

US Multinationals and Human Resource Management in Ireland: Towards a Qualitative Research Agenda¹



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INTRODUCTION

US-owned multinational corporations (MNCs) are dominant actors in the world economy and are particularly significant in the Irish context. This paper profiles US foreign direct investment (FDI) in Ireland, focusing specifically on human resource management (HRM) and industrial relations (IR) in US-owned subsidiaries. Drawing on an ongoing qualitative study, we identify and explain the main HRM and IR themes pertinent to researching the dynamic between centralised control and subsidiary autonomy in the management of US MNC subsidiaries in Ireland.

THE SIGNIFICANCE OF THE MULTINATIONAL CORPORATION

The main means by which organisations can significantly internationalise their operations are through acquisitions, mergers and joint ventures, and by establishing greenfield site facilities. Of course there are other means by which firms may engage in international business, such as licensing/franchising and service arrangements. However, the term "multinational" is generally applied to those engaged in FDI whereby the MNC has a controlling interest in foreign companies. FDI has been described by Daniels and Radebaugh (1995: 17) as the "highest commitment a domestic company can make in international business because it usually involves not only the infusion of capital but also the transfer of personnel and technology".

Multinational corporations are not a homogenous group of companies who operate on a worldwide basis. What we would consider to be a MNC can range in size from vast corporations such as General Electric comprising different divisions and businesses with numerous subsidiaries around the globe to smaller privately owned firms operating in one core business area with a small number of international subsidiaries. In total though, MNCs exert a huge economic and

political influence. Their immense economic power is reflected in Anderson and Cavanagh's (1999) finding that the 100 largest multinational corporations now control about 20 per cent of global foreign assets. The UNCTAD (2001) estimates that total FDI in 2000 amounted to a record US\$1.3 trillion, driven by some 60,000 MNCs and their 800,000 affiliates abroad. FDI is, however, unevenly distributed geographically, with the world's top 30 host countries accounting for 95 per cent of total FDI inflows and the world's top 30 home countries generating approximately 99 per cent of outward FDI stocks (Gorringe, 1999). Looking specifically at US MNCs, it is estimated that they employ over 7 million people worldwide and approximately 2.5 million of them in Europe (UNCTAD, 1996; Ferner and Quintanilla, 1998). As a consequence, we find that MNCs have acted as key drivers in the increased internationalisation of business. Indeed, Ferner and Hyman (1998: xiii) have labelled MNCs "...the dominant actors in the internationalisation [sic.] process".

In this process of internationalisation, HRM/IR considerations emerge as a key concern, not least because at the micro-level HRM/IR can act as a key source of competitive advantage, while at the macro level it influences the regulation and operation of labour markets. A specific and long-standing debate in this context concerns the extent to which HRM and IR approaches in MNCs are embedded in their home country business system and thus form the core of HRM/IR practices in foreign subsidiaries (Beaumont, 1985; Chandler, 1990; Gunnigle, 1995; Ferner and Quintanilla, 1998; Edwards, 2000; Tregaskis et al., 2001). Indeed strong institutional 'embeddedness' is seen as particularly characteristic of US MNCs (Ferner et al., 2001a). For example, Schlie and Warner (2000: 34) posit that:

American management values may be derived from deep-rooted societal norms endemic in their specific national culture, comprising a national business system ... Built on a free and capitalist system emphasizing property rights, the key features of American management contain a strong commitment to individualism and universalism.

It is hardly surprising therefore that HRM and IR in MNCs has become an area of considerable debate and interest. Because an MNC transcends national boundaries they often seek to develop complex organisation and decision-making processes to deal with the challenge of operating in differing political, social, economic and regulatory contexts.

MULTINATIONALS AND INDUSTRIAL POLICY IN IRELAND

The attraction of FDI represents a key plank of Irish industrial policy. Inward-investing firms are offered an attractive package of financial incentives – most particularly low levels of tax on profits – and a range of other attractions such as its young workforce and comparatively unregulated industrial relations environment (see, for example, Gunnigle and McGuire, 2001). Ireland has been particularly successful in attracting FDI with the result that our economy is

significantly more reliant on MNC investment than any other EU nation. We currently have a total of 1,225 overseas firms employing approximately 138,000 people with a particular focus on electronics, pharmaceuticals, software and internationally traded services (see Table 2.1). Even allowing for the recent downturn in FDI activity, MNC subsidiaries here employ approximately one-third of the industrial workforce and contribute approximately 55 per cent of manufactured output and a staggering 70 per cent of industrial exports (Tansey, 1998; also see Hannigan, 2000). In 2000 the FDI sector exported over €47 billion in goods and services and generated direct expenditure within Ireland of some €14 billion (IDA Annual Report, 2001). According to a recent 62-country study, Ireland is now the world's most globalised economy, ranked ahead of countries seen as having open economies, such as Singapore (3rd place) and New Zealand (19th place) (Brown, 2002).

US-owned MNCs account for a high proportion of this activity. OECD data indicate a threefold increase in FDI inflows to Ireland during the 1990s, with the US accounting for almost 85 per cent of all such inflows (OECD, 2000; see also Tables 2.2 and 2.3). The significance of US FDI in Ireland was most pointedly highlighted in *The Economist's* (1997) finding that almost a quarter of US manufacturing investment and some 14 per cent of all FDI projects into Europe in the period 1980–1997 located in Ireland, while some 40 per cent of all new US inward investment in the electronics sector located here.

Table 2.1 FDI by Sector 2001

	No. of Firms	Employment
Electronics and Engineering	341 (28%)	62,987
Pharmaceutical and Healthcare	130 (10.5%)	20,854
Miscellaneous Industry	104 (8.5%)	7,363
Textile and Clothing	23 (2%)	2,690
International and Financial Services	627 (51%)	44,115
Total	1,225	138,009

Source: Industrial Development Authority (preliminary figures).

Table 2.2 FDI by Ownership (number of firms) 2001

US	518 (42.3%)
Germany	164 (13.4%)
UK	162 (13.2%)
Rest of Europe	274 (22.4%)
Far East	55 (4.5%)
Rest of the World	52 (4.2%)
Total	1,225

Source: Industrial Development Authority (preliminary figures).

Table 2.3 FDI Inflows to Ireland 1990–1998 (IR£ Million)*

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Total Inflow	125	232	221	261	207	235	360	383	415
1990 (Base Year = 100)	100	186	177	209	166	188	288	306	332
US Inflow	65	113	135	192	153	184	300	323	324
1990 (Base Year = 100)	100	174	208	295	235	283	461	497	498

*Figures compiled by data published by OECD.

Source: *International Direct Investment Statistics Yearbook 2000*, OECD: Paris.

RECENT DEVELOPMENTS

Given Ireland's reliance on FDI, especially by American multinationals, it was predictable that the impact of the dot.com downturn and aftermath of 9–11 would have important knock-on effects in Ireland. Over the past eighteen months or more, we have seen clear evidence of a major fall-off in both US FDI into Ireland and of the economic difficulties of many US MNC subsidiaries here. This evidence is particularly stark in the information and communications technology (ICT) sector. Taking as an example the review of severance settlements conducted by *Industrial Relations News* (IRN), we find that in 2000 there were six reported settlements comprising approximately 1,000 job losses while in 2001 there were eighteen such settlements comprising over 3,600 job losses (IRN, 2002). Among the notable cases was the closure of Motorola's Dublin manufacturing plant with a loss of 750 jobs and Gateway's decision to close its European Headquarters in Dublin with a loss of 900 jobs. Many other MNCs have also reported job losses over the past two years, such as Thermoking, Nortel, Medtronic, Boston Scientific, Flextronics and Honeywell. A less predictable impact of events in the US has been its detrimental effect on indigenous firms in the ICT sector. Many of these firms were heavily reliant either on sales into the US or to US-owned firms in Ireland. The recent past has seen a number of company closures in this sector such as those at Ebeon, Nua, Formus Broadband and Breakaway Solutions, while one of Ireland's 'stars' in the software sector, Baltimore Technologies, has severely cut back its operations.

While the picture is certainly much bleaker than in previous years, some firms appear to have weathered the downturn reasonably well. A particular case in point is Dell Computers, which has continued to grow employment. The company did, however, make a decision to let approximately 200 employees go as part of "an aggressive management of operating expenses" (Sheehan, 2001). Nevertheless, the overall trend in employment in Dell has been upward. There have been a number of job announcements over the recent past, such as that of Prumerica Systems (450 job expansion in Donegal), Travelsavers International (115 new jobs in the Shannon Free Zone) and MBNA (500 new jobs in Carrick-on-Shannon). Most significantly, Intel, one of the largest US subsidiaries here, recently confirmed that it is pressing ahead with the construction of its new

state-of-the-art fabrication plant ("Fab 24") involving an investment of more than €2.2 billion and widely seen as a vote of confidence in the future of the high technology sector. This facility will employ 1,000 extra staff, bringing Intel's total workforce in the Ireland to approximately 4,200 (Smyth, 2002). At an aggregate level, the IDA reported a slowing of job losses in 2002 (down from 17,800 in 2001 to 14,700 last year). New FDI projects also increased by 33 per cent in 2002 (IDA, 2003). The pharmaceutical/healthcare sector appears to represent the strongest potential growth area, with the internationally traded services sector also performing reasonably well (IDA, 2003).

A SIGNIFICANT CHANGE IN INDUSTRIAL POLICY?

In evaluating the nature of changes in the FDI sector, it is critical to understand the broader context of Irish industrial policy. Numerous commentators have noted that Ireland embraced an 'industrialisation by invitation' policy from the early 1960s. Much of the foreign industry attracted then was high-volume assembly-type manufacturing seeking to benefit from the country's low-cost labour and incentive package of financial grants and low corporation tax. Many of the firms in this wave of FDI have now closed and/or moved production to lower cost locations, particularly Asia and also Central and Eastern Europe. While the past decade or more has seen a huge growth in FDI, especially in the ICT sector, we have concurrently witnessed a progressive trend of firms transferring production abroad. For some years, the industrial promotions agencies have forecasted that Ireland's success in attracting new greenfield start-ups from abroad will recede and they have changed their overall strategy in two significant regards:

1. Shifting the emphasis away from attracting new greenfield start-ups towards the retention of existing MNC facilities through facilitating the Irish subsidiary moves up their corporation's 'value chain' by producing higher margin products or services and developing greater product development and research capacities.
2. Placing a greater emphasis on regional balance in the geographic distribution of FDI (essentially encouraging FDI projects to locate outside of Dublin and major industrial centres into more economically disadvantaged regions).

These changes embrace an important HRM dimension. It is clear that Ireland's recent economic development has meant that labour costs have increased significantly. Consequently, it is widely accepted that if Ireland is to retain its position as a leading European location for FDI, then it must seek to attract firms whose products/services have a lower labour cost component and provide a business environment where the Irish subsidiary can successfully carry out higher order production or service activities. Labour availability has also become more problematic, as unemployment levels have fallen from close to 20 per cent in the mid 1980s to just approximately 5 per cent currently. This has occurred during a period when Ireland has experienced relatively large-scale net

inward migration, especially since 1996. The net inflows of 84,000 people over recent years stand in marked contrast to the net outflows of 160,000 experienced in the mid to late 1980s. There is now relatively little scope for increased participation by males in the labour force, while female participation rates have increased significantly over the past decade.

Despite the tight labour market, the implications of the policy change concerning subsidiaries moving up their corporation's chain are evident in FDI patterns over the past year. Here Abbott Laboratories is an important case in point. This US firm specialises in pharmaceuticals, nutritionals, hospital products and diagnostics. Employing some 70,000 employees around the world, its Irish operations employ some 1,800 employees at three main locations in the 'economically disadvantaged' border, midland and western region. Having opened its first manufacturing plant in 1974 the Irish subsidiary has seen the transfer of production of a number of its product lines to Hungary, a decision based on the lower cost of production there. However, employment has not fallen in Ireland as it has successfully attracted new 'higher margin' products. More significantly, the company recently opened its first pharmaceuticals facility in Ireland and also invested in new equipment to increase the capabilities of some of its other Irish plants. A somewhat similar trend was evidenced in Nortel, where following the announcement of 150 job cuts, the position of another 250 employees working in research and development was reinforced with the reconfirmation of an announcement in September 2001 that the research and development facility was effectively being upgraded (IRN, 2001). Boston Scientific's International Product Development Centre in Galway is another example of this reorientation. We can also identify other recent FDI decisions which reflect this policy change, such as the establishment of new 'biopharmaceutical' plants by GeneMedix in Tullamore and Genzyme Corporation in Waterford, the latter involving an investment of up to €250m with the capacity to generate 480 jobs over five years.

HRM AND IR IN US MNCs: THE NEED FOR QUALITATIVE INSIGHTS
Despite the importance of FDI in Ireland, we have little empirical data on its impact on Irish business or on management practice here. Our research aims to redress this deficiency by providing qualitative insights on the dynamic between centralised policy determination and subsidiary autonomy in the management of HRM and IR in US MNC subsidiaries in Ireland, and evaluating the diffusion of specific US management techniques and practices here. Our research seeks to inform two key questions which have been relatively under-explored in the research to date: first, how far the influence of the US business system shapes HRM/IR in US MNCs in Ireland, and second, how HRM and IR practices are transmitted to/from subsidiaries, and how they are implemented (cf. Ferner, 1997; Edwards, 2000; Edwards and Ferner, 2002). The broad objectives of the study are to:

- generate detailed case studies which help us better understand the logic

underlying the commonly reported distinctive characteristics of HRM and IR in foreign subsidiaries of US MNCs;

- explore the mechanisms whereby distinctive characteristics are transmitted from the parent company and are reproduced in the subsidiary;
- ascertain how far such distinctive characteristics can be explained by reference to the US business system;
- explore and explain patterns of variation in behaviour among different kinds of US MNCs;
- evaluate the extent to which US MNCs act as a potential source of HRM/IR innovation (in what areas, and by what means, do innovations occur?) or disruption (e.g. trade union suppression/exclusion) in the Irish business system.

This research specifically focuses on the processes by which MNCs decide on the balance between implementing approaches that conform to the norms of their host environment and pursuing more distinctive and standardised approaches in subsidiaries. Our data are derived from detailed case studies of HRM and IR policies and practices in four Irish subsidiaries of major US MNCs (Pharmaco, Healthco, Itco and Compuco). These companies are all significant employers in the Irish context and have a combined workforce of over 11,000. The organisations were chosen to represent a cross-section of industrial sectors and consideration was given to spatial distribution and date of establishment of the Irish operations. Each case study involved a series of in-depth interviews with (a) all of the top management team in each firm, (b) a selection of middle and front-line managers/team leaders and (c) a selection of employees and/or employee/trade union representatives.

In evaluating the potential contribution of this research, we can point to a number of areas of impact. Looking at the international sphere we find that while a body of literature on MNCs and HRM/IR exists, this is overwhelmingly based on survey data (see, for example, Bartlett and Ghoshal, 1989; Guest and Hoque, 1997; Brewster, Mayrhofer and Morley, 2000). While this is beneficial in identifying generic patterns of MNC behaviour in host countries and differences in HRM/IR practice between MNCs of different nationality, it is of limited use in identifying the main explanatory factors behind different patterns of behaviour and cannot inform the particular processes by which HRM/IR approaches are developed and implemented.

As indicated above, this paper does not focus on presenting our research findings but rather seeks to identify and explain the main HRM and IR themes pertinent to researching the dynamic between centralised policy determination and subsidiary autonomy in the management of US MNC subsidiaries in Ireland. We now consider the principal themes explored in each case and later we will outline some preliminary findings.

RESEARCHING MNCs: ISSUES OF PROCESS AND THE 'BIG PICTURE'

As indicated earlier, a key concern that has informed our research is the need to

understand the various process issues related to HRM and IR practice in MNC subsidiaries, particularly:

- the degree of *centralisation* and *formalisation* in relations between subsidiary and HQ;
- the *framework of management control*, particularly issues related to reporting conventions and financial controls;
- the *transmission mechanisms* whereby HRM and IR policies and practices may be transferred from HQ to subsidiaries, for example policy directives, dissemination of corporate culture, and the use of 'benchmarking' comparisons (cf. Ferner and Edwards, 1995).

In investigating these issues we have sought to address broader 'big picture' questions evident in the extant literature on HRM and IR in US MNCs, most notably the idea of embeddedness, namely the extent to which US firms are influenced by the significant and distinctive characteristics of the American business system/form of capitalism (Edwards and Ferner, 2002). Ferner (1997) identifies such characteristics as including the early development of mass production and use of innovative management approaches to serve mass markets; the 'restrained' role of the state in regulating business and employment matters, the flexible labour market model, the 'short-term' emphasis in the nature of financial markets and the conflictual evolution of labour-management relations (also see Jacoby, 1997; Edwards and Ferner, 2002).

In addressing the transfer of HR and IR practices, our objective is to look in detail at the substantive areas of HRM in each case study and to focus on variations in transfer and adaptation of practices and on how formal policies are implemented in practice. This brings a 'micro-political' lens to bear on our attempts to decipher the processes of negotiation between corporate, divisional and subsidiary-level decision makers. As indicated above, we also seek to explore the particular processes and transmission mechanisms by which different HRM and IR approaches are exported to Irish subsidiaries. Our aim is twofold: first, to identify what, if anything, is particularly American about processes used; second, we examine how this operates in practice, including, for example, any obstacles and constraints and the political interplay involved. In evaluating the balance between centralised policy-making and subsidiary autonomy, we focus on investigating the contention that American companies tend to be relatively more centralised, standardised and formalised in their management of HRM and IR and also the potential dynamic for oscillation between centralised and decentralised approaches (Ferner, 1997; Ferner, Quintanilla and Varul, 2001; Muller-Camen et al., 2001).

In interpreting these case findings, our objective is to identify patterns of HRM and IR in US subsidiaries in Ireland and explain such patterns by reference to potential 'varieties of Americanness', evident in the literature (cf. Ferner, Quintanilla and Varul, 2001). Specific areas of interest in this regard include the so-called, country-of-operation effect, specific models of 'Americanness' and other related factors such as the capacity for strategic choice

and impact of sectoral influences. These are briefly considered below.

First, we examine the so-called *country-of-operation effect* where we attempt a systematic exploration of the differential impact of Ireland's national-institutional setting on the behaviour of US MNCs. Key criterion of use in evaluating the *country of operation* effect include the density of labour/IR regulation and impact of US capital on host economy (Ferner, 1997). Of specific import in the Irish context are its low corporation tax regime and the relatively toothless recent 'right to bargain/union recognition' legislation (see D'Art and Turner, 2002; Gunnigle, O'Sullivan and Kinsella, 2002).

Second, we consider the incidence of so called '*welfare capitalism*' and other models of '*Americanness*' in MNC operations here. Welfare capitalism developed in the US in the early 1900s and views the industrial enterprise as the source of stability and security in modern society (Jacoby, 1997; 1999a). Ferner, Almond et al. (2001b: 6) note that welfare capitalism was based "on a philosophical opposition to unionism (e.g. Foulkes, 1980), and the belief that the firm, rather than trade unions, the state, or other third parties, should provide for the security and welfare of workers". Employers put their ideas into practice by cleaning up their factories, forming company unions, constructing elaborate recreational facilities, paying good rates of pay and providing job security, all of which were introduced with the specific intention of keeping unions at bay (Jacoby, 1999a; Ferner, Almond et al., 2001b). Welfare capitalism evolved quickly and by 1914, the National Civic Federation cited 2,500 firms persuading some form of welfare capitalism (Jacoby, 1997: 13). The Depression of the 1930s, however, resulted in a change of direction for American labour relations. Firms were forced to cut wages, reduce workforces through mass redundancies and discontinue welfare programmes. Workers became disenchanted and searched for new ways to safeguard their security (Jacoby, 1999a) and managements' right to manage was no longer accepted without question (Colling, 1999). The labour policies introduced under the New Deal were designed to add a degree of stability to union-management relations in the US and for the first time American labour had a legally guaranteed right to organise and strike under the Wagner Act of 1935 (Kochan et al., 1986; Wheeler, 1993). Collective bargaining served as the most important source of innovation in employment relations for the following two decades (Kochan et al., 1986). After the Second World War, a consensus emerged amongst academics and practitioners that the progressive non-union company had become a 'social dinosaur' and that collective bargaining combined with statutory labour market regulation represented the future in terms of employee relations (Jacoby, 1999b). Jacoby (1997) argues, however, that welfare capitalism never disappeared at this time, it simply 'went underground', and in the 1940s and 1950s companies like Kodak, Thompson Products and Sears Roebuck developed policies designed to resist incursions from organised labour and the state, and to sway public opinion in favour of business. Jacoby's thesis is that these companies cleared a path for the new wave of non-union companies which emerged in the 1960s and 1970s when economic circumstances changed and companies found the employment cultures which had developed during the previous era of collective bargaining to be

intolerable (Jacoby, 1999b; Colling, 2001). Increasing emphasis on HRM practices combined with flexible technologies and job redesign in US firms in the 1980s and 1990s meant that firms increasingly followed the path carved by Kodak and IBM. One of the primary underlying premises of this research is that the relatively light institutional regulation of American system (compared with, for example, Germany or Japan) has given rise to a variety of models of American management (Ferner, 1997; Edwards and Ferner, 2002). In the IR field an important distinction has been drawn between the unionised, 'New Deal' IR model and a variety of non-union models of which sophisticated 'welfare capitalism' is among the most significant among major MNCs (Kochan et al., 1986; Jacoby, 1997; 1999a; 1999b; Edwards and Ferner, 2002). More recently it appears that there has been a 'blurring' in the boundaries involving both a decline in the New Deal model and challenges to welfare capitalism from intensifying international competition and the rise of 'shareholder value'.

Clearly, an extremely important influence on the management approach of MNCs is the impact of *industrial sector*. Our case analyses evaluate the nature of each relevant industrial sector and consider the influence of sectoral imperatives on HRM and IR. In so doing, it is important to bear in mind that institutional analysis tells us that sectoral governance systems vary markedly between different national business systems. Thus our case analyses attempt to examine the complex interaction between sector and national institutional environment. The aim is first to see how sectoral origin gives rise to distinctive varieties of 'Americanness' in US multinationals and, second, to look at the way in which the Irish host environment processes and assimilates sector-specific influences within US firms.

Finally, we note that different MNC subsidiaries may vary in terms of their *capacity for strategic choice* (cf. Kochan et al., 1986). Our case analyses attempt to draw together arguments about the power of subsidiaries to resist or modify corporate initiatives, or indeed to set the agenda themselves. Here we explore such issues as the ability of subsidiaries to draw resources from their local environment; the way in which they are able to exploit the regulatory constraints of the host system; and their capacity to generate policy initiatives that may be subsequently taken up by the global company through a process of 'reverse diffusion' (Edwards and Ferner, 2000).

Having examined some of the key macro-level themes, which underpin our research, we now outline the key operational HR and IR areas which we investigate in each of our cases and in so doing we also provide some preliminary findings from our case analyses.

HRM AND IR POLICY AND PRACTICE IN US MNC SUBSIDIARIES IN IRELAND

Union Recognition and Avoidance and the Role of Collective Bargaining

Synthesising the literature on the impact of MNCs on HRM and IR, we find evidence that MNCs can act as both a source of innovation and disruption in

host country practice (Gennard and Steur, 1971). There is a broad consensus that MNCs have been an important source of innovation in management practices in Ireland, particularly in the application of new HRM/IR approaches and in expanding the role of the specialist HR function (Murray, 1984; Gunnigle, 1998; Ferner and Quintanilla, 1998; Ferner and Varul, 2000). For example, MNCs have been associated with innovation in areas such as the diffusion of so-called 'high commitment' work systems (Mooney, 1989) and performance-related pay (Gunnigle, Turner and D'Art, 1998). However, it is equally clear that MNCs pose particular and unique challenges in the HRM/IR sphere, such as their potential for altering the balance of bargaining power (through, for example, threats to close subsidiaries or switch investment to other locations) and, more generally, their capacity to challenge, and potentially undermine, pluralist industrial relations traditions (Guest, 1987; Gunnigle, 1995; Ferner and Hyman, 1998).

Probably the most pertinent manifestation of this challenge is the increased tendency for MNCs establishing in Ireland to do so on a non-union basis. Trade union recognition has recently become an area of very significant debate in Ireland, largely due to the fall in density since the early 1980s and the concomitant rise in union avoidance strategies, particularly among the MNC sector. While the decline in union density reflects the impact of a confluence of factors, it is clear that the FDI sector has played a significant contributory role. Current statistics indicate that between 1980 and 1999, trade union density² fell by approximately 17 per cent. In discerning the impact of the FDI sector on union density, an important issue is the pattern of union recognition itself. A study of firms in the manufacturing and internationally traded services sectors, which established at greenfield sites over a ten-year period 1987–1997, found a particularly high incidence of union avoidance: 65 per cent of firms were non-union (Gunnigle, O'Sullivan and Kinsella, 2002). Non-unionism was most prevalent amongst US MNC subsidiaries in the ICT sector, a factor commonly attributed to both the prevalence of a unitarist managerial ideology among US-owned companies and also to the competitive nature of the technology sector and consequent managerial preference for maintaining high levels of numerical and functional flexibility.

However, the idea that MNCs undermine pluralist IR traditions is at odds with much of the early research which found little difference between larger indigenous firms and MNCs in their IR practices. For example, Enderwick (1986) found no evidence that MNCs operating in Ireland were reluctant to recognise or deal with trade unions (also see Kelly and Brannick, 1985). Undoubtedly this finding was related to the role played by Ireland's industrial promotions agencies, which since the 1960s had assumed responsibility for wooing FDI to Ireland. In the 1960s and 1970s these agencies promoted union recognition among new inward-investing firms, specifically by arranging introductions to trade union officials and encouraging MNCs to conclude recognition agreements with trade unions prior to start-up. These studies formed the basis for what was termed the 'convergence thesis': namely that the IR

policies and approaches of MNC subsidiaries here, including those from the US, would be largely similar to host country practice, characterised then by widespread trade union recognition among larger firms and the widespread utilisation of collective bargaining, particularly among manual and craft categories (see Kelly and Brannick, 1985). This 'convergence' thesis has now come under challenge as a result of the emergence of a considerable body of research pointing to the predominance of *country-of-origin effects* (Ferner, 1997). This school argues that MNCs, most especially US MNCs, are now less likely to adjust their IR approach to local (host country) norms and more likely to impose practices and policies similar to those in the parent company (Roche and Geary, 1995; Turner, D'Art and Gunnigle, 1997a; 1997b). The most significant evidence in this regard concerns the growing pattern of trade union avoidance among MNCs, especially US subsidiaries in 'high-tech' sectors as outlined above (McGovern, 1989; Gunnigle, 1995; Gunnigle, O'Sullivan and Kinsella, 2002). A change in the pro-union recognition stance of Ireland's industrial promotions agencies undoubtedly contributed to increased union avoidance among inward-investing firms. Since the 1980s these agencies have adopted a more neutral position, indicating to inward-investing firms that they have the freedom to recognise or avoid trade unions (McGovern, 1989; Gunnigle, Turner and D'Art, 1997). A variety of factors contributed to this important change, most significantly increased international competition for FDI and Ireland's increasing focus on the ICT area, specifically US MNCs in the electronics and software areas. These sectors of the US economy are widely seen as hotbeds of opposition to union recognition (Foulkes, 1980; Kochan, Katz and McKersie, 1986; Beaumont, 1987).

Preliminary findings from our research confirm that union avoidance tendencies of US MNCs in the ICT sector where both Itco and Compuco were staunchly non-union, a finding consistent with the Irish and international literature (Gunnigle, MacCurtain and Morley, 2001; Jacoby, 1997). While one of these firms appears to be a stereotypical model of sophisticated welfare capitalism, the other, which operates largely on the basis of a low-cost competitive strategy, seems to follow a more conventional union suppression model. It may be significant that both of these companies established in Ireland since the 1980s, because by then setting up on a non-union basis had become an accepted pattern of MNC behaviour in Ireland (Gunnigle, 1995). Both Pharmaco and Healthco provide a contrast on this dimension, having established in Ireland in the period from the late 1960s to the mid-1970s, a period when inward-investing MNCs predominantly recognised trade unions, mostly as a result of being actively advised to do so by the various industrial development agencies (see Gunnigle, O'Sullivan and Kinsella, 2002). Looking at the nature of IR in these two firms we find what appears on initial review to be a relatively conventional picture, reflective of the convergence thesis outlined earlier. In all of their early manufacturing facilities both Pharmaco and Healthco recognised trade unions representing manual and craft categories. Pay and other major IR issues in these facilities are handled via collective bargaining, conducted

separately for each of these employee categories and handled mostly on a plant-by-plant basis.

However, by far our most significant finding in the IR sphere is the fact that where these companies have established new facilities in Ireland they have done so on a non-union basis. The concurrent adoption of union recognition and avoidance in sister plants represents something of a departure in the Irish context. We know that union de-recognition, which Bassett (1986) identifies as the "sharpest form" of union avoidance, is quite uncommon in Ireland, although the UK witnessed some important cases since in the 1980s (Salamon, 2000). While neither the Pharmaco nor Healthco cases entail de-recognition, they are examples of so called 'double-breasting' arrangements, whereby multi-plant organisations opt to recognise trade unions in some (longer established) plants but not in other (more recently established) plants (Kochan et al., 1986; Beaumont and Harris, 1992). In addition to the progressive trend of increased union avoidance among new MNCs in Ireland discussed earlier, any widespread use of 'double breasting' among older MNCs would create additional problems for trade unions here, particularly given the recent industrial policy focus on getting existing MNCs to deepen their roots in Ireland. Additionally, the adoption of union avoidance strategies by both these leading US MNCs with a pre-existing record of dealing with unions gives support to the argument that host country effects are increasingly being overridden by country of origin effects in regard to HRM practice in US MNCs (Roche and Geary, 1995; Turner, D'Art and Gunnigle, 1997a; 1997b).

Pay and Performance

As with the issue of union avoidance, the comparatively light nature of labour market regulation in the US and other broader characteristics of the American business system mentioned earlier, have facilitated the development of a distinctively US approach to pay and performance management, largely centred on the premise that rewards (particularly pay) should be contingent on some measure of an individual's performance in their job. This approach often conflicts with the IR traditions in many European countries, including Ireland, where pay increases for large segments of the workforce are agreed via collective bargaining and applied 'across the board' to workers independent of their level of performance (see, for example, Gunnigle, Turner and D'Art, 1998). In our case investigations we explore the extent and process by which the US approach to reward management is transferred to the Irish host environment. Our preliminary research indicates that collective bargaining was used as a means of determining wage rates among unionised employees in both Healthco and Pharmaco firms while performance-related pay based on periodic performance reviews was used among non-union staff. We also found that both companies enjoyed a reputation for delivering pay increases for unionised employees which were above the national norm. Performance-related pay was used for almost all employee categories in both our ICT firms.

Other Important HRM Themes

A key area where US MNCs are often thought to employ a standard corporate policy is in the *management of managers* (Ferner, 1997; Evans, Pucik and Barsoux, 2002). For example, Ferner (1997) argues that as early internationalisers, US firms were to the fore developing co-ordinated policies for managing and developing its 'international managers' to facilitate the management of its international operations. The area is often linked to the development of centralised policies in related HR areas such as succession planning, performance-related pay and the dissemination of 'corporate culture'. The issue of *corporate culture* clearly merits investigation in its own regard, being widely seen as a key priority in the operations of US MNC subsidiaries abroad (Ferner, Almond et al., 2001a; Ferner, Quintanilla and Varul, 2001; Muller-Camen et al., 2001). Suggested common mechanisms for the culture transfer include explicit statements of 'mission', 'vision' and 'values', management/employee development programmes and the deployment of expatriates in subsidiary operations. Indeed the role of *expatriates and expatriate development* is a long-established area of research interest in relation to HRM in MNCs, relating as it does to questions concerning the extent of international co-ordination and control in this area (e.g. Pelmutter, 1969; Tung, 1982). Our preliminary evidence indicates a low level of utilisation of expatriate personnel, with just one of our four case firms relying to any significant extent on expatriates. This finding is in line with Harzing's (2001) recent findings that US MNCs deploy expatriates to a comparatively lesser extent than MNCs from other countries and, where deployed, this tends to be for reasons of knowledge transfer or lack of qualified host country personnel. Broadly consistent with other literature on international HRM, our case data also point to the deployment of expatriate managers in the start-up phases of the respective operations, the majority of whom subsequently returned to headquarters or moved to other units within the international corporation. The exception among our case firms was Itco, a company which is commonly identified in the literature as using expatriate assignees on a large-scale basis, for reasons of knowledge transfer but also as a means of culture dissemination.

An emerging theme in the international HRM literature and one which is specifically linked to US MNCs is that of *workforce diversity*, namely the extent and utilisation of policies which explicitly address gender and ethnicity in employment. This has for some time been an important issue in the US business context and our investigations in Ireland allow us to evaluate the extent to which specific US pressures and institutional arrangements may establish a HR agenda which may be applied in Irish subsidiaries. Ferner et al. (2001) identify an emphasis on workforce diversity as one of the most common characteristics of HRM in US multinationals. In our Irish cases we investigated the nature of corporate policy on diversity and the extent to which this was applied in the Irish subsidiaries. Diversity did not emerge as a significant issue to date in either Pharmaco or Healthco. However, it does appear to be a major issue in both Itco and Compuco. Indeed in Compuco a board-level position of Vice-President, Diversity, was recently created, highlighting the emphasis on diversity in this

company. It is significant that in Ireland the focus was primarily on gender diversity, in contrast with a greater focus on ethnic diversity at the corporate (US) level.

CONCLUSION

In this paper we have attempted to outline the significance of FDI, particularly US FDI, in Ireland. We also noted the changing nature of Irish industrial policy, specifically in the context of the current difficulties in the US economy, and the increasing focus on 'moving up the value chain'. We then outlined and explored HRM and IR themes considered central to researching the dynamic between centralised policy determination and subsidiary autonomy in the management of US MNC subsidiaries in Ireland. We found that much of the extant literature suggests that US firms remain embedded in the US business system and that this will be evident in the HRM and IR policies and practices in their foreign subsidiaries. Our future research will concentrate on exploring this and related themes and developing a framework for evaluating the impact of US MNCs on HRM and IR, as well as more generally on management practice and the business system in Ireland.

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1. This paper focuses specifically on HRM and IR practice in Irish subsidiaries of US MNCs. However, this Irish study forms part of a larger European study covering four countries – Germany, Spain, the UK and Ireland. The overall project is co-ordinated by Professor Anthony Ferner, De Montfort University, and involves researchers from De Montfort, Kingston and Warwick Universities, UK, University of Trier, Germany, and IESE Business School, University of Navarre, Spain, in addition to the University of Limerick, Ireland.
 2. Employment density: the percentage of civilian employees in the labour force (excluding the self-employed, security forces and assisting relatives) who are trade union members.

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