

## Varieties of Firm: Complementarity and Bounded Diversity

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**Abstract:** This is a study of the nature of internal diversity within liberal and collaborative market economies. Based on large scale comparative survey data, we assess the extent to which specific clusters of practices are associated with specific varieties of capitalism. Given that recent literature has pointed to internal diversity within specific national contexts, we explore the nature of internal diversity within both liberal and collaborative market economies, and what makes each variety of capitalism distinct. We find that more than one cluster of practices is indeed likely to be encountered in a particular national context, but that this diversity was bounded: only a limited number of alternative paradigms are likely to emerge and persist. The survey findings not only shed light on the nature of this internal diversity, but also reveal the fact that liberal and collaborative markets remain distinct, with the rights accruing to employees being more deeply embedded in a wide cross section of firms within the latter.

**Keywords:** Corporate Governance, HRM, Varieties of Capitalism, Internal Diversity

**JEL Classification Codes:** J5, M12, F5

This is a study of the nature of internal diversity with liberal and collaborative market economies. Based on large scale comparative survey data, we assess the extent to which specific clusters of practices are associated with specific varieties of capitalism. Given that recent literature (Brewster, Wood and Brookes 2006; Crouch 2005; Crouch and Voelkzow 2004) has pointed to internal diversity within specific national contexts, we aim to explore the nature of internal diversity within both liberal and

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collaborative market economies, and what makes each variety of capitalism distinct. More specifically, this paper aims to empirically establish the specific clusters of employment relations practices associated with the different varieties of capitalism, as well as examining the internal diversity within both liberal market economies (LMEs) and collaborative market economies (CMEs).

Using the United Kingdom as an example of a liberal market economy, we compare key voice mechanisms there with those of a number of cooperative market economies. We then explore which employment relations practices are likely to be encountered together, and how they may form the building blocks of a number of alternative employment relations paradigms that may be encountered in different kinds of national economies. We suggest that specific clusters of corporate practice are discernible even within a LME context. We therefore show that the number of clusters of practice is bounded, and not as diffuse as has been suggested (Deakin et al. 2006). The finding is significant since under these circumstances, state employment relations and training policies may be effectively targeted despite the paucity of intermediate institutions such as employers' associations in LMEs (Culpepper 2003).

### ***National Variations in Practice: Path Dependence or Evolving Difference?***

A growing body of literature has sought to explain variations in employment relations practices in terms of historical and current national institutional frameworks. The *Varieties of Capitalism* (VOC) literature represents a firm-centered approach that seeks to understand what the firm does in terms of relationships with shareholders, with employees, with other firms through employers' associations and informal links, and regarding corporate governance (Hall and Soskice 2001, 4-6). The approach stresses the long-run robustness of institutional complementarities. Complementarity is defined as occurring when particular institutional features work better together than on their own, encouraging particular practices (Hall and Soskice 2001). A variant within this literature – the *Business Systems approach* – has tended to devote rather less attention to the mechanisms governing transactions between economic actors, and rather more to how individual actors emerge and control resources in different contexts, in terms of the specific relationships at work (Whitley 1999, 22). The VOC literature suggests that firms seek to resolve the problems associated with coordinating these relationships in a number of alternative ways encouraged by different configurations of institutional support (Hall and Soskice 2001, 9). It is argued that there is a strong interdependence between the dominant forms of national systems of co-ordination and firms' internal and external strategies and behaviors (Whitley 1999, 24). This will not only make for a certain uniformity in the manner in which relationships are acted out in different national contexts, but explains the persistence of a number of distinct alternative varieties of capitalism (Hall and Soskice 2001; Whitley 1999).

There are two broad approaches within this literature that make use of national ideal types. The first is the dichotomous CME-LME approach. Dichotomous models (Appelbaum et al. 2000; Dore 2000; Hall and Soskice 2001) draw a distinction

between LMEs and CMEs. The former are distinguished by a *shareholder driven* model, where the generation of shareholder value is prioritized. Relationships between firms center on short term contracting and adversarial competition with low levels of trust. Relationships between employees and management are distinguished by short-termism, encompassing low levels of job security and investment in organization specific skills, and a weaker employee voice (Appelbaum et al. 2000; Dore 2000; Hall and Soskice 2001; Gospel and Pendleton 2003). In contrast, the *stakeholder driven model* found in CMEs is characterized by more patient stockholder behavior, alliance relationships between firms, and closer integration along supply chains. Employee relations are more long term, characterized by greater security of tenure, and stronger and more effective employee voice mechanisms. The second approach proposes more variety. Multi-variety models include the business systems theory of Richard Whitley (1999), and Bruno Amable's more syncretic account (2003). Whitley distinguishes between six types of business systems: fragmented, co-ordinated industrial district, compartmentalized (broadly comparable with LME), state organized, collaborative (broadly comparable with CME) and highly co-ordinated. These are differentiated by three categories of variables: the nature of ownership co-ordination, the nature of non-ownership co-ordination and employment relations (composed of two variables: employer-employee interdependence and the degree of delegation to employees). Whitley (1999, 180) emphasizes the importance of pre-industrial socio-economic formations in shaping industrialization and the current position, both in the present and by implication the future. Amable identifies five systems: the Anglo-Saxon Market model, a Continental European model, Asian capitalism, social democratic economies and a Mediterranean model. Amable (2003, 265) also regards convergence toward a single model skeptically, arguing that institutional complementarities and socio-political compromises mean that change is likely to encounter serious opposition from employers as well as others. Significantly, both of these models still propose the broad LME category; the greater range of alternative models of capitalism largely arises from drawing attention to the differences between different clusters of CMEs.

Others have also argued that firms are the reflection of specific combinations of economic *and* extra-economic institutions and practices (Jessop 2001, x). The latter include formal institutional traditions, shared values, networks, procedures, modes of calculation and formal laws (xi).

The regulationist tradition argues that political ideologies and legal traditions form only part of a broader process of *regulation*, whereby institutions and associated conventions help secure – always on a temporarily and spatially specific basis – a certain stability and predictability within which economic activity may be conducted. Regulationists link changing workforce compositions and overall workforce sizes to changes in laws but also to shifts in informal rules governing both corporate governance and employment relations (Jessop 2001, xiii). Laws, therefore represent only part of a wider regulatory framework – also encompassing informal and formal conventions – that through a process of formal policy formulation, experimentation and serendipity, results in certain complementarities. In short, within a specific

national economy, sets of practices are found to work better together than on their own.

An important distinction between VOC and regulationist thinking is that the latter tradition sees systemic development on evolutionary and non-linear lines. Any period of growth is only temporary, and its cessation will result in a search for new forms of institutional mediation and complementarity through a process of development, recombination, rupture, and by core systemic features assuming alternative characteristics (Hollingsworth 2006). Given that there are only a limited number of alternative sets of practices that are likely to be complementary within a given setting, this means that, even in lightly regulated LMEs, many firms are likely to have similar basic policies regarding employment relations. However, regulationists would acknowledge that institutions operate at a range of levels – supra, national and sub-national – and that this may make for some commonalities in practice across trading blocs, and indeed on regional or industrial lines, making for internal variety within specific national settings (Boyer and Hollingsworth 1997; Boyer 2006; Brewster, Wood and Brookes 2006). Hence, they would question and qualify the VOC literature's usage of national ideal types. In emphasizing that within individual national context more than one identifiable cluster of firm level practices is likely to be encountered, it is argued, institutions specific or relevant to regions and/or industries will make for spatial diversity (Hudson 2006). This would reflect both regional and industry-specific historical legacies, and the effects of policy interventions operating at a range of levels. Drawing on a number of different strands of institutional thinking, Colin Crouch and Helmut Voelzkow (2004,1) refer to such clusters as “local production systems,” or local economies dominated by a specific type of firm (e.g., small and medium enterprises (SMEs)) or economic activity. This is owing to the fact that goods and services valuable to such types are likely to be encountered in specific areas (Crouch and Voelzkow 2004, 1). At the same time, individual local production systems are defined by internally common features and practices, making internal diversity in particular national contexts bounded, rather than diffused.

If regional and industry-specific ways of doing things are likely to make for bounded diversity in specific national contexts, so is the process of change. The VOC literature makes certain assumptions regarding path dependence. The relationship between the organization of economic relations and production systems differs significantly between national contexts and these differences are likely to persist and even increase (Jacoby 2005). They represent the product of central institutions, legal frameworks, national training systems, union structures, and more diffuse norms and values regarding authority, loyalty and identity (Whitley 1999, 24-26). This does not rule out the possibility of systemic development, but assumes that it will be on a linear basis (Hollingsworth 2006). Indeed, Michael Brookes, Chris Brewster and Geoffrey Wood (2006) argue that the political economy underlying the VOC literature is more Durkheimian than Marxian. Alternatively, building on recent developments of regulationist thinking, Hollingsworth (2006) argues that national (and sub-national) contexts are subject to constant innovation and change, as well as continuity. Again,

this is likely to make for internal diversity, as innovations emerge and diffuse, and older systemic features become dormant, or confined to specific areas.

A third maker of internal diversity concerns the nature of complementarity. Firstly, the VOC literature infers firm-level behaviors by examining national business systems or by reference to possible interactions between stylized institutional features and have, for that reason, been criticized as “functionalist” (Streeck 2005). Institutions may coexist without necessarily being fully complementary (Boyer 2006); in turn this may make for a greater degree of internal diversity than would otherwise be the case. Indeed, where complementarities *do* exist, this may be to compensate for systemic weaknesses, rather than necessarily building on strengths (Crouch 2005); this will make for hybrid or “mixed” features within specific national contexts, again making for diversities in firm level practices. Complementarities are likely to contain a myriad of different dimensions, not all in regular usage (Schneiberg 2007, 52), again promoting internal diversity in specific national contexts. Does this mean that national contexts will be diffusely or infinitely diverse, particularly in lightly regulated markets? Mitigating against this is the fact that owing to limitations in technology, convention, and owing to the benefits accruing from familiarity, firm level practices are likely to be bounded (Marsden 1999); there are only a limited number of combinations of practices that are viable at any time (Boyer 2006). In summary, internal diversity may be likely within specific national contexts owing to systemic evolution and change, regional and sectoral dynamics, and because of the nature of institutional complementarity and coexistence (c.f. Boyer 2006; Crouch 2005; Hudson 2006; Schneiberg 2007). The existence and extent of diffuseness within specific contexts is clearly an issue for empirical testing.

### ***Method***

These issues are examined through the Cranet survey, the best data currently available on these issues across European countries. The survey focuses on a wide range of key areas of management practice, allows for employee relations factors to be placed in a broad company context, and provides the possibility of extensive international comparative work because it surveys across 39 countries. It is an international organizational-level survey of the most senior Human Resource (HR) manager in each organization. Carried out at intervals since 1989 through an international academic network, it is conducted through a questionnaire, which in most national contexts is administered postally, although in a small number of countries it is administered, like the Workplace Employment Relations Survey (WERS) (see below), through face-to-face interviews. The survey is based on a sample drawn from governmental or commercial company databases depending on the country and stratified by the European Industry Categorization in NACE (Nomenclature Generale des Activités Economiques dans l'Union Européenne). We use data from the 2004 survey. Further details are provided in Table 1.

**Table 1: Cranet Survey Details**

<b>Feature</b>	<b>Cranet</b>
<i>Where key features and method of the survey are described</i>	Brewster and Hegewisch (1993); Tregaskis et al. (2004)
<i>Origin and iterations</i>	Started 1989, repeated 1991, 1992, 1993, 1995/6, 1999/2000, 2004.
<i>Respondents</i>	Organization based full population survey. Most senior HR manager.
<i>Data gathering</i>	Postal questionnaire; administered face-to-face in some countries.
<i>Validation of results</i>	External, via management /union practitioner panel.
<i>Industry sample</i>	NACE European industry classifications.
<i>Nature of sample</i>	Public and private organizations. Skewed to larger employers by numbers employed but some smaller employers included. In UK, 25.9% of sample had 100-250 employees, 49.6% had 251-1,000 and 24.5% had 1000+ employees in 2004 survey. Lowered threshold to 100+ employees for some countries in 1995 but 200+ remains the threshold for most countries.
<i>Panel/non-panel</i>	Non-panel.
<i>Response rates</i>	Aggregated response rate for all countries involved 1989 = 22%; 1999/2000: 15%.
<i>Areas of questioning</i>	HR function/corporate strategy/workforce composition/flexible working/employee involvement and participation/employee development/absence/ turnover/organizational performance/markets/ ownership/age of workplace.
<i>Strengths and distinctive questions</i>	Employee development including appraisal/ compensation and benefits including financial participation and also including (from 1999) questions on flexible working practices and "work-life balance" issues. Questions re: union influence on training and employers' satisfaction with membership of employers' associations introduced in 2004/voice.

The 2004 survey contains responses from 8,216 establishments in 23 different countries. The core themes of the survey are HR departments and HR strategy, recruitment policies, pay and benefits, training and evaluation, contract and working hours flexibility, industrial relations and employee communication. In order to increase the level of comparability across the whole survey the questionnaires were translated into the respective home languages, in each case by a native speaker who was also a human resource management (HRM) specialist, this was to ensure that the HRM context of each question was not lost in translation. They were then back-translated to check that they reflected the meanings intended by the network before being approved. The survey was carried out in the form of a postal questionnaire to be completed by the most senior HR person within the establishment. Since the nature of the survey presupposes that the organization has a dedicated HR/Personnel function, Cranet targets only organizations with 200+ employees. The sampling frame for each country seeks to ensure that the data is representative of industry sectors in the overall economy and is stratified in terms of employment by industrial sector. The 8,216 responses received represented an overall response rate of 15%.

We also use data from the 2004 WERS as a control on our results for the UK. These data are complementary to those from Cranet. They refer solely to the UK, and include a higher proportion of smaller companies. For further details on the survey method, see Kersley et al. (2006). WERS data differ from Cranet data in that they are collected by face to face interviews and surveys with managers, employee representatives and employees. In addition it has a much wider coverage of the working population since the minimum organization size is only 5 employees. The most recent survey, 2004, includes data from 2,295 workplaces, a response rate of 64%.

As noted earlier, the overall purpose of the paper is to empirically establish the specific clusters of practices associated with the different varieties of capitalism, as well as examining the internal diversity within both LMEs and CMEs. This must be derived from empirical observation. Therefore, factor analysis is applied, a technique that attempts to represent a set of variables in terms of a smaller number of hypothetical variables. The basic assumption is that some underlying factors, smaller in number than the number of observed variables, are responsible for the covariation among those observed variables.

In simple terms, factor analysis poses the question: how can we replace a large set of variables by a smaller set that best summarizes the larger set? Principal component analysis presents this problem in a mathematical sense so that we look to reduce  $p$  variables to a set of  $m$  linear functions of those variables that best summarize the original  $p$ , therefore implying that  $m$  principal factors can best summarize the original data. The attendant problem is that the number of principal components ( $m$ ) cannot be known in advance, hence some form of acceptance criterion needs to be adopted. For this analysis the commonly used Kaiser's rule which states that the number of principal components ( $m$ ) is equal to the number of eigen values  $>1$ , is applied. The reasoning is that since an eigen value is the amount of variance explained by one more factor it makes little sense to add a factor that explains less variance than is contained in one variable.

Results from this type of analysis can be very difficult to interpret, since in many cases it is unclear which of the original variables relate to each factor. As a result, factor analysis is generally refined using a technique known as rotation. In simple terms this seeks to associate each original variable with one factor. In this analysis the commonly used Varimax rotation is applied, a technique that searches for a linear combination of the original factors so that the variance of the loadings is maximized, with the loadings being the correlations between the original variables and the components extracted by the process.

### ***Key Practices and Likely Correlations***

But, what are the defining features of practice in work and employment relations? Whitley (1999) argues that there are two key aspects defining the relationship between employers and employees: delegation and interdependence. The former can be defined as the extent of employee participation and involvement, and the latter as the relative security of tenure of employees, and the nature and extent of training and development (Whitley 1999). It is recognized that participation and involvement represents a continuum, between limited consultation and more open ended participation. A key issue is whether the voice accorded to employees is direct or representative. Direct or individual voice is likely to be weak, as managers may more easily discount it, and, for fear of victimization, employees are likely to be unwilling to express unpopular views (Harcourt, Harcourt and Wood 2004; c.f. Hirschman 1970). Examples of direct voice would include a wide range of areas of employee involvement, including both team briefings and direct communication with management on a face to face basis, or via mechanisms such as surveys and suggestions boxes (Brewster et al. 2007b; Harcourt, Harcourt and Wood 2004; Dundon and Wilkinson 2006). Stronger forms of employee participation would be representative: as employees are represented as a collective, their combined voice will be stronger, whilst individual employees are more likely to enjoy a greater protection from victimization (Harcourt, Harcourt and Wood 2004; Hirschman 1970). Brewster et al. (2007a) found that forms of representative participation are likely to be encountered together, i.e., works councils are more likely to be encountered in unionized workplaces. Gooderham, Nordhaug and Ringdal (1999) argue that certain forms of direct participation may be similarly encountered together (c.f. Brewster et al. 2007b). Financial participation involving individual share ownership schemes may accord employees some additional rights, but they are likely to be very diluted and circumscribed; hence, financial participation should be seen as distinct from other forms of participation, and indeed, may, alongside a commitment to numerical flexibility constitute a component of hard HRM (c.f. Brewster et al. 2007b).

Security of tenure may be most easily measured by the willingness of the firm to make use of redundancies: temporary contracts may simply represent a probationary tool for employees earmarked for secure employment, although having a large proportion of the workforce on temporary contracts may indicate a commitment to the long term use of insecure workers (Harcourt and Wood 2007; Harcourt, Roper



and Wood 2007). The degree to which a firm is willing to invest in its people will be reflected in the relative priorities accorded to training and development; the use of external providers is a more complex measure and may either reflect weaknesses – and underinvestment – in internal organizational capacities, or active state involvement, as is the case in the flexicurity economies of Denmark and the Netherlands (Harcourt and Wood 2007; Bredgaard, Larsen and Madsen 2005). Harcourt and Wood (2007) argue that greater security of tenure is likely to be associated with a greater tendency for firms to invest in their human capital. Table 2 links these issues with key variables in the Cranet questionnaire, and highlights which practices are likely to be encountered together.

It is worth noting that sets of practices 1 and 2 in Table 2 may well be encountered together, as both may be indicative of a more broadly cooperative paradigm or a lack thereof. On the other hand, specific local conditions may drive a greater fragmentation in practices.

Although factor analysis is essentially an exploratory technique rather than a scientific method for hypothesis testing, it reveals important correlations in practices, allowing us to interrogate the possible associations highlighted above and can generate a number of clear propositions for further testing. As such, it provides a way of synthesizing – and comparing – large amounts of data, to assess what items are correlated in terms of underlying dimensions (Bailey 1982, 372). Any exploratory work of this nature may result in scales emerging that are somewhat ad hoc and removed from the existing literature; however, they may, of course, come close to a previously derived scale, or be in line with what is already suggested by the existing literature, which would make the scale derived of theoretical value (Bailey 1982.).

### ***Internal Diversity***

Simply because certain practices are particularly common in national contexts, this does not necessarily mean that different firms may combine these different practices in similar ways, or that alternative paradigms may coexist with the dominant one. Table 3 represents the findings of a factor analysis of core sets of employment relations practices within a number of CME economies. The factor loadings are recorded for each variable in each factor, the factor loadings being the correlations between the original variables and the components that have been extracted. Therefore, in Table 3, the correlation coefficient between “Communication to management – direct to senior managers” and component 1 is 0.754. Following normal conventions those with a factor loading greater than 0.5 are accepted as being significant, for clarity the significant variables for each factor are in bold.

A caveat is in order here: as Brewster, Wood and Brookes (2006) note, the presence of a strong national training system may free firms from extensive investment in *formal* skills and training, particularly at the point of entry, at the same time that high levels of job security may encourage employees *informally* to invest in job-specific skills and training, and other areas pertaining to human capital development throughout an employee’s career. Temporary work may be used as a

Table 2: Practices and Likely Associations

Variables in Cranet Questionnaire	Area	Likely Association*
Decrease by Compulsory redundancies	Interdependence	1
% employees on fixed term or casual contracts	Interdependence	2
% of wage bill spent on training	Interdependence	2
% employees receiving external training	Interdependence	2
Financial participation through profit sharing, share options etc	Delegation	1
Downward communication through team briefings	Delegation	4
Communication to management - direct to senior managers	Delegation	4
Communication to management through immediate superior	Delegation	4
Communicate to management through regular workforce meetings	Delegation	4
Communicate to management through team briefings	Delegation	4
Communicate to management through suggestion schemes	Delegation	4
Communicate to management through attitude surveys	Delegation	4
Communication to management through TU reps	Delegation	5
Communicate to management through works council	Delegation	5

\*The same number indicates practices that are likely to be encountered together.

Sources: Harcourt, Harcourt and Wood 2004; Harcourt and Wood 2007; Brewster et al 2007a and 2007b; Harcourt, Roper and Wood 2007; Gooderham, Nordhaug and Ringdal 1999.

**Table 3: Factor Analysis for CMEs only (Germany, Sweden, Netherlands, Norway and Austria) 881 observations\*.**

	Component				
	1	2	3	4	5
Decrease workforce by Compulsory redundancies	-.031	-.046	-.170	.758	.086
% employees on fixed term or casual contracts	-.118	-.072	.143	-.032	.796
% of wage bill spent on training	.047	.128	.578	.104	.230
% employees receiving external training	.052	.028	.757	-.158	-.069
Financial participation through profit sharing, share options etc	-.047	.147	.290	.568	-.325
Downward communication through team briefings	.437	.151	-.042	.329	-.038
Communication to management - direct to senior managers	.754	-.073	.096	.014	.021
Communication to management through immediate superior	.837	.043	.026	-.074	-.039
Communication to management through TU reps	.307	.390	-.284	-.159	.381
Communication to management through works council	.487	.295	-.250	-.249	-.019
Communication to management through regular workforce meetings	.554	.283	.022	-.096	-.117
Communication to management through team briefings	.539	.196	.139	.254	.327
Communication to management through suggestion schemes	.116	.770	.020	.099	-.166
Communication to management through attitude surveys	.107	.744	.197	.026	.118

\* Table note: Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. A Rotation converged in 7 iterations.

screening mechanism in selecting employees for permanent positions, or simply as a means of limiting security of tenure (Harcourt, Roper and Wood 2006). Again, where jobs are very insecure, high turnover rates are likely to force firms to invest heavily in basic induction training: high levels spent on training do not necessarily constitute good practice, but may be necessitated by hardline HR policies (Harcourt and Wood 2007).

However, what is not in doubt is that the volume of training, and the use of contingent workers is likely to vary from workplace to workplace, in line with other managerial strategies and the broader regulatory environment, will help define the *specific variety of firm*, and shed further light on the broader context. We found that different forms of direct voice in the form of communication mechanisms are likely to be correlated with each other, but are not necessarily correlated with representative voice (e.g., union presence, works councils). This would echo the finding of Chris Brewster et al. (2007b), who highlighted both the distinct nature of collective and individual voice, and the extent to which they, whilst not mutually antagonistic, represent very distinct forms of practice (c.f. Harcourt, Harcourt and Wood 2004). Again, we found that different measures of training were correlated, as were redundancies and financial participation. Redundancies and certain manifestations of financial participation could be indicative of a more instrumental approach to HRM (Gooderham et al. 1999).

Table 4 presents a factor analysis of practices in the UK. Once again, following normal conventions those with a factor loading greater than 0.5 are accepted as being significant. For clarity, the significant variables for each factor are in bold. Component one represents traditional forms of individual and collective employee voice, many having a formal or constitutional role; component two individual voice mechanism via an indirect mechanism; component three a reliance on external training purchased by the organization; and component four flexible or casual contracts and the use of forms of financial participation more commonly encountered in LMEs. Component 5 deals with percentage of staff on casual contracts; the weak correlation with a union presence highlighting the tendency of many firms to make use of such contracts as a screening device in choosing long-term employees, when the latter enjoy relatively strong employment rights.

The use of Works Councils/ Joint Consultative Committees (WCs/JCCs), or collective bargaining was only weakly negatively correlated with components three and four. While the former are both relatively common in CMEs (Table 3), the fact that individual voice is not strongly positively (or negatively) associated with collective voice would suggest considerable internal diversity. It would seem that in CMEs various combinations of practices would exist, most commonly *traditional collectivism* (i.e., traditional collective voice mechanisms, but with a lack of attention being accorded to sophisticated individual voice mechanisms) and *advanced cooperative paradigms* (combining dominant collective voice mechanisms with one or other form of individual voice, and in some cases, a greater emphasis on training). The fact that either of these paradigms may predominate in a particular national setting does not seem to have precluded alternative combinations of practices from emerging or

Table 4: Cranet factor analysis for UK firms only, 558 observations\* (Rotated Component Matrix)

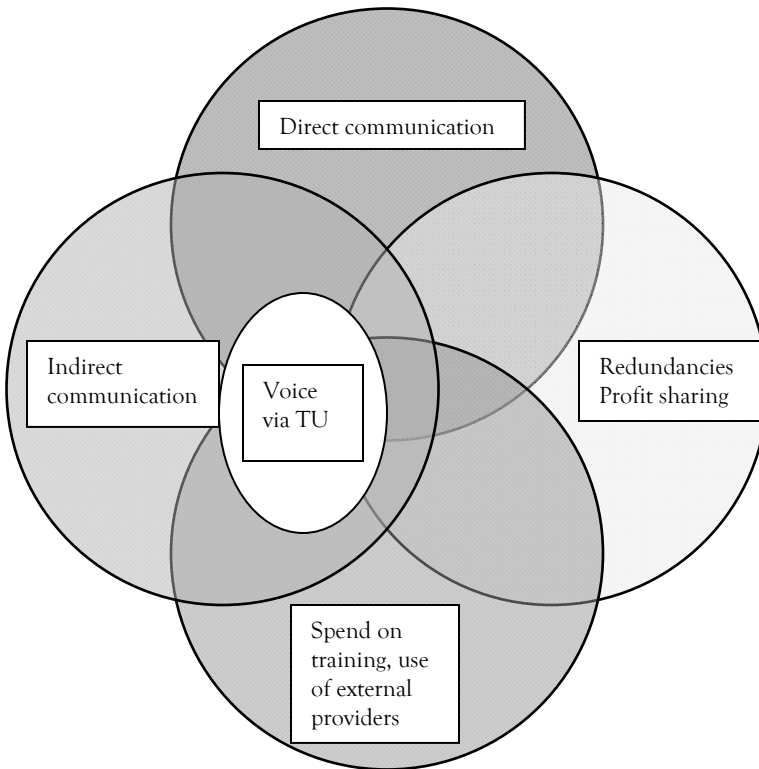
	Component				
	1	2	3	4	5
Decrease by Compulsory redundancies	.180	-.020	-.138	-.359	.554
% employees on fixed term or casual contracts	.202	-.125	.024	-.004	-.710
% of wage bill spent on training	-.114	.139	.158	.668	.096
% employees receiving external training	.160	.101	.056	.581	-.140
Financial participation through profit sharing, share options etc	.195	-.087	.287	.049	.625
Downward communication through team briefings	.838	.129	.077	.049	.017
Communication to management - direct to senior managers	.104	.763	.055	.071	.012
Communication to management through immediate superior	.160	.786	.012	.039	.009
Communication to management through TU reps	-.233	.332	.309	-.401	-.262
Communicate to management through works council	.029	.208	.218	-.493	.098
Communicate to management through regular workforce meetings	.348	.445	.104	-.076	.035
Communicate to management through team briefings	.808	.261	.093	.014	.042
Communicate to management through suggestion schemes	-.009	.151	.737	.091	.110
Communicate to management through attitude surveys	.207	-.029	.761	-.047	-.037

\* Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization

persisting. In other words, it seems that a range of clusters of practices may *coexist* with traditional forms of collective voice, without being strongly negatively correlated, or necessarily complementary (in which case they would be more likely to be found together).

Figure 1 summarizes the building blocks of practices in CMEs, and the extent to which they overlap. Roughly similar patterns are apparent in the UK (Table 4).

**Figure 1: Coexistence and Complementarity: The Building Blocks of Practice in CMEs**



While again, certain practices (e.g., financial participation and the compulsory usage of redundancies) are likely to be encountered together, there is no predominant paradigm emerging. It is likely that while traditional collective bargaining is less common, and the usage of redundancies more widespread, neither are more or less likely to occur when a range of individual voice mechanisms are present or absent. This would suggest that many firms practice hybrid combinations of practice that would loosely amount to hard HRM and more traditional forms of labor repression. Again – albeit less commonly than would be the case in CMEs – some may experiment with traditional collectivism and/or high value added production paradigms (c.f. Brewster, Wood and Brookes 2006). At the same time, the fact that correlations between different sets of practices are encountered at all would mitigate against arguments suggesting simple “diffuse diversity”: evidently, many firms are able to reap some complementarities by combining more than one set of practices. These overlapping practices are summarized in Figure 2.

**Figure 2: Coexistence and Complementarity – Overlapping Practices in LMEs**

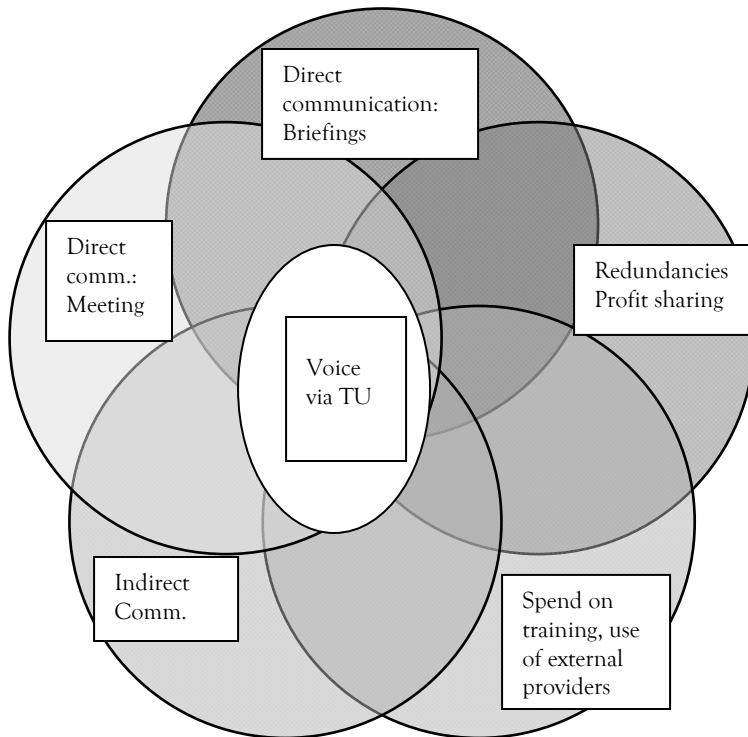


Table 5 shows the results of a similar factor analysis carried out with WERS 2004 data. In general terms, it confirms our Cranet findings, though as is to be expected (since WERS contains a larger number of questions) the results are not identical, with factor loadings of greater than 0.5 being accepted as significant and highlighted in bold on the table.

Moreover, differences may be encountered due to differences in sampling: the Cranet survey is focused on organizations and encompassed a larger proportion of larger firms, while the WERS survey is focused on workplaces and includes a larger number of smaller units. Nevertheless, certain types of practices are found together. For example, as per the Cranet findings, profit sharing schemes were correlated with the relatively recent use of redundancies. The findings again highlighted the extent to which a union presence may coexist – rather than being negatively correlated – with a range of forms of non-union voice. A cluster of practices does not constitute a distinct exclusive employment relations paradigm, but provided that other practices are not negatively correlated, they *may* coexist: this does not mean that they necessarily work better together than on their own (i.e., complementary), but they do not seem to be dysfunctional to the other (i.e., one form of voice does not drive out the other). Both analyses therefore identify common building blocks in the form of associated sets of practices that are linked together by firms to create an overall employment relations strategy. Thus, companies operating within the British LME select – either consciously or unconsciously from a range of packages of available options: this VOC appears not to exhibit indeterminate diffuseness.

### **Conclusion**

The results confirm that the firms making use of compulsory redundancies are likely to also make use of financial participation, such as share ownership schemes, that different forms of individual voice are likely to be encountered together, but that they are unlikely to be correlated (either positively or negatively) with collective voice mechanisms (c.f. Whitley 1999; Brewster et al. 2007a). However, while Mark Harcourt and Geoffrey Wood (2007) suggest that training is likely to be correlated with a reduced willingness to make redundancies, this association was only weak. More broadly speaking, the findings generally supported the propositions advanced in Table 2. These propositions deserve future testing in depth, and further exploring the nature of regional and sectoral dynamics.

The Cranet survey confirms earlier findings that higher levels of information disclosure to employees by managers exist in unionized settings (Peccei et al. 2005), and that individual voice seems to coexist with, rather than displace collective voice. These findings are therefore not entirely novel, but they are based on a much more extensive international dataset than used by other researchers (see for example the datasets used by Wood and Fenton O’Creevy 2005 and Kessler, Undy and Heron 2004) and therefore allow the association to be confirmed as a European one transcending “VOC.” They are also based on more recently gathered data than those of Peccei et al. (2005).



Table 5: WERS Factor Analysis\* *Component Matrix*

	Component						
	1	2	3	4	5	6	7
Do you have meetings between line managers or supervisors and all the workers for whom they are responsible?	.224	-.164	-.023	-.043	.400	.730	.318
Are there any committees of managers and employees at this workplace, primarily concerned with consultation, rather than negotiation?	.529	-.576	.039	.138	.113	.140	.015
Apart from Health and Safety and other single topic committees, is there a consultative committee of managers and employees in your organisation that operates at a higher level than this establishment?	.274	.273	.823	-.108	.213	.120	-.158
Employees are led to expect long-term employment in this organization.	-.632	.213	.452	-.103	.395	-.118	.179
Recent use of redundancies	.304	-.483	.321	.517	.046	.425	-.212
Unions help find ways to improve workplace performance.	.549	.207	.084	-.297	.536	-.255	-.026
We would rather consult directly with employees than with unions.	-.774	.144	-.144	.330	.129	.080	.202
We do not introduce any changes here without first discussing the implications with employees.	-.039	.195	-.468	.704	.129	-.024	-.293
Employees here are fully committed to the values of this organisation.	.021	.679	-.170	.309	.302	.192	-.323
Does management here take any steps to find out whether potential recruits are union members - either by requiring them to state it or by some other method?	-.399	-.174	-.247	.122	.619	-.195	-.119
Do you have meetings between senior managers and the whole workforce (either altogether or group by group)?	.038	.812	.048	.112	-.279	.083	.250
Do you have groups of non-managerial employees at this workplace that solve specific problems or discuss aspects of performance or quality?	.492	-.177	-.125	.441	-.213	-.227	.520
Have you or a third party conducted a formal survey of your employees' views or opinions during the past two years?	.447	.660	.136	.235	.011	.228	.278
Are any of the employees here members of a trade union or independent staff association?	.838	-.033	.111	.164	.145	-.343	-.061
How would you describe management's general attitude towards trade union membership among employees at this establishment?	.309	-.015	-.586	-.263	.467	-.011	.353
Do any employees at this workplace receive profit-related payments or profit-related bonuses?	-.165	-.144	.503	.549	.211	-.460	.244
Does this company operate any of the employee share schemes listed on this card for any of the employees at this workplace?	.759	.316	-.202	-.079	-.055	-.176	-.193

\*Extraction Method: Principal Component Analysis. 7 components extracted

Our results also point to the persistence of difference not only between, but also within national contexts, and the fact that certain employment relations practices remain very much more common in some places than others. The Cranet data highlights the persistence of key differences between liberal and comparative market economies, as well as the *coexistence* of alternative clusters of practices within both contexts.

Hence, the paper indicates the nature of internal diversity within national settings, and the extent to which alternative clusters of practices may coexist. The findings echo the idea of a relatively uneven, non-linear and contingent process as proposed by “historical institutionalists” as opposed to those of their more functionalist counterparts (Streeck 2005). This will result in spatially or industrially defined pockets of innovation (which may or may not diffuse across a system), and, in other areas, the persistence of institutional features that may have become redundant across the wider economy. Internal diversity may also be driven by regional and sectoral specific institutional supports, representing the product of both specific historical legacies and endowments, and the effects of policy interventions at a range of levels (Hudson 2006). The results also underscore the complex and multi-faceted nature of institutional coexistence and complementarity, which is likely to further drive – but also confine – internal diversity within specific national contexts (c.f. Crouch 2005). Finally, despite highlighting internal institutional diversity, the study also underscored the persistent differences between liberal and collaborative markets.

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