HSBC, which has recently moved back office activities previously undertaken at the bank branches to a centre in China (Sisson and Marginson, 2000:63).

As a result, it is suggested that the debate on convergence-divergence of working practices and HR policies in the banking sector might go beyond the cross-national dimension, and focus on diversity within countries and convergence across borders based on the singularities of individual firms. Authors accentuating convergence in employment matters across countries have stressed the effects of improved technology (Kerr, 1973), management culture and techniques specific to the particular sector (O'Neil, 1986), and deregulation (Dermine, 1990). However, as Andersen (1997) maintains, deregulation might also act as a factor of divergence - within countries and the industry itself - since it allows for greater discretion in the strategic choices as companies search for their competitive position in the market.[14] This would help to explain the disparities found among banking firms within specific countries, at the same time as suggesting growing similarities in work organisation issues in banks in different countries.

From this analysis, a number of issues arise. Internationalisation in the banking sector can be appreciated in a number of dimensions. The extent to which institutional internationalisation of banking firms is pursued as a business strategy which will vary from firm to firm and across different banking businesses with markets and business in investment banking much more internationalised than in retail banking. Despite the local element maintaining an important role in retail banking, this paper has explored some of the main trends and developments in terms of new technology and work organization, and has suggested a kind of international isomorphism in the way work is organized in banks in different countries. In short, even though internationalization is not always explicit in retail banking, it is becoming implicit in the underlying processes of work organization, which in turn coincides with - or facilitates - a growing tendency to institutional internationalization in the form of organic growth or cross-border mergers and acquisitions. The next Section is developed around some implications of the aforementioned arguments for the role that EWCs (as a crucial IR element at company level) are to play in the internationalised European banking sector. It is suggested that there is a risk that EWCs are caught in the middle of the different speeds at which internationalisation is taking place. The role of the EWCs will however vary from firm to firm depending on company-based decisions around the strategy and organisational and management structures.

[14] As an example, despite the general trend of a decreasing administrative role for branches in favour or regional or national processing centres, a bank might alternatively decide to maintain the highest proportion of processing work in branches as part of its business strategy. This will obviously have implications for HRM issues such as job losses, recruitment, career progression and training. The Spanish group "La Caixa" (La Caixa-Annual Report, 1999), or Lloyds Bank in the UK (Storey et al, 1999) are examples of banks opting for the decentralisation of operational tasks as a means for quicker decision making and a better service for individual customer needs.

V Implications for Information and Consultation at Transnational Level: What Role for EWCs?

The restructuring and internationalisation processes currently present in many firms are resulting in growing pressure for employee information and consultation not only at national level but also at international level (Sisson and Marginson, 1994). At international level the origins of informing employees within MNCs can be traced back to the 1970s. The 1976 OECD *Declaration on International Investment and Multinational Enterprises* includes guidelines on the provision of information to employee representatives on the performance of local subsidiaries or, where appropriate, the multinational as a whole (Gold and Hall, 1992:10). This initiative was reiterated in the 1977 ILO Declaration of Principles concerning Multinational Enterprises and Social Policy (Blanpain, 1986:17). These two initiatives form the basis of EU legislation on employee information and consultation in MNCs (Hamilton, 1986), which has caused a resurgence of interest in this area. The most important of these developments is the 1994 EU Directive on EWCs which aims to improve the information and consultation of employees about transnational matters (Art.1, Council Directive 94/45/EC). It applies to companies or groups of companies that employ at least 1000 people within the member states and have an establishment or subsidiary with 150 employees or more in each of at least two member states.

With an increasing number of companies operating at an international scale, the Directive on EWCs seeks to ensure that employees in MNCs are properly informed and consulted about the enterprise’s progress and prospects. Indeed the EU has seen EWCs as a major corner stone in the area of IR in Europe as one of the most important developments for employee information and consultation at transnational level in the European context and a potential element of integration of the different national systems of IR at company level. Recent research has also stressed the opportunities that EWCs offer for MNCs, as well as proactive management’s movements towards the adoption of EWCs as a central tool to the organization’s objectives. Perhaps the most popular advantage from the management side is the potential for EWCs to communicate managerial strategy to staff in an integrated manner across the various European sites of the company (Weston and Martinez Lucio, 1997; Lamers, 1998; Lecher et al. 1999; Royle, 1999; Hancké, 2000), or as a communication tool among management themselves (Weston and Martinez Lucio, 1997; Cressey, 1998, Lecher et al., 1999). Furthermore, certain managers have acknowledged positive consequences from establishing new channels of communication that allow the flow of information from the general workforce towards upper levels of management (Wills, 1998). Other authors have reported perceived benefits in that EWCs have the potential to assist in increasing commitment throughout the workforce and serve as a vehicle to extending and promoting corporate culture awareness (Lamers, 1998; Cressey, 1998; Wills, 2000). EWCs have also been seen as helpful in cases of company restructuring, where dialogue and negotiation between management and labour might reduce hostility and ease expensive processes (Nakano, 1999). In other words, EWCs have the potential to form a bridge between the institutional internationalization of business (in terms of business ownership) and processes affecting HR and IR within companies. Müller and Hoffmann (2001) provide a comprehensive review of the literature on both practical and theoretical issues concerning EWCs, and highlight that the materialisation of such an advantage might however vary according to sectors depending on their different structures, legacies and composition.

The links between employee information and consultation at company level, business strategy and structure, and the management of HR have been widely ignored in the literature. A key reference, however, is the work of Van Den Dulcke (1986), the basis of which is a critique of the proposals for the "Vredeling" Directives, predecessors of the present Directive on EWCs, to the Council of the European Community in 1980 and 1983. According to Van Den Dulcke, the limitations of the proposals derive from the relationship between the procedures for employee information and consultation at central company level and the level of decision-making within the management structure of the firm, by implicitly assuming "that subsidiary management is largely dependent upon the decision making authority of the parent company" (Van Del Bulcke, 1986:220). This suggests problems with regards to the appropriateness of the level at which information and consultation takes place, since local management would often not be involved in the procedures for employee information and consultation.

A similar limitation persists in the present Directive on EWCs. In her study of seventeen Dutch groups with EWCs in operation, Lamers (1999:43) suggests the importance, for the effectiveness of EWCs within groups with complex organizational structures, of having an "equivalent in the corporate structure at European level in order to establish clarity in the chain of command within the internal organization". As a result, information and consultation at European company level may prove a useful mechanism for both the management and employee representatives of those companies, as the key HR issues and decision-making power for both parties are strategically determined at European level, and hence invite a European level of consultation. Those companies, on the other hand, with extensive operations elsewhere, may have developed structures that give their HR function and policies an orientation other than European. Information and consultation at this level may therefore not be as worthwhile, a fact that may be reflected in the attitudes of management and employee representatives to EWCs. Finally, for those companies falling under Porter's notion of multi-domestic multinational companies (Porter, 1986), transnational employee information and consultation is not likely to be very relevant given the lack of integration of their activities across borders.

As for the implications for banks within the Spanish context, we find cases such as Banco Popular or La Caixa where, despite the majority of their operations and revenue originated from the national market, the prospect of further European expansion might contribute to a meaningful use of a transnational device for information and consultation at European level. In the case of more internationalized banks such as BSCH and BBVA, the fact that outside Spain their interests are geared towards culturally-bonded areas such as Latin America poses doubts on the relevance of EWCs, and indeed their appeal to both management and trade unions.

In the UK context, variations are also likely to be found. On the one hand are banks such as Nat West-Royal Bank of Scotland, which have clear priorities in the national domestic market and minimum foreign operations often concentrated in particular sites or countries (e.g. Ireland), or limited to offices of representation and alliances with foreign institutions. For these banks, information and consultation at a European level is likely to be secondary to national system concerns. On the other hand, for bigger banking groups such as Barclays or HSBC, interest in a supranational body of employee information and consultation at European level is likely to depend on the extent and level of co-ordination of their activities within Europe, and the existence of a European level as a distinct unit in the organizational structure. Within certain more homogeneous regions of Europe such as the Nordic countries or the Iberian Peninsula, the chances are greater that banks will operate in a more co-ordinated way or even merge across countries, creating a series of sub-European levels of analysis. There is also a case that smaller European countries, such as the Netherlands, may have greater incentive to expand across European borders, and thus benefit from a supranational system of information and consultation, due to the limitations (e.g. in terms of size) of their domestic markets.

In terms of the proposed framework for a ‘European’ IR system, therefore, it might be found that while some companies can fit very well into this idea, others instead rely on the more traditional national systems of information and consultation to feed into their HR function and strategies, or might opt for more innovative mechanisms at international level.

VI Conclusion and Suggestions for Further Research

In summary, increased competition has strongly affected banking organizations throughout the industrialized world, and there is now greater diversity than ever before in the activities and markets in which banks decide to operate. Deregulation and growing European integration have facilitated restructuring processes within national boundaries, with increasingly larger organizations dominating national markets. This process of national consolidation has also facilitated the expansion of banking organisations into foreign countries. Consequently, the number of international banks with 'multi-country' operations has notably increased, even if their business activity, especially in retail banking, is not necessarily fully integrated internationally. That is, there remains a certain degree of continuity in organizational structure, decision-making and co-ordination that are bounded nationally. Moreover, it has been argued that the organizational structure of the groups and allocation of decision-making in various issues within this structure are important factors for the role and effectiveness of EWCs. ‘Multi-country’ banks, with more than a hundred and fifty employees in at least two EU countries, are required to have EWCs. However, because of the nationally segmented operations of those banking groups, EWCs are likely to result in somewhat meaningless bodies with little scope for functional operation and little interest on the part of management and employee representatives.

Within this context questions about the future of EWCs in banking arise. The emerging similarities in work organisation issues across national borders and within the international operations of ‘multi-country’ banks suggest a more promising future for EWCs. Common work issues around, for example, working time, the emergence of telephone banking and call centres, career progression and back office processing suggest that the potential exists for employee representatives and management across Europe to engage in more meaningful information and consultation processes. Whether this is achieved or not will very much depend on company-based decisions around firm strategy (e.g. size, location and nature of international operations) and organizational and management structures (e.g. facilitating cross-border integration of policies and practices). It will also depend on how the agenda is set in terms of defining what is meant by ‘transnational issues’; whether management pursue a narrow agenda, leaving few real issues beyond general performance, or decide that the EWC could be useful in for example disseminating HR practices internationally, and thus allow a wider remit. In turn, the setting of this agenda is also likely to be a function, to some extent, of the firm’s history regarding, for example, mergers, management style and internationalisation. In consequence, a need for further research around these issues following a firm-based approach arises, in order to test the hypothesis set out in this paper that these factors are important for the role and effectiveness of EWCs within banking organizations.

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