Towards a multi-organizational practice perspective on implementation: Labor standards in global production networks

by

Kadire Zeynep Sayım*, Michael Fichter**, Markus Helfen***, Jörg Sydow***

* Bilkent University, Faculty of Business Administration, 06800, Ankara, Turkey
kzeynep@bilkent.edu.tr

** Institute of Political Science, Free University of Berlin, Ihnestr. 21, 14195 Berlin, Germany
michael.fichter@fu-berlin.de

*** Department of Management, Free University of Berlin, Boltzmannstr. 20, 14195, Berlin, Germany
markus.helfen@fu-berlin.de ; joerg.sydow@fu-berlin.de

1

Introduction

International Framework Agreements (IFAs) are still a unique approach to regulating global labor relations, but they are increasingly drawing the attention of academics and practitioners. In contrast to usually unilateral and voluntary character of corporate social responsibility (CSR), IFAs are based upon a bilateral agreement between transnational corporations (TNCs) and global union federations (GUFs). As implied by the term "framework", IFAs are intended to provide a delineated space for the improvement of labor conditions and labor relations throughout the operations of a TNC and its "global production network" (GPN) (Coe et al. 2008). In fact, a very significant aspect of IFAs lies in their coverage of GPNs of TNCs, including their subsidiaries and suppliers, which are shifting more to less-developed economies. As such, although the IFAs have two signatories, there are more groups of actors involved in the negotiation and particularly implementation process. Lastly, the coverage of these "bilateral" agreements, which in practice are multi-organizational, has been gradually increasing particularly since 2000. Over a decade after the first IFA had been signed, only eight IFAs had been negotiated between the management of TNCs and GUFs in 2000 (Gallin 2008), while ten years later there are now around 80.

Drawing on our assessment of the key issues, problems and challenges in the IFA process as a whole, it is our intention in this paper to construct a typology of the IFA implementation process resulting in an IFA Implementation Scale (IS). Our starting point is a *multi-organizational practice perspective*. In essence, we conceive the implementation of such an agreement in practice as both a means and an outcome of the interaction of many organizations acting "on behalf" of capital and labor; an interaction that is contested and takes place in an institutionally complex and potentially diverse environment that structures and is structured by this interaction (Giddens 1984). Using data collected from various parties involved in the negotiation and implementation process of an IFA, we aim to differentiate between distinct types of implementation in TNCs and their GPNs, including their subsidiaries and suppliers in various countries, resulting in a range of typologies. We further intend to develop an IFA-Implementation Scale (IS) using the three core practices we identify for a "full scale" implementation. While it is not always possible to find fully implemented IFAs throughout the GPN of TNCs, we aim to develop an analytical tool that will help understand different levels of implementation on the "full-scale" and non-implementation spectrum and the reasons behind.

A Multi-organizational Practice Perspective on IFA Implementation

While an IFA is by definition an agreement signed by one (or more) GUFs and the management of a TNC, a closer look at the signatures on the agreement points to the involvement of other organizations on the labor side. Our analysis of the negotiation process (Fichter et al. 2011) and the work of others (e.g. Hammer 2005; Papadakis 2011) shows that the national unions in the home country of the TNC and (European) works councils are frequently important actors on the "labor" side. On the "capital" side, central management typically reserves the exclusive right to negotiate on behalf of the TNC, although its policies are sometimes based on information exchange with a national employers' organization in consultation with the International Organization of Employers (IOE).

With the commencement of the implementation phase, the potential number of organizational actors involved is significantly increased. Beyond the signatory organizations, which remain involved via implementation and monitoring provisions, national and local representatives of capital and labor are directly charged with putting the agreement into practice. It is true that the implementation of the IFA is first and foremost the responsibility of the TNC, a commitment made by central management in signing the agreement.

While the thrust of management policy is a crucial and possibly the decisive determinant, our analysis of implementation would be too narrow if we were to restrict it to "management", which is itself characterized by diversity and interest politics. Besides the potential multiplicity of organizational actors in the category of "management", including those within a TNC and at independent firms in the GPN, we have a significant spectrum of organizational actors representing labor. Based on their involvement in the negotiation phase, GUFs and other representatives of labor such as home country trade unions and (European) works councils are predestined to want to have a say in implementation. Inasmuch as implementation is at the workplace, host country national and local unions as well as employee representative bodies, should they exist, may be involved. This range of "stakeholders" (Freeman 1984) is supplemented by state and supra-state agency and non-governmental organizations. In the process of implementation, headquarters as well as regional management may draw on the knowledge of not only these organizations but also of consultants and national and/or global employers' organization. For this reason we think it is useful to adopt a *multi-organizational* perspective on IFA implementation.

The outcome of IFA implementation, then, should be conceptualized as a process of structured and structuring interaction (Giddens 1984) of these organizations in the negotiation

and, in particular, the implementation phase of the agreement; an interaction taking place in a complex and diverse institutional environment that, at the same time, is reproduced or transformed by this very interaction. The result of this interaction, as much as the process itself, is contingent not only upon this environment but also upon the power relationships of the many organizations (collective actors) involved in the "contested fields" (Levy 2008; Amoore 2002) of labor relations in TNCs.

Consequently, the scope of an IFA as well as its implementation will vary substantially, not only from one corporation to another but also within one TNC and its global production network. For example, in comparing TNCs, the extent to which headquarters management has been able to dominate the IFA negotiations based on an existing active policy towards corporate social responsibility will probably be reflected in the IFA's implementation, possibly even in regard to legally independent businesses in the global production network. On the other hand, in an institutional environment with powerful and active unions, the implementation of the agreement may be more reflective of a strong input from the "labor" side. Indeed, the complexity of the overall process, combined with its geographical fragmentation and the involvement of a large number of autonomous and semi-autonomous – heterarchic" (Hedlund 1986) – organizations, will tend to lead to even more varying outcomes within a single TNC and its global production network.

For all these reasons we argue in favor of a multi-organizational perspective that focuses on the actual implementation *practices*. A (social) practice is conceived here as a recurrent pattern behavior or action, the reproduction of which is made more likely by routines, rules and procedures (Giddens 1984). In the case of IFAs, practices are negotiated and laid down in the signed agreement. The negotiation mode is particularly important if IFAs are to be implemented in GPNs because for good reasons inter-organizational networks are sometimes considered to be negotiation systems or at least dominantly coordinated by negotiations (Mayntz 1994).

Given these contingencies and the fragility of (inter-) organizational practices in general, the *outcome* of IFA implementation processes may vary widely. Due to the political nature of employment relations in particular, and corporate reality in general, we need to consider a wide range of responses (including non-responses) in regard to implementation. Such examples of "non-response" may occur when corporate management regards the IFA as only a confirmation of existing policies, i.e., in corporations that have adopted a proactive policy of corporate social responsibility (cf. Waddock 2008). Non-response may also occur when implementation capabilities or resources are lacking or where a symbolic approach to

management (Pfeffer 1981) is dominant. Therefore, on the one end of the spectrum we find the non-implementation of an IFA in the TNC because of a lack of implementation willingness and/or capacity, or because of severe organizational or inter-organizational "implementation problems".

At the other end we expect an implementation of the agreement in the global production network (i.e. including not only the TNCs and its foreign subsidiaries but also a significant number of their suppliers) that overcomes organizational and inter-organizational obstacles and constitutes some kind of promising, if not "best" practice (e.g. the practices of The Gap Inc., by Worley et al. 2010). All kinds of outcomes between these opposite ends of the spectrum are possible, including such aberrations as active avoidance or delay of the implementation or even the de-implementation of an IFA in parts of or in the entire GPN. A significant amount of diversity in management's implementation policies might be the result of the interplay of such factors as the degree of organizational hierarchy and the role of subsidiaries, information policies, available resources, and managerial prerogative may all affect corporate IFA policy, and ultimately, the extent of management's pursuit of implementation. Simply put, just as with corporate approaches to CSR, these factors can conceivably generate a management policy of formal implementation or embedded implementation, or a variety of partial implementation policies in between.

Any multi-organizational practice perspective on IFA implementation must allow for the fact that parts of the agreement (e.g. prohibition of child labor) are better implemented than others (e.g. recognition of unions). Towards such a more differentiated understanding of the (inter-) organizational implementation process, the following elements of the *content of an IFA* have to be distinguished:

(1) Recognition of all organizational representatives of "labor" and "capital". In the negotiation phase, these would be in particular central management of the TNC and the responsible GUF(s). In the implementation phase: the responsible national or local union and local management.

(2) The core labor standards set by the ILO and, possibly, additional labor standards concerning for instance working time, pay, workers' representatives, or health and safety issues.

(3) A robust, bottom-up feedback process for complaints.

(4) Conflict resolution mechanisms.

(5) Extension of the agreement beyond legally dependent subsidiaries to include for example alliance partners, joint ventures, etc. as well as suppliers and sub-contractors.

(6) A process-oriented plan of implementation.

(7) Specification of the appropriate resources needed (material, personal, organizational).

Taken together, these seven elements are the core of how we define and evaluate the content of an IFA. A strong IFA may go well beyond the core labor standards of the ILO, suppliers, contain monitoring and sanction mechanisms, and lay out detailed procedures for conflict resolution in the TNC and its network. Weak IFAs, by contrast, may be confined to the core labor standards, not include suppliers, abstain from monitoring and sanctioning, and not contain procedures for conflict resolution.

This bipolar understanding of the IFA's content – an embodiment of the negotiation process – has to be combined with the differentiated implementation of the agreement and its monitoring. Consequently, the implementation of the IFAs with different contents may also distinct. By using these bi-polar typologies of IFA content and implementation, we develop the following cases (see Figure 1).

	Implementation	
Content	"good"	"bad"
strong	**Case 1**	Case 3
weak	Case 2	**Case 4**

Figure 1: Content of IFA and type of implementation

Defining and Measuring Multi-Organizational Implementation: Towards an IFA Implementation Scale

Accordingly, we argue that a multi-dimensional and multi-level understanding of IFA implementation is needed. In light of our multi-organizational practice perspective we define *implementation of an IFA* as any practice that communicates, promotes, changes, transfers or at least stabilizes a certain (inter-) organizational practice that directly or indirectly improves or ensures minimum labor standards agreed upon in the negotiation process of an IFA; not only at the level of the headquarter of a TNC but also at the level of its subsidiaries and its important suppliers in the global production network.

For a "full scale" implementation of an IFA, we claim that at least *three types of practices* are important. The first type concerns the information dissemination and communication practices. The second type is marked by training practices while the third is operational, referring to the introduction of routines, rules and procedures as well as related organizational structures. Furthermore, in line with the multi-organizational practice perspective, implementation should be ideally conceived as a process of joint activity and decision-making by management and labor.

We define *information and communication practices* as the tools used to inform the public and employees (including managers) throughout the TNC and its global production network of the existence of the IFA. Similarly, we describe *training practices* as the existence and types of programs used by TNCs and GUFs individually and jointly to train employees and unions, as well as managements in the TNC's subsidiaries and global production networks. Lastly, *operational practices* are described as the willingness and/or capability of management (and unions, works councils etc.) to actually improve working conditions and labor relations throughout the TNC, its foreign subsidiaries and suppliers. Based upon our multi-organizational perspective on these three kinds of practices we propose an IFA-Implementation Scale (IFA-IS) that captures the recurrent activities of the IFA implementation process in the TNC and its global production network. To measure implementation with respect to these three dimensions, we concoct the instruments that reflect three blocks of indicators on the part of the representatives of "capital" and "labor", either separately or jointly (see Tables 1,2, and 3).

Methodology

In attempt to develop such an IFA-IS to structure and "measure" the extent of implementation, we will use data collected by our international project team in selected TNCs and GUFs. To reflect the multi-organizational nature of the process, it is attempted to include the related actors to the extent possible. Accordingly, primary data have been collected through semi-structured interviews with the management at the headquarters of the TNCs as well as their GPNs, including subsidiaries and suppliers (where possible) in different countries, reflecting 'capital' perspectives. For the 'labor' perspective, interviews with the GUFs (and works councils representatives, where applicable) have been complemented with those at the respective national unions and labor representatives at the subsidiaries and suppliers. We are primarily concerned with the four leading GUFs, i.e. IMF, ICEM, BWI, and UNI, as they have signed the largest number of IFAs in different sectors. Accordingly, we

have chosen case study TNCs that have signed IFAs with these four GUFs. We have collected our primary data mainly by using semi-structured interviews with top-level people at the GUFs and the headquarters (mostly with top-level HRM and other managers where possible) of the case companies. To include the complete set of related actors, we have also collected primary data in four different countries, namely Turkey, India, Brazil and the USA, representing GPNs of these case companies. Again, we have interviewed union officers and shop floor representatives from the labor side, and HRM managers and other managers (where possible) from the capital side.

Conclusion

Are IFAs the future of global labor relations particularly for TNCs and GUFs? Do they really represent a mutually agreed and fair way of managing employment relations in the GPNs? In this paper, we will discuss our findings in attempt to develop a scale for the assessment of the IFA implementation in the GPNs. It is our intention to reflect the multi-organizational nature of this process by focusing on the actual implementation practices in four different countries of the GPNs of our selected case study TNCs as well as their headquarters. Implementation practices of IFAs across GPNs are still an under researched area and we believe that our paper has the potential to make a contribution to fill in some gaps in this area, particularly by using primary data from four different countries.

REFERENCES

Coe, N.M., Dicken, P. & Hess, M. (2008) Global production networks: Realizing the potential. *Journal of Economic Geography,* 8: 271-95.

Fichter, M., Helfen, M. & Sydow, J. (2011) Employment relations in global production networks – Initiating transfer of practices via union involvement. *Human Relations*, 64 (forthcoming).

Giddens, A. (1984) *The constitution of society*. Cambridge: Polity Press.

Hammer, N. (2005) International Framework Agreements: Global industrial relations between rights and bargaining. *Transfer* 11(4): 511-530.

Hedlund, G. (1986) The hypermodern MNC - A heterarchy? *Human Resource Management* 25(1): 9-36.

Mayntz, R. (1994) Modernization and the logic of interorganizational networks. *Knowledge, Technology and Policy* 6 (1): 3-16.

Papadakis, D. (2011) XXX.

Pfeffer, J. (1981) Management as symbolic action: The creation and maintenance of organizational paradigms. *Research in Organizational Behavior* 3: 1-52.

Waddock, S. (2008) Building a new institutional infrastructure for corporate responsibility. *Academy of Management Perspectives* 22(3): 87-108.

Worley, C.G., Feyerherm, A.E. & Knudsen, D. (2010) Building a collaborative capability for sustainability: How Gap Inc. is creating and leveraging a strategic asset. Organizational Dynamics 39: XXX-XXX.

Transnational Corporations (TNCs)	Global union federations (GUFs)	Joint initiatives
Informing the public	Information and communication of agreement (intranet, internet, translations)	Joint press releases & conferences
Translation in all relevant languages	Involving experts, media and NGOs (hearings, etc.), campaigning	Roundtables and discussion groups
Internet access		Placards/announcements/information joint meetings in subsidiaries
Intranet access		Placards/announcements/information joint meetings in suppliers
		Joint criteria development
Defining CSR as a top management priority and part of business model		Joint reporting
Integrating in other PR activities		Devise joint evaluation and (re-)evaluation process
Integrating in marketing strategy (attach product to certificate)		
	Establishing information and communication channels bottom-up (across levels and countries)	
Make relevant information available to public, transparency and access for outsiders		
Develop quantitative criteria for evaluation		

(communication? Action?)		
Develop qualitative criteria for evaluation (communication? Action?)		
Social reporting about fulfillment of standards		
Elaborate a comprehensive communication strategy (communication? Action?)		

Table 1: Union and management instruments for implementation: Information and Communication

Transnational Corporations (TNCs)	Global union federations (GUFs)	Joint initiatives
Including in general management training programs	Union training programs	Joint training workshops
Special training programs for subsidiary managers	Special training programs for subsidiary unions/employee reps	
Special training programs for sourcing managers	Special training programs for supplier unions/employee reps	
Special training programs for HR managers		
Making IFA part of internal management communication (regional forums, country managers, divisions)		

Table 2: Union and management instruments for implementation: Training

Transnational Corporations (TNCs)	Global union federations (GUFs)	Joint initiatives
Establishing cross-functional CSR boards	Organizational capacity building	Support each other's initiatives
Establish management task force at operational level	establishing company networks	Joint complaint handling
Establish formalized complaint procedure; hotlines	Support local organizing initiatives	Apply joint conflict resolution mechanism
Create new management position		Develop jointly defined implementation program
Use IFA-related prescriptions and criteria as part of business process manuals		Joint task forces & fact finding missions
Making IFA-related prescription and criteria part of performance criteria for business units		Joint pilot project for social audits
Making IFA-related prescription and criteria part of management self-auditing and self-checks		Joint workshops with suppliers
Including IFA-related prescription and criteria in HQ management audit of subsidiaries		Institutionalize joint efforts
Making IFA-related prescriptions and criteria part of subsidiary managers' and factory managers' contracts and incentive schemes		
Support subsidiary managers to fulfill criteria		
Making IFAs part of suppliers' contract terms		
Making IFA-related prescriptions and criteria part of		

supplier evaluation		
Internal Fact finding missions (incl. ad hoc examination)		
External (social) auditing initiatives for suppliers		
Support suppliers to fulfill criteria		
Conduct workshops with suppliers to remedy problems		
Neutrality/encouragement for local union organizing		
Pay taxes		
Look for opportunities to get community support		
Invest in community building		
Contribute to sectoral level initiatives		
Provide adequate manpower and financial resources		
Establishing information and communication channels bottom-up (across levels and countries)		

Table 3: Union and management instruments for implementation: Operational