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The distinctiveness of employment relations within multinationals: political games and social compromises within multinationals' subsidiaries in Germany and Belgium

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Abstract

This work makes a theoretical contribution to our understanding of the strategic mechanisms that enable subsidiary management and union agency to exploit ambiguities in the subnational competitive context impacting labour flexibility-security concerns. In so doing, the article contributes to the distinctiveness of employment relations through scrutiny of the internal regime competition that fosters political games in MNCs. Studying the dynamics, we identify the set of structuring conditions governing political games, and explain why some workplace regimes generate social compromises whilst others do not. We reveal a set of strategic conditions (i.e. technology, embeddedness and MNC control) upon which compromise is built in six German and Belgian subsidiaries of four MNCs. Our analysis suggests that subsidiary control modes through expatriates and local embeddedness act as key mechanisms through which the effects of wider strategic drivers influence the form of social compromise.

Keywords

Multinationals, political games, social compromise, employment relations, consent

The distinctiveness of employment relations within multinationals: political games and social compromises within multinationals' subsidiaries in Germany and Belgium

Political games are particularly acute and apparent in multinationals (MNCs) because of the necessity to gain support for employment policies in different contexts (Dörrenbächer and Geppert, 2011). In particular, power capabilities and the interests of multinational actors are crucial in explaining how politics and power develop within workplaces of MNCs, thereby influencing practices firms adopt to organise work and regulate employment across different organisational and regulatory settings (Ferner et al., 2013; Edwards et al.; 2013). Moreover, these workplaces are embedded in both trans- and (sub)-national labour markets, industrial relations and production networks, where relationships with both (local and/or national) public (i.e. government) and private (i.e. business) partners (Lévesque et al., 2015) contribute to creating the terrain where policy conflicts and compromises pervade across organisational boundaries (Edwards and Bélanger, 2009; Almond, 2016; Almond et al., 2015). But as recent studies on emerging economies of India, China and Eastern Europe illustrate they also influence the MNC's ability to impact upon industrial relations and HRM within the host environments (Bartram et al., 2015).

Scholars in comparative employment relations have sought to explain variation in the policies and practices MNCs adopt. In particular, theorists from a comparative political economy literature have provided insights that question the primacy of national level institutions and point to the role that issues on strategy, sector and market structure play in shaping the relationship between employers and employees (Heery and Adler, 2004; Batt et al., 2009; Edwards et al. , 2012). This argument is broadly consistent with more political or power-based approaches to institutional analysis adopted by comparative industrial relations studies (Doellgast, 2010). Crucially, to advance knowledge on how and why political games occur within MNCs we need comparative research that can capture these processes and conditions by examining the relationships between and among central and local management, workers and unions when accommodating employment issues in MNCs (Ferner et al., 2012).

In this paper we tackle the complexities of this dynamic by asking how social compromises are reached through political games in MNCs and whether and why industrial relations institutions influence these games. In addressing these questions, the paper identifies the power resources embedded in the broader strategic sub-national context of the firm, and it examines how these are mobilised by subsidiary management and labour to influence the nature of flexibility-security social compromises that emerge. Therefore, this paper addresses the knowledge gap in our understanding of the antecedents of political games and the casual mechanisms at play. In particular, a key theoretical insight from this work is the identification and explanation of the strategic mechanisms that are leveraged through subsidiary management and union agency to exploit ambiguities in the sub-national context and to legitimise flexibility-security outcomes. In so doing, firstly the paper adds to the theoretical base a set of strategic conditions for explaining the sub-national variation in employment systems, thereby enhancing knowledge about why some workplace (employment) regimes generate social compromise when others do not. Secondly, it explores the causal mechanisms and processes generating these social compromises while examining the subsidiary-subsidiary and subsidiary-headquarters (HQ) relationships, in different institutional settings, enhancing or inhibiting them. Particularly, by using a systematic comparative case study design, based on six subsidiaries of three MNCs in Germany and Belgium, we demonstrate that in spite of the cross-national diversity of institutional constraints local management and union agency in subsidiaries of the same multinational within both countries experience similar criticalities regarding how (1) to exploit the ambiguities related to the strategic sub-national context they operate in, and (2) to legitimise social compromises. We deploy the theory of control and developmental concerns (Edwards et al., 2006; Bélanger and Edwards, 2007) as a framing device to draw out a comparative and empirical causal account of the processes and conditions underpinning compromises around the negotiation of employment practices within and across MNCs' subsidiaries. Within this theoretical framework, we focus on flexibility-security compromises as an indication of employment relationships in MNCs. The flexibility-security nexus is a key analytical point within 'pluralist' industrial relations and sociological 'labour process' theoretical accounts shedding light on the distinctive sources of both conflict and consent or co-operation within the employment relationship (Burawoy and Wright, 1990). We begin by framing the dependent variable. Then, we theoretically develop two research propositions to capture key relationships explaining the compromises and understanding the factors shaping them. We turn to the methodology, present the findings, discuss and conclude.

Defining social compromise in MNCs

Conflict and co-operation are considered key features explaining the dynamics inherent in the employment relationship (Edwards et al., 2006). For example, employers cannot rely solely on the subjugation or control inherent in the employment relationship on the one hand, and employees have an abiding interest in cooperating to ensure the viability and success of the firm, and thereby their employment, on the other hand. Contingent pressures may act on these parties to induce high levels of co-operation but tensions may remain beneath the surface and emerge during moments of crisis or change (Butler and Tregaskis, 2015). It suggests that actors' behaviour is not only influenced by their respective predetermined interests but it is also structured through the evolution of the employment relationship, which depends on its strategic setting of interrelated sub-national and national power resources. In particular, the local embeddedness indicates how a specific (national) institutional setting is translated in a local (or sub-national) one as the result of the use of available (power) resources. In turn, the strategic setting creates power resources available to different interest groups, which can be mobilised to create shared goals reflected in the employment relationship (Bélanger and Edwards, 2007).

One substantive area of compromise between management and labour in MNCs' subsidiaries relates to flexibility and security. These are confrontational areas of employment practice driven by competing demands from the market economy and business interests for efficiencies and profits on the one hand, against the social interests of assuring employees have access to quality jobs and fair wages, on the other (Crouch, 2012). The sort of social compromise on flexibility/security in an MNC environment is complex due to the variety of power resources at play (Pulignano et al., 2016). For example, subsidiary-subsidiary, and subsidiary-headquarters relations represent two distinct axes of power relations, which create a context of 'internal regime competition', fostering political games distinctive of MNCs (Edwards et al., 2006). Because of the internal regime competition which is nurtured by HQ, managers and unions operating at the subsidiary level may be more sensitive to the negotiation of innovative arrangements and compromises (Bélanger et al., 1999; Kristensen and Zeitlin, 2005), albeit on the basis of distinct rationales. In other words, the sort of compromise reached may be different depending on HQ control or subsidiaries' relative discretion. As such, the way in which the co-existence of cooperation and conflict is dealt with through employment relationships could give rise to compromises in subsidiaries that have the power to achieve shared goals (i.e. benefits between local management and labour) and those that do not (Bélanger and Edwards, 2007:716). In the context of the employment compromise, an outcome which achieves shared goals could be described as a positive-sum flexibility-security compromise. Where no shared benefit can be achieved for either local management or labour, and instead one party gains at the expense of the other, the result could be described as a negative-sum compromise.

We propose that the positive-sum and negative-sum compromises are influenced by the power-capabilities subsidiaries' actors (i.e. management and labour) can use as agents to strengthen the subsidiary's competitive position vis-à-vis the peer subsidiaries when compromising on flexibility and security. These power-capabilities thereby enable subsidiary managers to better negotiate their relationship with HQ, and subsidiary labour to better negotiate with local management. A key source of power-capabilities is the strategic sub-national context where the subsidiary-subsidiary and the subsidiary-headquarters relationships are set, and where the local power resources exist depending on the subsidiary's degree of local embeddedness. Which are these power-capabilities and how they condition social compromise is discussed further below.

Understanding the conditions of compromise in MNCs

Much work has conceptualised subsidiaries as active strategists within the wider MNC (Bélanger et al., 1999; Kristiansen and Zeitlin, 2005). These studies have emphasised the power-capabilities subsidiaries can use in their relationship with HQ. These capabilities provide to subsidiary actors resources to engage in particular types of collaborative or consensual action (Morgan and Kristensen, 2006). Specifically, strategic resources comprising those both within (i.e. organisational) and outside (i.e. national institutional context) the subsidiary's local environment are important for subsidiary actors to gain power in the relationship with the HQ, while competing with peer subsidiaries (Bouquet and Birkinshaw, 2008). However, power-based approaches to institutional analysis adopted by industrial relations scholars in their comparative studies illustrate how although distinct features of national regulatory settings contribute to explaining change in employment relationships, they do not determine these changes. Decline in union density and bargaining coverage as well as changes in capital markets which have increased the 'shareholder' orientation of the firm, processes of fragmentation through the global value chain and liberalisation and increasingly varied employer strategies have weakened the causal relationship between national institutions and employment outcomes.

We consider institutions as dynamic and we explain how they translate into concrete policies and practices within different local contexts. This means to recognise the importance of local embeddedness and to study the conditions and processes which convey how workers and management, and management themselves, come to compromise within these contexts.

Strategic power-resources as mechanisms of compromise

Strategic power resources are anchored in the relative control that management and labour have over deployment of investment and human capital in firms. Co-operation or conflict prevails based on how 'concerns' (Edwards et al., 2006:126) for resources are used in the short and longer term. The nature of technology, embeddedness of firms in local resource networks, which include institutional and regulatory settings, and the control structures used in the MNC provide opportunities for management and labour to access resources to trade in negotiations.

<u>Technology</u>: refers here to the physical aspects of production (Barley, 1988). Strategic control over workers will vary around the technology in use. Some simple technologies parcel work into individual and standardised tasks, which do not require specific skills and expertise, thereby they entail little worker autonomy and little time for interaction among workers. Moreover, simple technologies and formalised rules and procedures reduce face-to-face contact between workers (unions) and management. It also constrains managerial discretion that can be used unevenly to reduce workers' autonomy (Kalleberg et al., 1996). The autonomy-constraining and autonomy-enhancing effects of technology

are contingent upon the relative power of the workers to influence the choices and implementation of these choices in the labour process (Vallas, 1993). Wright (1997) argues that skills and expertise enhance the workers' power in the labour market and labour process because of skilled workers' scarcity and difficulties by management in monitoring them. In situations of high workers' experience and skills, power lies with labour, opening up opportunity for discretion-enhancing effects for both labour and management, thereby increasing the scope for compromises, and enabling the subsidiary to negotiate its relationship with the HQ while retaining a competitive position vis-à-vis its peers.

Embeddedness: The subsidiary's integration (embeddedness) in local labour markets, industrial and employment relations systems, production networks, knowledge and skills systems also concur to structure local actors' behaviour and autonomy towards the HQ (Morgan and Kristensen, 2006). It offers to local actors the capacity to "purchase over the power of process" (Ferner et al., 2012:173). Embedded actors are found where production networks with local (business) partners (e.g. suppliers and customers, schools, training centres) and governments are supportive, and where the scope of the subsidiary activity (e.g. R&D, sales, manufacturing) is important. Macro-institutional contexts also offer to subsidiary actors power capabilities they can use in their local context (Ferner et al., 2006). Therefore, actors can use institutional legacies in ways that can weaken, re-invigorate or develop new governance mechanisms for the regulation of employment. In particular, the possession of power resources stemming from rights and benefits (e.g. co-determination rights in Germany and unemployment benefits as part of the Ghent system in Belgium) derives from the host labour market and employment regulatory framework. However, the capacity to mobilise these power resources depends on the subsidiary' actors' capability to leverage them while collaborating with suppliers, unions, local governments and R&D institutions to be able to arrange positive-sum compromises. For example, Almond (2011) points to the significance of locally embedded flexible high-skills ecosystems that drive innovation and provide subsidiary actors with power resources to negotiate with HQ. Regulatory contexts are part of these ecosystems. The strong institutional position of worker representatives in Germany due to participation rights and negotiation power enjoyed by 'dual system' representative systems (Turner, 1991), combined with encompassing sectoral bargaining structures, may facilitate consensus-led cooperation. On the other hand, however, it is an empirical question to examine how weakened co-ordinated industrial relations institutions in Germany (Hassel, 1999) impact on the support works councils used to grant to the employer in achieving the aims of the enterprise, and therefore on the local actors' capacity to achieve consensus-led compromise. This is because local negotiations on employment issues within distinctive work settings may become more difficult within less encompassing sectoral bargaining structures. By the same token, and conversely, high trade union density combined with a real threat of strike, such as in Belgium[1], may lead management to not defect from mutual obligations. Because in this example the balance of power at the workplace level skews towards the labour side, hence leading management to arrange compromises which are conflict- rather than consensus-led.

Hence, locally embedded subsidiary actors are more likely to benefit from the propensity to shape, and thereby accommodate, their relationships with peers and the HQ, around employment depending on the capacity to use different power resources. As abovementioned this capacity is inscribed in the degree of actors' embeddedness within their local (inclusive national) contexts. However, when production routines are identical across countries, which implies that products are standardised, and product markets are unpredictable and instable, (subsidiary) managers (and workforce) can more readily compare across countries. In such situation, the capacity of actors (particularly labour) to exercise national institutional rights and benefits for positive-sum compromise may be more difficult as subsidiary capacity for discretion is more limited (negative-sum compromise). Under such conditions, locally embeddedness is more difficult, as local actors miss the discretion required to think strategically about the subsidiary's future. The standardisation across subsidiaries can create internal competition tailored to create conflict rather than cooperation across subsidiaries to win mandates and secure

[1] In 2009-2015, Belgium featured 89 (versus 19 in Germany) days not worked because of industrial action (https://www.etui.org/Topics/Trade-union-renewal-and-mobilisation/Strikes-in-Europe-version-3-July-2016).

investment; and subsidiary managers are not in a position to offer high levels of workforce security. Conversely, in stable and predictable product markets, with differentiated products, produced in sophisticated production processes, by locally embedded subsidiary's actors, management can afford to offer a higher degree of security, and improved working conditions (Amable and Gatti, 2004), as the basis of cooperative (positive-sum) employment relations.

MNC control structures: When examining the power relationships between subsidiary and HQ, the preferences for control are illustrated as a function of the country-of-origin. HQs may seek to control a subsidiary more directly by setting policies; or more indirectly by monitoring outcomes. Moreover, they may achieve control by bureaucratic means, such as impersonal policies, rules, procedures, and programs or it may rely on social interactions among people, for example, by placing HQ personnel in key positions in subsidiaries (Harzing, 1999). Case study evidence (Almond and Ferner, 2006) illustrates that distinctions in control settings in MNCs often echo diversity in the country of origin of the MNC and the character of global policy. Accordingly, US MNCs mostly rely on formal, codified, and standardised global policies and monitoring systems in contrast to greater use of direct personal control through expatriate managers, which is typical of non-US MNCs, e.g. Japanese and French MNCs where personal control through expatriate managers, socialised in the implicit cognitive framework of the parent company, occurs (Chung et al. 2006; McDonnell et al., 2012). As Ferner et al. (2013)

argue, control may be accompanied by high formal levels of subsidiary discretion, since HQ control is in effect internalised within the subsidiary. This may be the case because by translating HQ policy to the subsidiary, expatriates become the bridge between HQ and subsidiary. Thereby, subsidiaries with higher discretion as the result of having an expatriate *in loco* may be in a better position to compromise on the terms of entry of a specific employment practice. Given the arguments above we would suggest:

Proposition 1: structuring antecedents that enable a positive-sum *(or negative–sum)* flexibility-security compromises to emerge are technology, embeddedness and MNC control structures that enable *(or constrain)* subsidiary managers' autonomy from HQ and local labour autonomy from local management.

Proposition 2: consensual *(or conflictual)* institutional features structure antecedents that enable positive-sum *(or negative-sum)* flexibility-security compromises to emerge in subsidiaries characterised by high (*low*) local discretion.

Methodology and research design

This paper uses comparative case studies of six subsidiaries of three MNCs, each with a subsidiary located in Belgium and in Germany, and each with a focus on local bargaining on flexibility and security. Preliminary desk research identified organisations in the manufacturing sector that, on face validity, provided heterogeneity in our strategic resources of interest: technology, local embeddedness, corporate (MNC) control structure. The firms selected for and included in the analysis were chosen for theoretical reasons to allow us to scrutinize how the dynamics of these strategic resources may give rise to different outcomes (Glaser and Strauss, 1967). For this reason it was important that the MNC: (1) had distinctive HQ control regimes and for the purposes here we focused on US and non-US MNCs (Ferner et al., 2013); (2) had different opportunities for embedding which might arise from technology structures as well as country contexts and local (i.e. local government, unions, suppliers) networks (Almond, 2011). However, we retained a degree of control over the nature of the production process by constraining the sector. The three firms are as follows:

SaCo: US-MNC in the automotive and ship-building sector, market leader but exposed to strong international competition. It uses automated technology, and it controls its subsidiaries by a mix of giving financial and performance targets and sending one US-expatriate to each subsidiary to monitor the subsidiary's compliance with corporate processes and values. In Belgium, the firm counts 2,500 employees and 1,700 in Germany.

AsCo: US-MNC serving the automotive component sub-sector, operating through a range of global brands, and using a highly-automated assembly line. AsCo controls its subsidiaries through setting annual financial and performance targets. The HQ uses the key ratios reported quarterly by subsidiaries for coercive comparisons. 1,500 employees work at the German site and 1,600 at the Belgian one.

AdCo: It is a partially state-owned French high-tech MNC with a strong R&D-base. It serves customers in the public sector and world-leading companies in transport. Control is mainly exercised by a centralised company policy, and by sending French expatriate managers to the subsidiaries. Its workforce is 4,300 in Germany and 600 in Belgium.

Data collection and analysis

Initially, MNCs and their characteristics were identified and gathered through secondary data sources from websites and company documents. However, the principal data collection instrument thereafter was semi-structured interviews with a total of 43 informants (central and local management, national, industry and workplace unions and works councillors) in six workplaces in two countries (see table 1). Generally, we interviewed at least two local managers and two employee representatives in each workplace where possible. Yet, in the German AdCo plant, there was only one local HR manager in place who we interviewed. In order to avoid the possible bias this may have caused, we have triangulated different kinds of qualitative data, such as interview data, field-notes from site visits and secondary data (e.g. corporate brochures, collective agreements).

[Table 1 about here]

The empirical investigation was conducted in 2011-2012, with follow-up interviews with one or two key informants in 2013 (see Table 1) to track the effects of strategic and institutional antecedents on outcomes, identifying their sustainability over time. Interviews were conducted by different researchers with a good knowledge on the country's institutional system and with native or near-native language skills. Interviews were semi-structured, therefore, the involved researchers followed a theory-inspired interview protocol that was shared among the different researchers and which was amended several times collectively in the light of the continuous addition of new data. Therefore, the adaptations were discussed by the researchers in regular project meetings. Such meetings were also important to check inter-observer consistency and internal reliability of the qualitative data (Long and Johnson, 2000). Interviews lasted 90-120 minutes, were recorded and transcribed, and provided insights into the local negotiations regarding flexibility and security. We covered these topics in interviews with respondents at different points in time to improve the validity of data.

As indicated earlier semi-structured interviews were supplemented by observations of workplace production processes as well as extensive site visits (the resulting field notes were coded, too). Additional data sources were collective agreements at inter-sector, sector and company levels (in each workplace, we asked particularly for mostly confidential workplace- and company-level agreements), corporate publications, press reports, company and trade union websites. Such materials helped us to sketch a comprehensive picture of each workplace/company case.

The gathered primary and secondary data were coded with the help of NVivo to structure and to analyse it. The codebook was built on a theory-inspired interview protocol including the variables discussed in the theoretical framework of the paper. A first step of analysis was to scan interview transcriptions and observation notes to generate a list of tentative codes at the level of the subsidiary (Bryman, 2008). However, the codebook evolved over time when more data were collected and subsequently added to the database. Such adaptations were stimulated by continuous discussions among research team members involved in the coding process, ensuring the integration of multiple perspectives when working with the data. Using different data sources (i.e. mix of primary and secondary data) and involving the perspectives of various researchers improved validity and provided a comprehensive representation of the local bargaining processes. In this respect, it may be argued that validity in this study pertains to the accounts or conclusions reached by using a qualitative multi-case study comparative method in a particular context for a particular purpose, defined by Maxwell (2012) as a 'realist' approach to validity. We worked with hierarchical nodes to interrelate local practices of flexibility and security. We returned to the data regularly to evaluate the previously defined nodes as well as the relationship between hierarchical nodes. After all the data had been collected and integrated in our database, we analysed each of the cases separately to examine the observed flexibility- and security-combinations, which gave rise to the coding concept of compromise (Strauss and Corbin, 1990). Specifically, we looked at the way security was negotiated in each subsidiary (e.g. based on concessions in exchange for flexibility or consensus independent of flexibility) to analyse its effects on the workforce and the viability of the subsidiary. At this stage, we limited our analysis to technology, embeddedness and control. Since this analysis made clear that there was more similarity within subsidiaries of the same MNC than across subsidiaries of different MNCs in the same country, we pursued another analysis based on the MNC-level to have a clear view on similarities and differences among subsidiaries belonging to the same MNC. Finally, we performed a last analysis adding institutions.

Overall, there are three major aspects in the data collection and analysis that highlight qualitative rigor (Gioia et al., 2013). Firstly, different techniques of data collection were applied to get rich data and in-depth insights. Secondly, the data were carefully analysed in several subsequent steps. Finally, the process of data collection, coding and analysis involved a team of researchers, which ensures the integration of multiple perspectives.

Findings

Technology, embeddedness and control (proposition 1)

Within SaCo and AsCo workforces were mostly engaged in simple, repetitive tasks, following the formalised rules and procedures indicated by management. There was a constant threat of production relocation, developed through internal benchmarking across subsidiaries which was facilitated by the standardisation of products. Moreover, the subsidiaries generally had only weak ties to their host context which further reinforced threats of relocation. Under the constant HQ pressure to reduce costs and improve productivity, local management in both MNCs' subsidiaries focused on increasing flexibility and cutting costs to safeguard the continuity of the local operations. Because of the low market power and the relatively weak worker autonomy, labour lacked the capacity to influence management's decisions in local negotiations, which complicated reaching compromises.

Aside tight indirect control through setting financial and performance targets and benchmarking from the HQ, however, each subsidiary in SaCo could count on the presence of an expatriate from the headquarters in the function of general manager. This offered scope to control local resources, but also offered the subsidiary support through the expatriate manager's translation of headquarters' requirements to the subsidiary context. This point was illustrated by the Vice President of HR in SaCo who noted the role of expatriate managers in translating priorities and finding solutions even when firms are subsidiaries are operating in competition:

'We put plants into comparison all the time. I know what the cost level of this facility is compared to China, North America, Brazil. Having a high-level manager in the

subsidiary helps in the exercise of continuous inter-plant comparison but we have to recognise that it also helps the subsidiary to find solutions when they are needed.' (Vice President HR Europe, SaCo)

In the mid-2000s, SaCo's German subsidiary got into the red when product demand decreased by about 50% and consequently, volumes declined. To limit the incurred losses, HQ demanded substantial increases in flexibility and costs cuts. Under the imminent threat of closure, local management and the works council engaged in workplace bargaining to safeguard the subsidiary. The subsidiary's expatriate manager played a crucial role, hence conveying the HQ message that if the plant did not reach the required targets, it would be closed.

'There is a general shift of production and capacity to the East; it's cheaper to produce there. China and Brazil clearly are the two main poles of SaCo now. The capacity is installed there, not really in Europe. So the main question is: does SaCo need facilities in Europe?' (HR Manager Belgium, SaCo)

The concluded agreement (compromise) contained concessions by labour to avoid closure: it foresaw a 20% agency work quota to cut costs and enhance short-term flexibility, and the abolishment of non-statutory premiums (e.g. shift premiums).

Furthermore, working-time accounts and a flexible working-time corridor of 28 to 42 hours depending on production volume was implemented, with the possibly of changes on short notice. In exchange for the aforementioned measures, the works council negotiated a two-year employment guarantee for the regular workforce, and forced redundancies avoided. The concessions aimed at not taking too much away from local management and pleasing labour with a two-year employment guarantee in exchange for the wide-reaching changes. On the one hand, the volume drop was expected to be temporary, stressing the subsidiary's long-term prospects. On the other hand, the negotiated measures would increase the subsidiary's competitiveness vis-à-vis other subsidiaries and the market, which contributed to the positive economic outlook, too. Overall, the subsidiary could continue its operations, but working conditions became more flexible.

When cost competition intensified for SaCo in Belgium, the HQ threatened to relocate production because of the high wage levels compared to Mexico and Brazil. To avoid relocation, cutting costs combined with more flexibility was demanded by the HQ. Shortly after local negotiations had started, unions threatened to drop out and organise a strike, mainly because of local management's demand to use 20% agency work. Unions were confident about their claim because of their organisational strength. On the other hand, however, they were aware of the benefits of their strong links with the local context, such as collaboration with technical schools and universities to ensure the supply of skilled workers. Moreover, as a Belgian trade unionist told, the Belgian plant was strategically located in the centre of Europe, and it could benefit from good infrastructure which strengthened the subsidiary's position vis-à-vis the other subsidiaries:

'We are located in a technology park, with an airport nearby; there are also very competent training centres meaning that there is a supply with highly qualified workers.' (Belgian unionist, SaCO)

The embeddedness provided workers through the unions the opportunity to use these ties as an upward casual mechanism to negotiate employment conditions with the HQ. While the subsidiary's product market conditions endangered its operations, the relatively high degree of local embeddedness decreased the likelihood of closure by recovering labour from the autonomy-constraining effects of technology. Local management, local unions and the expatriate managers alike were aware of this, and local unions wanted to use this awareness as a lever to block agency work. Therefore, the expatriate manager proposed a bundle of concessions fitting the requirements of the HQ, but also partially those of local actors. Agency work was banned, but a 10% increase in fixed-term work as well as compensated working-time extensions were agreed in exchange to deal with workload fluctuations. At the same time, management gave consent to the unions' request of introducing employment paths, regulating that workers entering the company on fixed-term contracts would be upgraded to permanent ones after one to three years. This fulfilled the unions' demand of increasing job security. Like in Germany, the expatriate facilitated the compromise, by bridging HQ with local actors' demands of safeguarding operations and raising security.

Data for the second US-MNC shows a different pattern of relationships. The high number of competitors placed AsCo's subsidiaries in a weak position. As market entry barriers were very low, economic pressure increased due to competition from East Asia offering products at comparably low prices. Furthermore, a European HR manager stated that using simple automatised technology for manufacturing standardised products facilitated benchmarking, leading to continuous threats of plant closure and production relocation.

'We already have competitors from China and the Far East that come to Europe. We do not yet know whether our European plants will continue assembly in the future. In ten years the situation will be completely different. As long as we are cost-competitive, the production will stay here. But the assembly in the Western countries will surely decrease. This may affect the number of our European subsidiaries.' (European HR Manager, AsCo)

Due to these conditions, AsCo's market power was limited, which had implications for local bargaining, as the resources to be divided were scarce and labour was able to leverage power vis-à-vis capital. Moreover, subsidiaries were barely embedded, so there were no links with the local environment that would have increased stability and at least partially prevented relocation threats. The HQ controlled its subsidiaries by setting short-term performance targets – autonomy was given to subsidiary for implementation of targets, but as the Vice President HR Europe argues there was no opportunity for renegotiation of targets nor their translation through, for instance, expatriate managers:

'Local managers they have to follow the corporate procedures. There is an annual budget process that means for the next year you have to agree with HQ what will you spend, what will be your revenue. Once agreed to the numbers, you have a lot of freedom to execute.' (Vice President HR Europe, AsCo)

Just-in-time production meant that the requested flexibility often came without security in return, with customers dictating flexible production and order quantities. The German subsidiary's clients could change volumes every week, causing problems in organising work internally. Management thus demanded using a 15% agency work quota (extendable to up to 40% during the holiday season) to react to fluctuations in volume changes. The works council found few legitimate grounds for challenge because the viability of the plant depended on customer revenues, and to create such revenues, high levels of flexibility were required. Moreover, to increase cost competitiveness, there was an unpaid working time extension of 2.5 hours per week and Saturday was treated as a normal working day without premiums. Although the works council generally wanted to avoid such practices, the internal competition used by HQ meant the subsidiary was in a weak competitive position relative to its counterparts in Poland and Mexico. A German work councillor reported that high flexibility and low costs where the key metrics impacting the subsidiary's success for internal bids and in the absence of expatriate managers, local management was left with few alternatives:

'To generate a profit of € 5 million, the sales volume must be at least € 250 million. The Polish plant might only need € 100 million to generate the same profit. The unpaid 30 minutes per day help us to increase our competitiveness.' (German works councillor, AsCo)

AsCo's Belgian subsidiary struggled with similar pressures. Constant relocation threats from the HQ based on benchmarking, and customer demands in terms of costs and flexibility had to be accommodated to safeguard the plant at least in the short-run. The main way to deal with customer pressure was using 10% fixed-term and 5% agency work. Furthermore, the plant's adaptability was improved by strengthening functional flexibility, as workers were required to be able to work at three different workstations or more. Using the threat of strike by unions to resist management demands was not realistic as costly work interruptions would have disturbed customer relations, downgraded the plant’s position vis-à-vis peer subsidiaries, and severely endangering the continuation of operations. This bundle of measures was negotiated between subsidiary level actors only working within tightly defined resource constraints. There was no bridge to HQ strategic decisions via expatriates and thus no opportunity for the rules to be challenged or renegotiated.

Overall, flexibility levels were high in AsCo’s subsidiaries, resulting from pressure from the market, the customers and the HQ alike. The combination of high competition, simple automated technology, standardised products, a disconnect from the local context, tight indirect control via benchmarking and the lack of a relational bridge to HQ constrained subsidiary managers’ autonomy from HQ and labour autonomy from local management; thereby stifling compromise on how to combine flexibility and security (negative-sum flexibility-security compromise).

The structural conditions were very different for the French AdCo. Low competitive pressures due to a limited number of competitors and strong market entry barriers, combined with the long-term character of orders, fulfilled by experienced and skilled workforces, created the terrain where unions and management could engage in compromising on flexibility and security. This was facilitated by benchmarking being merely possible because of the differentiated and mostly custom-built nature of the product, and by the close HQ-subsidiaries links, which were realised by relatively centralised company policies, and the delegation of expatriates to all subsidiaries. French expatriates filled middle and high local management positions, which enhanced coordinating strategies between the two levels and translating HQ requests to the subsidiary context. AdCo mainly attracted public orders, which implicitly protected the subsidiaries, because public bodies requested spending taxpayers' money in the same country to stabilise local employment. Furthermore, due to the skilled workforce, corporate subsidiaries in Belgium and Germany developed strong ties with technical schools and universities to ensure the skills supply. Hence, subsidiaries' degree of local embeddedness was high, and closing down a subsidiary in Belgium or/and Germany was unlikely, as it would have meant the loss of an entire market due to the requirement of local production. This favourable strategic context underlines the company's subsidiaries' high market power, which facilitated local bargaining on flexibility-security, as comparably more resources were to be divided in AdCo – as a European Works Councillor reported - than in the case of SaCo and AsCo.

'The advantage of such a high degree of centralisation is that the plants will never get into financial trouble. If small companies lose a customer or are not paid in time, they will immediately come into difficulties with the banks and so on. This will never happen to us.' (European works councillor, AdCo)

The specialisation of AdCo's subsidiaries facilitated finding local solutions meeting the requirements of the customer, the workforce and the HQ alike. By reflecting proximity between the plant and the HQ, expatriate managers at different hierarchical levels cooperated with local management and labour to implement the centralised corporate policy as here recalled by the European Vice President HR in AdCo.

'It's obvious then since we are part of a large group, central policies are in some way applied. So, the autonomy we have at the subsidiary level is an autonomy inside the group.' (European Vice President HR, AdCo)

Local actors in the German subsidiary could translate the high levels of stability in a set of practices combining flexibility and security for the workforce. Because of the high skilled workforce, including engineers and technicians specialised in high-tech sophisticated products, the expatriates' and local management's major concern was skill retention, and good working conditions as the main demand of the unions and the works councils. These shared objectives facilitated local bargaining and reaching compromise. Annual professional development plans for every employee were concluded to improve employability and build up long-term training- and career-related patterns within the organisation, and to increase functional flexibility in the long-run. Voluntary mobility schemes were implemented across subsidiaries for intercultural and professional training purposes. Works council and management agreed on introducing lifelong working-time accounts to accommodate workload peaks, with credited hours used for instance for sabbaticals or early retirement. The works council also demanded a wage scheme extending the amounts set at sector level, and management accommodated this request in the light of the need to retain the skilled workforce. Thus, above-tariff wages were used as recruitment tool and extra financial incentive, hence potentially increasing workforce loyalty. Expatriates supported local negotiations. As they knew which kind of policies the HQ requested for its subsidiaries, they could translate these requests to the subsidiary context, guaranteeing the fit with corporate policies, which strongly emphasised training issues.

The situation in the Belgian subsidiary was similar. Local unions strived for practices emphasising security, which could easily be brought in line with the company policy of skill retention. For instance, structured career- and development plans were implemented to ensure continuous personnel development as requested by the unions. Moreover, a voluntary inter-plant mobility scheme was negotiated allowing rotations aiming at up-skilling and retaining employees with specific technical skills. To deal with workload fluctuations, unions and local management agreed on long and compensated weekend shifts without incurring overtime. Generally, temporary work in AdCo's German and Belgian subsidiaries was only sporadically used for short-term assignments e.g. sickness. This was because AdCo's general company policy stressed skill-retention and long-term work relationships, which was facilitated by the stability and predictability of product markets and the long-term dimension of (public) orders. Moreover, local embeddedness contributed to increase the subsidiaries' high levels of stability. For example, training programs helped subsidiaries to deal with skill shortages. To ensure the supply with highly-skilled graduates, AdCo's subsidiaries in Germany and Belgium collaborated with universities in the region by offering extensive internship programs, encouraging graduates to write bachelor, master or PhD theses in collaboration with the subsidiaries. Flexibility could be achieved by working-time measures and the staff's functional flexibility, which was strengthened by continuous training efforts. On the other hand, the internalisation of control through expatriates at different hierarchical levels also contributed to local compromise, since it was targeted at implementing corporate policy locally.

Institutions (proposition 2)

Although Germany and Belgium are coordinated economies, differences in negotiation patterns exist which – as the VP HR in SaCo reports depend very much on the differences in the industrial relations settings and social climate.

'Lutte, avancer is used in Belgium, it's really fighting which can make collaboration difficult. In Germany it's not us and they, but us together, that is a major difference.' (VP HR, SaCo)

The rhetoric of conflict is particularly manifest in the Belgian subsidiaries of SaCo and AsCo. In SaCo, local unions threatened management with industrial action to make clear their disagreement to use agency work. As a local HR Manager reports management accepted the unions' request because they were aware that with a local membership of about 95% a strike would have led to costly work interruptions.

'Being in conflict is like playing Russian roulette, as you start to negotiate and nobody knows where it goes' (Local HR Manager, Belgium, SaCo).

Secondly, management was confident about the viability of the subsidiary because of its relatively high degree of local embeddedness and its strategic location in the heart of Europe, which was advantageous from a logistics point of view. Supported by the expatriate manager, local management in SaCo Belgium proposed a compromise including not only flexibility, but also job security in exchange. The outcome was a concessions-driven compromise.

In contrast, in AsCo Belgium, unions could hardly use any strike threats to push through security for the workforce. Due to comparatively low degrees of local embeddedness and the tight indirect control via benchmarking, the subsidiary's product market and organisational features caused even higher pressure than in SaCo. Thus, despite the relatively high local union density, unions considered abandoning the threat of strike as more beneficial so to not risk displeasing the HQ by producing adverse effects related to the subsidiary's position within the MNC and on the market in terms of worsening customer relations, which could have caused the subsidiary's ultimate closure. The result is a negative-sum flexibility-security compromise. In contrast, the situation in AdCo Belgium was different because of the favourable strategic context (high technology, differentiated products, low competition, high degree of local embeddedness, direct control via expatriates). Both companies' subsidiaries thus enjoyed high market power and stable profits, which opened scope for consensual negotiations as more resources could be divided between local management and labour than in the subsidiaries of SaCo and AsCo. Thus, in AdCo's subsidiaries, negotiations went smoothly and without threats of industrial action, as flexibility could easily be complemented with security based on shared interests of the bargaining parties. There was not need to engage in conflict to achieve the shared objective of providing flexibility (working-time measures, functional flexibility) and security (training, job security) (positive-sum flexibility-security compromise).

In Germany, the presence of co-determination rights may lead to the assumption that negotiation patterns are more consensual than in Belgium. This is because local management and the works council share both authority and responsibility, and are a sort of co-managers with regard to the workplace and its viability. A works councillor in AsCo describes the 'dual' role of serving the employees and the workplace alike as being caught 'between two stools'.

'There will not be a single decision without the involvement of the works council. We have always found together good solutions for all.' (German works councillor, SaCo)

The German subsidiaries of SaCo and AsCo had to cope with pressures of production relocation and plant closure. The fact that both subsidiaries operated in highly competitive markets, manufactured standardised goods based on the use of automated technology and were rather indirectly controlled meant that pressure evolved from both market and HQ. In SaCo Germany, the pressure to increase flexibility was met with the ultimate shared goal of finding a way to safeguard the plant. It was the result of the collaboration between local management and works council, with the support of the expatriate, on a bundle of flexibility measures and an employment guarantee in exchange for that (concession-driven compromise). On the other hand, a German works councillor argues that management strategically used the employment guarantee to engage the works council in a compromise.

'I am one of the men behind this company agreement and I took part in its negotiations. I am responsible for both the positive and the negative aspects of the agreement. But an agreement is always a compromise which helps both sides.' (German works councillor, *SaCo)*

Similarly, and despite high levels of pressure from the market and the HQ, negotiation patterns reflected co-management between local management and the works council in AsCo Germany. These negotiations pointed towards implementing local practices to safeguarding the continuity of the operations. Although the situation was tense, a strike was not considered a realistic option by the unions, because it would have endangered the relationships with local management, the HQ and customers, and thereby worsened the subsidiary's position within the MNC. Overall, unions did not engage in conflict but - as reported in the quote below by a German work councillor - they attempted to work jointly on finding solutions, sharing both authority and responsibility for the negotiated compromise (negative-sum flexibility and security compromise).

‘When difficult decisions were to be made we always sit together and discuss in an open way. We also always look at the alternatives: what would happen if we took this or that decision? When sitting together and arguing about the right way, we ask ourselves. How can the works council support the company? Everybody needs to have an ear for the concerns of the others.’ (German works councillor, AsCo)

Consensual patterns of negotiation were also observed in AdCo’s German subsidiaries, in which high levels of stability and security prevailed as the result of a favourable strategic context. This created the terrain for good relations between local management and works councils, and entailed consensual negotiations about the division of resources. In AdCo Germany, there has not been a strike for years. One reason, as emphasised by a works councillor, being ‘management involves the works council in all upcoming changes or processes, so generally the collaboration is trustworthy’, which is confirmed by management (positive-sum flexibility-security compromise): ’We work together trustworthy. Works councils hardly reject any of the management’s plans. We also do not fight for compromises’.

Discussion and conclusion

The findings (see Table 2) shed light on how the different types of strategic antecedents of flexibility-security compromises interact leading to both anticipated and unanticipated outcomes. Findings support the theoretically derived propositions, but extend these by shedding light on the interplay between these three strategic components – technology, local embeddedness and MNC control structures – and the potential learning that may arise. Thus a key theoretical insight from this work is the identification and explanation of the strategic mechanisms that are leveraged through subsidiary management and union agency to exploit ambiguities in the sub-national context and to legitimise flexibility-security outcomes. The evidence shows convergence across an MNC's subsidiaries in response to flexibility-security concerns, and the convergence that arises does not always reflect managerial gains at the cost of labour losses. Further, the within-MNC convergence is not reflected across the MNCs. In other words, the dynamic between firm resources and host institutional arrangements can generate new or innovative outcomes that transcend a dominant strategic or institutional logic alone. We suggest that it is the learning that takes place as part of the dynamic relationship between strategic and institutional conditions that is critical in explaining the results. Specifically, through the research design and analysis we identified and illustrate how the interplay between strategic and the host institutional contexts of Germany and Belgium created a common positive-sum gain across the subsidiaries of AdCo, despite the conflictual Belgian context. In contrast, common negative-sum gains were evidenced in the subsidiaries of AsCo despite the more consensual German institutional context. While in SaCo a new alternative outcome, which might be described as a hybrid outcome, emerged in its two subsidiaries i.e. a concession-based flexibility-security compromise. These results suggest that the strategic conditions have a powerful and predictable impact on stakeholder power resources. But it is the learning that occurs amongst the actors through the interplay between the mode of control within the strategic conditions and the institutional context that has the greatest potential to alter the nature of the compromise achieved, and potentially lead to new or innovative solutions. These findings and their implications are discussed in detail below.

[Table 2 about here]

First, support for a positive-sum gain was evidenced as predicted. Specifically we found that a positive-sum flexibility-security compromise was evidenced when a) locally embedded networks are prevalent, the nature of the technology of production allows greater local autonomy as a result of the stability of the product market and low competition, and control is internalised within the subsidiary through expatriates. This allows subsidiary managers discretion from HQs, thereby enabling them the space to orient toward longer term resource investment. It also opens up the space for the strategic value of labour to be renegotiated in terms of firm sustainability and not simply costs (Proposition 1); and when b) the national institutional framework is strong and more consensual (Proposition 2). These conditions were illustrated in the case material from AdCo, the French MNC operating in Germany. The case evidence suggested the supportive strategic structures had created sufficient resources for management to provide attractive training and working conditions in return for enhanced flexibility. In addition, the evidence suggests that historically consensual negotiations between management and workers had created favourable working relations that made reaching compromises easier and acceptable to the variety of stakeholders. However, the evidence also found that AdCo was also able to achieve a positive-sum flexibility-security compromise in the more conflictual Belgium context, thus contradicting Proposition 2. In explaining this apparent contradiction we found that the expatriate managers played a crucial role in translating HQ interests and framing these in a way that navigated the more potentially conflictual context. Here we suggest our work makes an important contribution to the literature as it demonstrates the role of the expatriate manager in the learning processes that arise during the dynamic between institutional and strategic influences (Bélanger et al., 1999). Organisational knowledge sharing and learning through mobile staffing exchanges are recognised as important in creating innovations in employment practices (Tregaskis et al., 2010; Edwards et al., 2010) but the work here demonstrates the crucial role of the expatriate in the practice innovations arising through political processes that incorporate knowledge of the external institutional environment. The evidence here would add to the emerging empirical work on how social exchanges created through personal control can act as a mechanism for interactive learning (Kristensen, 2015) and the role of subsidiary managers in addressing social concerns around labour use in its locality (Anonymous, 2017). In political games where the stakeholder interests differ it is arguable that the social exchanges are critical to enabling positive outcomes: something which cannot be achieved through centralised formal control.

Second, the analysis showed support for the antecedents of the negative-sum gain outcomes proposed whereby a negative-sum flexibility-security compromise is found where markets are less locally embedded, unpredictable and unstable, in turn reducing local management and labour's autonomy from HQ support, and where corporate control is not internalised within the subsidiary through expatriate managers, therefore limiting the autonomy of local management for HQ decision making (Proposition 1); and where the national institutional environment is strong but conflictual (Proposition 2). This was evidenced in AsCo operating in Belgium. Thus, here the tough market conditions had a profound effect on the resources available to local management and local workers, making compromises more difficult to achieve. The fact that even in the more consensual German institutional context positive outcomes could not be negotiated would add weight to the argument that strategic antecedents have a powerful structuring influence. Further, because the control mechanisms relied on indirect transactional monitoring rather than expatriate managers, then AsCo failed to create the social relational context through which HQ and local interests could be balanced, and were mutual goals could be developed and agreed (Herrigel, 2015). At the same time, arguably, the opportunity for learning to find alternative outcomes was absent because of the lack of a social relational context. Strategic structuring antecedents would appear to be dominant in setting employment outcomes only where local subsidiary power resources are weak. The use of indirect benchmarking set the rules of the game and have been found to lead to short-term opportunism (Belangér et al., 1999), which can undermine the opportunity for subsidiaries to engage in more creative sustainable entrepreneurial activity (Kristensen and Zeitlin, 2005). Our findings add to understanding the dynamics of power games by illustrating how the absence of social exchanges limit the pathways by which employment compromises are reached.

Third, the conditioning impact of the institutional context on the flexibility-security compromise reached was inconsistent. Specifically in the French MNC, AdCo, a positive-sum flexibility-security compromise was reached even when the conflictual Belgium context might have theoretically suggested otherwise. At the same time, the compromise outcomes for the two US-owned MNCs' subsidiaries were not consistent with those theorised. These results are important for they suggest that by examining different types of antecedents in tandem, in this case strategic and institutional, it provides a more nuanced understanding of the trade-offs taking place. The analysis here would suggest that whilst the institutional context is important in defining the issues which can be negotiated i.e. that are more amenable or acceptable to local stakeholders and thus the degree of conflict likely to be encountered, it is the strategic antecedents with respect to the nature of the technology of production that set the tone/rules for the negotiations.

Strategic efficiencies were demanded by all firms, but where the nature of the technology of production afforded local workforces skilled autonomy and management discretion in the use of skilled autonomy then local stakeholders had greater resources to trade and generate alternative choices.

Fourth, the analysis revealed a hybrid outcome which we defined as a concession-based flexibility and security compromise, evidenced in SaCo. This finding is significant because the comparative research design has enabled us to isolate the two drivers underpinning the creation of this hybrid outcome, namely an engaged expatriate manager and locally embedded subsidiary. This US-owned MNC with subsidiaries in Germany and Belgium faced the same adverse economic environment with the same technological resources. However, the Belgian subsidiary had strong local ties, which the union was able to lever for negotiation with the expatriate manager. The German subsidiary was less locally embedded but the expatriate manager played a particularly strong role in creating an acceptable package for the union and HQ. Thus the same outcome was achieved in both subsidiaries of the MNC, but the path differed. We also found important influence exerted through expatriate control and local embeddedness in the French firms. Theoretically this finding suggests dominant influences of adverse market effects can potentially be offset by the use of personal control as a power resource for management to negotiate an alternative outcome or by local embeddedness as a worker power resource to help negotiate an alternative outcome. In both instances the worker and management actors engaged in, or built upon, resource-building strategies to create sustainable employment outcomes for the subsidiary and HQ; absence of these elements may lead to the more predictable negative-sum flexibility-security compromise.

The research also has some limitations. Our work focused on one sector. There may be sector influences that impact on the structuring antecedents available to subsidiary actors and the extent to which these can be leveraged. Our work also examined subsidiaries from two institutional environments, sharing coordinated market governance structures and in so doing demonstrated the heterogeneity in the causal levers used by the subsidiary actors. Similar to studies of MNCs in developing economies, such as China (e.g. Zhu, 2015), intra-institutional heterogeneity warrants further investigation and would build on the current limited work demonstrating heterogeneity across countries that are traditionally clustered together (Gooderham et al., 2014).

In conclusion, we would suggest there are three generic contributions of this research. First, by examining multiple strategic and institutional structuring conditions in tandem we tease out the ways in which these antecedents have contributed to political games. Theoretically we suggest that local embeddedness and personal control through the use of expatriates are key factors shaping how the resources generated through market conditions are subsequently used to negotiate the employment outcomes across different institutional contexts. Second, our ability to identify the antecedents in the power games for employment compromises suggests that the convergence within the MNCs' subsidiaries was driven by strategic concerns, particularly influence from expatriate managers. The role of the expatriate afforded the subsidiary greater discretion to engage in negotiations supporting work by Ferner et al. (2006). But importantly this discretion may not lead to divergent subsidiary approaches across the MNC. Instead the empirical evidence indicates that within the same multinational expatriate managers can bring about the same employment outcomes, but use their discretion to navigate the route through leveraging the relevant power resources given the strategic and the institutional conditions. Finally, the research makes a methodological contribution to the field of international comparative employment studies. Data collection over a three-year period enabled the tracking of the effects of antecedents on outcomes and the sustainability of those outcomes over time. Therefore this research design enabled the casual paths underpinning the dynamics of political games involving multiple actors and across multiple contexts i.e. organisational and local institutional. In so doing it answers the calls for more emphasis on understanding the dynamics of change in MNCs (Edwards et al., 2014). Our work, in particular, demonstrates the significance of the learning capability at the level of local management and labour actors in generating novel solutions.

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Table 1: Overview of interviews

	Local management	Local unions	Central management	National/sectoral unions
Belgium	SaCo: 3 (one follow-up) AsCO: 2 AdCo: 2	SaCo: 2 AsCO: 3 (one follow-up) AdCo: 2 (one follow-up)	SaCo: 2 AsCO: 2 AdCo: 1	4
Germany	SaCo: 3 (one follow-up) AsCO: 2 AdCo: 1	SaCo: 2 AsCO: 6 (two follow-up) AdCo: 3 (one follow-up)		3
Total	13	18	5	7

Table 2: Summary of the structuring antecedents and flexibility-security compromise outcomes

	SaCo (USA)		***AsCo (USA)***		***AdCo (France)***	
	DE	***BE***	***DE***	***BE***	***DE***	***BE***
Subsidiary characteristics						
Number of employees	1,700	2,500	1,500	1,600	4,300	600
Union density	80%	95%	75%	95%	25%	85%
Market						
Competition	High		High		Low	
Nature of the product	Standardised		Standardised		Differentiated, highly customised	
Strategic antecedents						
Technology	Automated assembly lines		Automated assembly lines, rigid, continuous production process		High-tech adapted according to the customers' requirements	
Local embeddedness	Low	Medium	Low	Low	High	High
MNC control structures	Hybrid, mix of in/direct control		Indirect, based on benchmarking		Direct, via expatriate managers	
National employment relations system	consensual	conflictual	consensual	conflictual	consensual	conflictual
Outcome	Concession-based flexibility/security compromise		Negative-sum flexibility/security compromise		Positive-sum flexibility/security compromise	