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Stephen Clibborn
Discipline of Work and Organisational Studies
The University of Sydney
Business School

A thesis submitted in fulfilment of the requirements for the degree of Doctor of Philosophy

2013
For J and S
Statement of Originality

I, Stephen Clibborn, declare that the work presented in this thesis is, to the best of my knowledge and belief, original, except as acknowledged in the text, and that the material has not been submitted, either in whole or in part, for a degree at this or any other university.

Signed …………………………………………... Date …………………………….

iii
Publications Arising from this Research

Clibborn, S. 2012 ‘Local responses to a global downturn: Labour adjustment in two multinational companies’ Journal of Industrial Relations, vol.54:1 pp. 41-56


We, the undersigned, would like to provide the Academic Board with details of the published article of which we are co-authors. The material contained in the article represents only a small proportion of the total of this thesis. Mr. Clibborn conducted all of the research for the parts of this article dealing with the case study companies the subjects of this thesis, Ford and General Motors, and he proposed the theoretical framework that was used in the article. Research relating to the other company used in the article, unrelated to this thesis, was conducted by Emeritus Professor Lansbury and Dr Auer.

Dr Auer is currently travelling overseas, and so the Academic Board is requested to waive the requirement that Dr Auer also be a signatory to this statement.

.......................................................... ..........................................................
Stephen Clibborn Emeritus Professor Russell Lansbury
Doctoral Candidate Supervisor
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Acknowledgments

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I am also grateful to my other colleagues in the Discipline of Work and Organisational Studies and to the many other academics in Australia and abroad who shared with me their insight and critique. Their collegiality, encouragement, constructive criticism and advice contributed greatly to this most enjoyable process of researching and writing.

Finally, I wish to thank all of the people who generously shared their time and experience for this research from the Ford Motor Company, the General Motors Company, Ford Australia, Holden, the Australian Manufacturing Workers Union, the United Auto Workers and the Australian government. Their involvement in this research despite the significant challenges of the time was very encouraging. I hope that this research proves to be useful in return.
## List of Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABS</td>
<td>Australian Bureau of Statistics</td>
</tr>
<tr>
<td>AMWU</td>
<td>Australian Manufacturing Workers Union</td>
</tr>
<tr>
<td>APESMA</td>
<td>Association of Professional Engineers, Scientists and Managers Australia</td>
</tr>
<tr>
<td>AWA</td>
<td>Australian Workplace Agreement</td>
</tr>
<tr>
<td>AWIRS</td>
<td>Australian Workplace Industrial Relations Survey</td>
</tr>
<tr>
<td>BA Plant</td>
<td>Broadmeadows Assembly Plant</td>
</tr>
<tr>
<td>CBoP</td>
<td>Country Bills of Process</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CFO</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>CME</td>
<td>Coordinated Market Economy</td>
</tr>
<tr>
<td>DT Plant</td>
<td>Dearborn Truck Plant</td>
</tr>
<tr>
<td>EA Plant</td>
<td>Elizabeth Assembly Plant</td>
</tr>
<tr>
<td>EBA</td>
<td>Enterprise Bargaining Agreement</td>
</tr>
<tr>
<td>EESA</td>
<td>Emergency Economic Stabilization Act</td>
</tr>
<tr>
<td>ER</td>
<td>Employment Relations</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>Ford</td>
<td>Ford Motor Company</td>
</tr>
<tr>
<td>Ford Australia</td>
<td>Ford Motor Company of Australia Ltd</td>
</tr>
</tbody>
</table>
GBoP  Global Bills of Process
GDP  Gross Domestic Product
GFC  Global Financial Crisis
GM  General Motors Company (formerly General Motors Corporation)
GMIO  General Motors International Operations
GMS  Global Manufacturing System
Holden  GM Holden Ltd
HR  Human Resource
HRM  Human Resource Management
HQ  Headquarters
IHRM  International Human Resource Management
IR  Industrial Relations
LDT Plant  Lansing Delta Township Plant
LME  Liberal Market Economy
MNC  Multinational Corporation
NBS  National Business System
PCN  Parent Company National
PMP  Performance Management Plan
TARP  Troubled Assets Relief Program
UAW  United Auto Workers
UK  United Kingdom
US  United States of America
VEBA Voluntary Employee Beneficiary Association
VoC Varieties of Capitalism
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Abstract

With their operations spanning numerous countries multinational corporations are capable of transferring across international borders not only goods and services, but also employment relations policies and practices.

Multinational corporations maintain a significant presence in the world economy and particularly in the Australian economy, accounting for a large proportion of global, and Australian, gross domestic product, exports and employment. Multinationals headquartered in the United States of America account for the largest proportion of foreign direct investment in Australia.

Transfer of employment relations policies and practices within multinational corporations has been the subject of considerable academic research. Dominant in the literature are institutional and strategic management theories ascribing development of employment relations practices in foreign subsidiaries of multinationals to the powerful influences of national patterns of business and of the rational will of firms’ headquarters management. More recently, transfer of policies and practices has been characterised as a power struggle between various individual actors within multinationals. Yet each approach has limitations for explaining transfer.

Drawing on current theories, this research develops and empirically tests a modified political economy theoretical framework with which to better examine the issue of transfer of employment relations policies and practices. This framework integrates institutional, market-based strategic and political theoretical perspectives. The study also makes an empirical contribution to knowledge in this important area, particularly as it relates to the Australian economy that has so far received relatively little academic attention.

This thesis answers two research questions intrinsic to understanding the nature and impact of multinational corporations, and of significance to researchers, practitioners and policy makers: To what extent do multinational corporations transfer employment relations policies and practices from headquarters to foreign subsidiaries? What factors account for transfer and non-transfer? To answer these questions, comparative case study research was undertaken in two United States-based multinational corporations and their Australian
subsidiaries: the Ford Motor Company and the General Motors Company. The study examines development, transfer and non-transfer of policies and practices in three core areas of employment relations: work organisation and staffing; remuneration; and management-union relations and bargaining. The research was undertaken from 2008 to 2011, during the depths of the global economic downturn, in circumstances that provided dynamic context for a rich study.

This thesis makes a number of significant findings relating to the factors influencing transfer of employment relations policies and practices. Key findings are: First, product, financial and labour markets provide the context in which businesses operate, shaping firm strategy and transfer outcomes. Second, national institutions provide dynamic influence over transfer outcomes. They do not determine outcomes, but are more in the nature of resources upon which actors draw in to achieve their desired outcomes. Third, policies and practices are developed and transferred through the agency of individuals. Politics is not limited to within the firm. Rather, agency impacting transfer outcomes is exercised by multinational headquarters management, subsidiary management as well as by the companies’ workers, their union representatives and the state.

The central conclusion of this thesis is that employment relations policies and practices are developed, transferred and implemented within institutional and market contexts, influenced by a variety of actors utilising a range of powers. None of those factors is, by itself, determinative of outcomes. Rather, interactions among factors in particular circumstances are the primary determinants. Such complex influences naturally result in highly context-specific outcomes. The modified theoretical framework developed in this research allows an appropriate place for actors operating at various levels, both endogenous and exogenous to the firm, as well as taking into account both institutional and market forces which help shape the way in which employment relations policies and practices are developed, transferred and adapted by multinational corporations from their home country headquarters to foreign subsidiaries.
PART ONE

Background to the Study

Chapter 1 - Introduction

1.1 Introduction

Multinational Corporations (MNCs) are uniquely placed to transfer employment policies and practices across international borders. The extent to which MNCs are able to effectively transfer employment policies and practices from their headquarters (HQ) to foreign subsidiaries has implications not only for employment relations (ER) in their subsidiary workplaces but also for national patterns. The rapid spread of financial troubles associated with the global economic downturn of 2008/09 highlighted the interconnectedness of national economies. MNCs maintain a significant presence in the world economy, providing a strong connection between national economies.

MNCs’ role in the world economy, and particularly in the Australian economy, is significant. MNCs’ worldwide production is equal to “about a quarter of global GDP” with their foreign subsidiaries responsible for “more than one-tenth of global GDP and one-third of world exports” (United Nations Committee on Trade and Development, 2011:1). Australia’s total inwards Foreign Direct Investment (FDI) stock in 2011 was AUD$499,663 million, over four times the figure in the year 2000 and equivalent to 32.8 per cent of Australia’s total GDP. The United States (US) is responsible for the most FDI in Australia, accounting for 21 percent of the total (Foreign Investment Review Board, 2012). According to the Australian Bureau of Statistics’ (ABS) most recent data on the economic activity of foreign-owned business in Australia (ABS, 2004), foreign-owned businesses employ 12 per cent of all employees in Australia and 23 per cent of all employees in the manufacturing sector. US-owned businesses are responsible for about 42 per cent of both totals with their share about double that of the next largest employer group.

This thesis answers two research questions intrinsic to understanding the nature and the impact of MNCs: To what extent do MNCs transfer ER policies and practices from HQ to foreign subsidiaries? What factors account for transfer and non-transfer? The focus in this thesis on ER policies and practices incorporates the fields of both Human Resources (HR),
which has an emphasis on individual arrangements, and Industrial Relations (IR), relating to workers whose terms and conditions of employment are determined collectively. Three core areas are examined: Work organisation and staffing; remuneration; and management-union relations and bargaining. Each of these is a core area of ER policy and practice with the first two encompassing both classic HR and IR practices. The third area is clearly related to IR practices and is included in the research to correct a deficiency identified in the literature review of research into transfer of IR policies and practices within MNCs.

The research questions are answered by undertaking comparative case study research in two of the most prominent MNCs in the world, the Ford Motor Company (Ford) and the General Motors Company (and its predecessor, the General Motors Corporation) (together, GM) and their Australian subsidiaries, the Ford Motor Company of Australia Ltd (Ford Australia) and GM Holden Ltd (Holden). The timing of this research, undertaken in the automotive manufacturing industries of the US and Australia is significant. 2009/10 was a critical period for US-based automotive MNCs with events occurring and decisions made in their US HQ having great implications for their Australian subsidiaries.

1.2 Justification for the Research

This thesis contributes to a significant field of research that has had relatively little attention in Australia. It addresses a gap in the literature in three main ways.

First, this thesis develops a modified theoretical framework with which to approach the research questions through reviewing extant literature and testing it empirically.

Second, this thesis adds to knowledge regarding this area of the Australian economy that has so far received relatively little direct academic attention. In light of the significance of MNCs to Australian trade and employment, the question of how employees are managed in Australian subsidiaries of overseas-based MNCs is an important subject for research. Yet, there has been minimal research into the transfer of ER policies and practices within MNCs to Australian subsidiaries.

Third, this research will be of significant interest to practitioners and policy makers as understanding the factors affecting transfer is crucial for effective management of MNCs’
overseas subsidiaries. The thesis will be relevant not only for MNCs’ HQ management but also for subsidiary managers, unions and the state.

1.3 Methodology and Research Methods

Case Study Methodology

A comparative case study methodology is used to answer the research questions in this thesis. Yin (2003:13) defines the case study as,

“an empirical enquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident,”

a perspective reinforced by Eisenhardt & Graebner (2007:25) who argue that,

“case studies emphasize the rich, real-world context in which the phenomena occur.”

This thesis seeks to understand complex phenomena. A case study provides the best means to examine the occurrence and evolution of linkages between phenomena through investigation of interaction between actors and the impact of market and institutional contexts on the operations of MNCs (Edwards et al, 2007) as well as on the roles of unions and the state. Use of a case study in these circumstances is supported by Kitay and Callus’ (1998:104) conclusion that,

“the great strength of case study design is . . . that it allows the researcher to place the information in a wider context. In other words, it helps us understand complex social situations and processes.”

Indeed, the literature review in this thesis will note the lack of qualitative research dealing with this topic in Australia. It argues that extant empirical studies have identified broad trends, but that case studies such as in this thesis allow deeper insights into complex interactions of influences affecting decision-making within firms.

While a single case study would likely have provided sufficient opportunity to build theory, the multiple case study research design for this thesis provides additional weight. The two case study companies are examined in two countries allowing internal comparison as well as
comparison between the cases. More generally, while Yin (2003) makes no broad distinction between single and multiple case study designs, arguing that they are merely “variants within the same methodological framework,” he does note, citing Herriott and Firestone (1983) that “evidence from multiple cases is often considered more compelling, and the overall study is therefore regarded as being more robust” (Yin, 2003). Kitay and Callus (1998:107) concur with this view, arguing that, “the use of more than one case, however, can produce greater confidence in the reliability of the findings.”

The case study methodology has received criticism for its potential lack of generalisability beyond the particular circumstances of the cases studied (Yin, 2003). Alternatively, Kitay and Callus (1998:105) see the setting of a case study’s boundaries as an critical aspect of case study design rather than being a limitation. They argue that it is possible to generalise from case study research within these limits. For instance, many of the findings in this thesis could potentially apply to MNCs operating in crisis conditions, to companies within the automotive industries of Australia and the US and to the many other MNCs headquartered in the US with subsidiaries in Australia. Supporting this aspect of case studies is Stake’s (2005:460) view of their purpose,

“The purpose of a case study report is not to represent the world, but to represent the case. . . The utility of case study research to practitioners and policy makers is in its extension of experience.”

Further, as Kitay and Callus (1998) note, there is virtually universal acceptance by those who write on case study methods that they are useful for generalising from theory (Eisenhardt,1989; Yin, 2003). Eisenhardt & Graebner (2007) argue particularly for the usefulness of case studies to build theory. This is appropriate to one of the aims of the thesis being the development of a modified theoretical approach through the literature review and testing empirically.

Case studies have also been criticised for being at risk of two kinds of bias: research bias and interviewee bias (Yin, 2003). While noting the possibility of the researcher’s own views affecting the research is a risk in many other types of methodology, Yin (2003) suggests that the issue is likely to be encountered in case study research. Kitay and Callus (1998:106) also note the risk of interviewee bias stating,
“it is important to be aware that the perspective of any key informants will be tempered and limited by the positions they hold”.

They warn particularly of relying too heavily on senior managers citing the, “danger of lapsing into a managerialist explanatory framework.”

Some management informants’ perceptions and decisions are vital to this research due to the nature of the phenomena being investigated. Most notably managers in the subsidiary HQ are positioned between those in the US HQ initiating transfer and those workers to whom policies and practices apply. However, triangulation through use of additional sources of data addresses the risk of bias. The risk of both forms of bias is minimised as much as possible in this thesis through its research design, in particular through triangulation of data sources. While the main source of data is interviews, these data are supplemented by reviews of both internal confidential and publically available documentation and some direct observation. Further, the use of multiple case studies, observed in multiple locations allows for comparison and provides the opportunity to question and test the information received from key informants.

**Research Methods used in the Thesis**

Ford and General Motors were chosen as high-profile examples of US-owned MNCs operating subsidiaries in Australia. The nature of the prominent industry in which the case study companies operate makes them good candidates for examination of institutional, market and macro-political forces external to the companies. The companies have distinct sectors of their workforces that are unionised and non-unionised allowing for internal comparisons.

Background research into the case study companies revealed that they were entering a time of crisis. Potential for change and heightened focus by the US HQ on the roles of the Australian subsidiaries made them useful case studies. Although this was known at the time of selection, the extent of the crisis that eventually brought the companies close to collapse, was not initially known. This resulted in a richer study and the flexibility afforded by the case study method enabled the researcher to take advantage of the dynamic situation.

Access to the two case study companies was obtained through contact with senior ER managers at the Australian subsidiaries with access to further informants within the companies gained via snowball sampling method. The researcher was granted access to a pre-
determined number of employees occupying a range of positions within the companies. Access to informants external to the companies was obtained by direct contact with those union leaders and the government advisor.

The majority of the analysis is based on 42 semi-structured interviews with 45 informants conducted from mid-2009 to mid-2010, with one interview conducted in 2011. Four key informants were interviewed twice, giving the opportunity to revisit issues identified during data analysis as significant. A number of group interviews were also conducted. These interviews had a dynamic nature with one informant’s answers often sparking additional insight from another. There were multiple interview settings: the two companies located in two countries; the Australian government; and unions in both countries. Interview data were also obtained from multiple different sources. Interviews were undertaken with informants holding positions ranging from shop floor workers in assembly plants to senior managers in global HQ and at multiple levels in between. Union representatives within the manufacturing plants were interviewed along with union leaders as well as a government advisor.

A schedule of interview was drafted to elicit information on development and transfer of ER policies and practices in the three key areas of work organisation and staffing; remuneration; and management-union relations and bargaining. Interview questions were also informed by the modified theoretical framework. In this way, questions sought information regarding the impact of national institutions and markets on ER policies and practices as well as the roles of individual actors both inside and outside the case study companies. Finally, interview questions were also shaped by initial background research using publically available material into the case study companies including the current market and institutional context.

A different interview question schedule was developed for each type of informant, broadly grouped into US HQ management, Australian HQ management, plant management, other plant workers, plant-based union representatives, union leadership and government. Each of these interview question schedules (attached in Appendix 1) necessarily covered many of the same topics but were administered differently to draw out the varying perspectives and roles of each type of informant.

Interviews were conducted in Ford’s and GM’s US HQ with ER managers holding global and local responsibilities, two within GM and five within Ford. These interviews enabled understanding of the extent of control sought by HQ over policies and practices within subsidiaries and the influences upon development of policies and practices of the US business
system, broad market trends and the companies’ relationships with the United Auto Workers (UAW) and government. In Ford Australia’s and Holden’s HQ, interviews were conducted with the most senior ER manager and with a number of other managers with policy and day-to-day responsibilities for ER within their Australian operations. These interviews provided insight into the locus of development of policies and practices and interplay between subsidiary management and US HQ in the negotiation and application of those policies and practices. They also provided rich insight into the companies’ relationships with union leadership and with government, as well as the impact of broad market trends and local institutions.

In order to understand the development and implementation of ER policies and practices within the plants, interviews were conducted in the assembly plant nearest to each of the four national HQ. These plants were Ford’s Dearborn Truck Plant (DT Plant), GM’s Lansing Delta Township Plant (LDT Plant), both in Michigan, USA, Ford Australia’s Broadmeadows Assembly Plant (BA Plant) in the outer suburbs of Melbourne, Victoria and Holden’s Elizabeth Assembly Plant (EA Plant) in the outer suburbs of Adelaide, South Australia. Interviews were conducted in each plant with managers responsible for ER, with managers responsible for production ranging from plant manager to area manager/supervisor, and with shop-floor workers holding the responsibility of team leader. Interviews were also conducted with union representatives located within the Ford plants in the US and Australia.

To further understand the unions’ roles at micro and macro levels including their relationships with the two MNCs and governments, interviews were conducted with full-time union leaders. Three senior leaders of the Australian Manufacturing Workers Union (AMWU) with responsibilities for the automotive industry were interviewed: one based in the National HQ in Melbourne and two based in the state HQ in Adelaide. An advisor to the National President of the UAW was also interviewed.

Finally, a senior official from the office of the Australian federal Minister for Innovation, Industry, Science and Research was interviewed to illuminate the role of government and its influences in relation to the automotive industry, and Ford Australia and Holden in particular. The interview participant roles are summarised in Table 1 below and detailed in Appendix 2.

Interviews were semi-structured, allowing for consistency as well as for exploration of emergent themes. All interviews were recorded and transcribed for later analysis.
### Table 1  Summary of Interviews (by Location and Organisation)

<table>
<thead>
<tr>
<th>Location</th>
<th>Ford</th>
<th>GM</th>
<th>Union Leadership</th>
<th>Government</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>USA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>HQ</td>
<td>HQ</td>
<td>National HQ</td>
<td>No interviews</td>
</tr>
<tr>
<td></td>
<td>Senior IR Manager (Global responsibility)</td>
<td>Senior IR Manager (Global responsibility)</td>
<td>Advisor to UAW President</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Senior HR Manager (Global responsibility)</td>
<td>Senior HR Manager (Global responsibility)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>HR Managers x 3 (Global responsibility)</td>
<td></td>
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<tr>
<td></td>
<td>DT Plant</td>
<td>LDT Plant</td>
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<tr>
<td></td>
<td>ER Manager</td>
<td>Asst. Plant Manager</td>
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<tr>
<td></td>
<td>IR Manager</td>
<td>ER Manager</td>
<td></td>
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<tr>
<td></td>
<td>Line Manager x2</td>
<td>IR Manager</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Area Manager</td>
<td>Production Manager</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Team Leaders x2</td>
<td>Shift Leader</td>
<td></td>
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<tr>
<td></td>
<td>Union</td>
<td>Team Leader</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Plant UAW President</td>
<td></td>
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<tr>
<td><strong>Australia</strong></td>
<td></td>
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<td></td>
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<tr>
<td></td>
<td>HQ</td>
<td>HQ</td>
<td>National HQ</td>
<td>Federal govt</td>
</tr>
<tr>
<td></td>
<td>Senior ER Manager</td>
<td>Senior ER Manager</td>
<td>Advisor to Minister for</td>
<td></td>
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<tr>
<td></td>
<td>ER Manager</td>
<td>ER Manager x 2</td>
<td>Industry and Innovation,</td>
<td></td>
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<td></td>
<td>IR Manager</td>
<td></td>
<td>Senator Kim Carr</td>
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<td></td>
<td>HR Manager</td>
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Interview data were supplemented with plant tours, observation of speeches given by senior ER managers from Ford and Holden and by the then Vice President UAW-Ford, confidential internal company documents including global ER policies, collective labour agreements, and publicly available company and government documents including media releases from Australian government ministers and US Presidents. Providing particularly useful insight were the 2008 enquiry into the automotive manufacturing industry commissioned by the Australian government (Bracks, 2008) and the 2008 US Congressional enquiry (Committee on Financial Services US House of Representatives, 2008a; 2008b), including the transcripts of evidence and written submissions by the companies and unions. A one-day internal
meeting was also observed, being a Ford-UAW Change Agents’ Conference, giving insight into one aspect of management-union relations in that company.

Interview data were analysed using a coding framework guided by the modified theoretical framework, informants’ roles and locations and the type of ER policy or practice. All transcribed interviews, amounting to in excess of 100,000 words of transcript, were read and coded using NVivo software. Coding focussed on institutional, market and political influences occurring at macro, meso and micro levels. Coding was also guided by whether informants were from HR management, plant management, shop floor workers, union representatives or government allowing comparison between workforce sectors. Finally, coding was based on whether ER policies and practices related to work organisation and staffing, remuneration or management-union relations and bargaining. A copy of the NVivo coding framework showing tree nodes is provided in Appendix 3. Analysis was not restricted to themes arising from the theoretical framework and emergent themes were also explored. During analysis, as themes emerged, they were cross-referenced against extant theoretical and empirical literature.

1.3. Overview of the Thesis

This thesis is presented in five parts, outlined as follows.

Part One introduces the research questions and methodology, reviews existing relevant literature and details the context within which the research was undertaken. The following Chapter Two reviews the literature examining international transfer of ER policies and practices within MNCs and suggests a modified theoretical framework. The broad range of theoretical approaches that have been taken to this issue are examined along with the findings of key empirical studies. Dominant in literature considering transfer of ER policies and practices are institutional approaches, ascribing development of ER policies and practices in MNCs’ overseas subsidiaries to the powerful influences of national patterns of business (Whitley, 1992a) and strategic approaches emphasising the rational will of the firm’s HQ management (Schuler and Tarique, 2007). In recent years, transfer of ER policies and practices within MNCs has been considered in terms of power struggles between various actors within MNCs (Ferner and Tempel, 2006). Finally, a number of recent attempts to integrate theoretical approaches are examined and an argument made in their favour over
narrower views of transfer. A modified integrated theoretical framework is proposed, building on the most favourable integrated approach of those reviewed, that of Edwards et al (2007). This modified approach, examining transfer of ER policies and practices within MNCs, shaped by national-insititutional and market forces as well as through exercise of individual agency utilising a variety of sources of political power in the micro, meso and macro realms, is then used in the empirical part of the thesis.

Chapter Three introduces the two case study companies, Ford and GM, and their two Australian subsidiaries, Ford Australia and Holden and positions the research in a time of crisis. A confluence of product and financial market forces peaked during the global economic downturn, commonly referred to in Australia as the Global Financial Crisis (GFC), bringing the case study companies near to collapse. Transfer of ER policies and practices from the US HQ to their Australian subsidiaries is thus examined during a critical time, throwing events, policies and practices into sharp relief and allowing for close examination of the case study.

Part Two presents the key findings of the research, answering the first of the two research questions; to what extent do MNCs transfer ER policies and practices from HQ to foreign subsidiaries? Chapter Four details the development and transfer of policies and practices affecting work organisation and staffing. With the companies in crisis, cutting production output and restructuring their international organisations, research into this area of practice provides a rich vein of data on transfer and non-transfer of ER policies and practices. Decisions made in the companies to adjust labour levels impacted both hourly and salaried employees allowing comparisons of the extent to which the quantum and methods of adjustment were transferred from the US HQ.

Chapter Five details the development and transfer of remuneration policies and practices. Research into the extent of transfer of remuneration policies and practices allows comparisons between salaried and hourly employees. The research findings reveal broad patterns of US HQ varying involvement in the remuneration of subsidiary employees before uncovering specific, unexpected examples of remuneration policies and practices successfully transferred from US HQ to Australian subsidiary.

Chapter Six examines transactions affecting policies and practices in the area of management-union relations and bargaining allowing findings to be made specific to IR. This part of the research finds a backdrop of globally standardised production systems against which the US
HQ had chosen to remain largely uninvolved in the IR policies and practices of the subsidiaries. However, evidence is found to suggest that this approach is changing with the US HQ becoming increasingly involved and transferring IR policies and practices to the Australian subsidiaries using unexpected means.

Part Three answers the second research question; *what factors account for transfer and non-transfer?* It does so by analysing the key findings of the research described in Part Two, testing the modified theoretical framework derived in Chapter 2. Chapters Seven, Eight and Nine draw conclusions so far as the second research question relates to each of the three areas of ER policy and practice in turn.

Part Four brings together the analyses from Part Three and highlights the thesis’ key findings followed by a discussion of implications for each of the main parties involved in cross border transfer of ER policies and practices within MNCs: MNC HQ management; MNC subsidiary management; unions; and government. The Part concludes by noting potential limitations and considering future areas of research.

### 1.4 Conclusion

The transfer of ER policies and practices within MNCs is an important activity, potentially capable of broad international impact. This thesis will examine and find the extent of, and factors shaping, transfer of ER policies and practices in two key US MNCs operating in Australia. This research, undertaken during the height of the GFC, will give insight into the roles of institutions, markets and actors in shaping transfer outcomes. A comparative case study methodology is employed to answer the research questions.
Chapter 2 - Literature Review and Theoretical Framework

2.1 Introduction

Management of ER policies and practices in MNCs has become the subject of considerable research interest in recent years, yet still offers substantial scope for new research. Theoretical perspectives on how best to analyse and explain decision-making within MNCs are developing and manifold, presenting variety between and within numerous academic disciplines. In Australia, where MNCs have such a significant presence, there has been little empirical research on transfer of ER policies and practices in MNCs.

This chapter examines existing literature about the transfer of ER policies and practices within MNCs with the aim of identifying the most prudent theoretical basis on which to approach the research questions as well as briefly examining findings of the small number of empirical Australian studies. This literature review encompasses a number of fields of academia including HR Management (HRM), IR, international business and strategic management, each possessing different ways of looking at the issue. This thesis builds on existing theoretical research, proposing a modified integrated theoretical framework and arguing that to examine this issue through too narrow a lens risks providing a distorted view of the true determinants of transfer.

This chapter's critical examination of the various theoretical approaches to analysing transfer is categorised broadly into three perspectives based on the level at which emphasis is placed in extant literature: First, national-institutional (examining cross-national influences); second, organisational (concentrating on firm-level strategic and structural factors); and third, individual-political (incorporating agency of individual actors). While it serves the purpose of this literature review to categorise the numerous approaches in this manner, there is considerable interaction and often interdependence between factors from each analytical level influencing transfer.

Analysis of the literature will illustrate the complexity of known factors affecting transfer of ER policies and practices across national borders within MNCs and will conclude that an appropriate theoretical approach is one that integrates considerations from each of the
national-institutional, organisational and individual-political levels so as to provide a most complete and accurate explanation for transfer.

This chapter is therefore organised as follows. First, factors affecting transfer and related theoretical approaches will be examined at the national-institutional, organisational and individual-political levels in the first three sections. Second, various integrated approaches to transfer will be reviewed and an argument will be made for using a modified, integrated ‘political economy’ theoretical framework. Finally, the small number of empirical studies focussed on transfer of ER policies and practices to Australian subsidiaries of foreign MNCs will be briefly reviewed.

2.2 National-Institutional Factors Affecting Transfer

The body of research examined in this section, developed mainly since the early 1990s, seeks to explain persistent differences in ER policies and practices through the context of national differences. This literature examines distinctive traits of nations which are claimed to account for persistent differences in national patterns of ER that, in turn, shape the behaviour of firms originating from and operating within those environments.

The importance of studies grounded in national differences lies in the complex operations of MNCs. As MNCs operate in more than one country they are influenced by the distinctive features of both their country of origin and the countries in which their subsidiaries are located. Given the multiple national influences upon MNCs, there is considerable potential for effective use of national-level analysis to examine transfer of ER policies and practices within MNCs.

This cross-national literature comprises two main fields emphasising national culture and national institutions.

National Culture

Early work attributed national differences in transfer of ER policies and practices within MNCs to cultural factors. While cultural explanations for national differences have been used widely in the HRM field, the approach has been widely criticised.
Culturalist literature, based largely on Hofstede’s five cultural dimensions (1980; 1999), has asserted that the national culture of the ‘home’ countries in which MNCs HQ are embedded influences their choice of ER policies and practices transferred to their foreign operations giving them distinct characteristics (Bae et al, 1998; Ngo et al, 1998). The influence of the subsidiary ‘host’ country’s national culture on whether, or how successfully, MNCs’ ER policies or practices are transferred to foreign subsidiaries has also been examined (Myloni et al, 2004; Schuler and Rogovsky, 1998; Tayeb, 1998) and the concept of ‘cultural distance’ between MNCs’ home and host countries has been used to explain MNCs’ mode of entry into foreign markets and the level of management control over the resulting subsidiary (Colakoglu and Caligiuri 2008; Harzing, 1997; Kim and Gray, 2005; Kogut and Singh, 1988).

However, culturalist approaches have been widely criticised for overemphasising national cultural differences and masking other, more salient, factors such as intra-country differences and firm culture (Gerhart and Fang, 2005); for failing to convincingly account for the sources of national cultural effects or how they evolve (Clark et al, 1999; Edwards and Kuruvilla, 2005; Ferner and Quintanilla, 2002); for the absence of any strong reason to presume that national culture on its own creates a unique system of business (Whitley, 1992a); for saying little about how the tensions it identifies as arising with transfer actually play out politically within organisations (Edwards, 2004); and, as the basic assumptions of Hofstede’s classifications of national culture lack sufficient supporting evidence, they have lead to flawed empirical descriptions (McSweeney, 2002).

**National Institutions**

An alternative approach to examining the home and host country influences on transfer of ER policies and practices within MNCs is one grounded in differences in national institutions and systems of business. Ferner (1997:19), criticising the culturalist approach as exemplifying the difficulty of interpreting the many interrelated features of corporations and nations, argues for “a more systematic analytical approach for examining country-of-origin issues” that accounts also for national institutions.

Institutionalist models provide a more solid basis for examining the operations of MNCs as they depart from uncertain cultural principles and instead emphasise the effects of distinct political and economic institutions (Edwards et al, 2007). Institutions have been defined broadly as “a set of rules, formal or informal, that actors generally follow, whether for normative, cognitive, or material reasons, and organisations as durable entities with formally
recognised members, whose rules also contribute to the institutions of the political economy” (Hall and Soskice, 2001:9); “patterns of human action and relationships that persist and reproduce themselves over time, independently of the identity of the biological individuals performing within them” (Crouch, 2005:10); and “the rules, norms and assumptions that shape economic activity” (Edwards et al, 2007:203). An important common element of these definitions is an enduring quality that shapes behaviour of actors over time.

The two main bodies of institutionalist theory for explaining transfer are comparative institutionalism, which focuses on the influence on firm behaviour of distinct business systems and institutions that have developed over time in different economies; and ‘new institutionalism’ which seeks to explain how institutional pressures shape actors’ behaviour through coercive, normative and cognitive mechanisms (Ferner and Tempel, 2006). It is argued that institutionalism provides a strong theoretical basis for, and has a place in any, examination of transfer; however it does not account sufficiently for interests of actors and thus is inadequate if used in isolation.

**Comparative Institutionalism**

Comparative institutionalism examines enduring differences in the structure and behaviour of firms from country to country, shaped by the national development of institutions. The influential ‘comparative institutionalist’ approaches explore ‘National Business Systems’ (NBS) and ‘Varieties of Capitalism’ (VoC) arising from a group of studies that, in the 1980s and 1990s had started to attribute divergence of national ER patterns to national institutional factors (Lane, 1989; 1994) referring to the concept of national “Industrial Order”). Central to both approaches is the idea that NBSs consist of combinations of institutions that shape national markets, competition and business activity (Ferner and Tempel, 2006) thus promoting ongoing capitalist diversity as transnational spread of policies and practices is integrated into nationally distinct matrices.

**National Business Systems**

The NBS approach was developed by Whitley (1992a; 1992b) as a response to perceived overemphasis on cultural factors by ‘cultural and institutional relativists’ and the market determinism and lack of regard for social institutions of the ‘economic rationalist’ stance (which considered that market pressures lead to uniform responses by firms competing internationally, converging on the same efficient structure and practice based on technology
and market imperatives) (Whitley, 1992a; 1992b). Central to the NBS approach is the idea that different types of economic rules are created by different types of capitalism which in turn shape the behaviour and competitiveness of firms. That is, particular NBSs are formed through institutions deriving from particular ways of arranging economic affairs (Morgan, 2007). Emphasising the embeddedness of managers and firms within the institutional arrangements of countries in which they are located, leading in turn to persistent national differences in the behaviour of those managers and firms, the NBS approach is used to account for distinctive NBSs in both the home and host countries.

For Whitley (1992a), a nation’s distinctive business system stemmed from its background social institutions, including historical factors relating to the development of industrialisation and forms of social organisation (Crouch, 1993; Ferner, 1997; Fulcher, 1988) and cultural factors. Proximate social institutions also seen as contributing to NBSs were structures of corporate governance and management, division of labour, IR, labour market institutions, training systems and methods of workplace organisation (Ferner, 1997; Lane, 1994; Marginson and Sisson, 1994; Maurice et al, 1986).

Thus, various countries have been described in terms of their distinctive NBSs. For example, the US NBS of ‘competitive managerial capitalism’ is typified in areas such as its corporate governance control systems, its arms-length labour markets, its relatively weak government involvement, the way its large firms developed serving dispersed, homogenised markets and innovation in the absence of institutional constraints typified by US-based MNCs’ reliance on formal systems of control rather than personal control mechanisms (Almond and Ferner, 2006; Chandler, 1990; Clark and Almond, 2006). Australia’s NBS, while not subject to the same level of analysis as that of the US, has been described as derived from, and still strongly influenced by the US and the United Kingdom (UK) along with its reliance on agriculture and resources, although this has been changing over the past few decades (Marceau, 1992). Changes include government policies of reducing protection for local industries and deregulation of the centralised IR system, both encouraging direct foreign investment (Gooderham et al, 2006; McGraw and Harley, 2003).

Ferner (1997) argues that Whitley’s NBS framework is well suited to explaining MNCs’ behaviour when operating in foreign subsidiaries. The framework dictates that a firm’s behaviour is shaped by the NBS of its country of origin and, in the case of an MNC, this behaviour is transported to its operations hosted in other countries. However, as MNCs
operate in multiple countries, they are exposed to influences from multiple NBSs (Whitley, 1999). Thus, a critical analytical question relates to the link between the broad picture of NBSs and the specific actions of MNCs, that is, how differences between countries’ NBSs inform the behaviour of MNCs embedded within them (Almond, 2011; Ferner, 1997).

In this respect, the NBS approach has been used widely as a theory for examining the extent to which the transfer of ER policies and practices within MNCs is affected by what is referred to as the home country and host country effects (Ferner and Quintanilla, 1998). A number of studies illustrate this point, for example, Edwards and colleagues’ (2007) case study of a US MNC operating in the US and the UK linked the company’s strongly centralised management style in its international operations to the way in which US firms grew and operated, with “systematic control mechanisms across geographically dispersed sites in order to deliver standardised products to mass markets” (2007:206) and use of redundancies as a means of cost-cutting in response to pressures for shareholder value.

Varieties of Capitalism

While comparative institutionalists argue that business organization differs between different NBSs, one cannot view each part of an NBS in isolation from the context of the “constellation of features in which they are integrated in the home nation” (Ferner, 1997:25; Ferner and Tempel, 2006). Hall and Soskice’s (2001) VoC approach, with its focus on ‘institutional complementarities’, provides a wider scope to make sense of the context in which MNCs operate. Based on national differences in the way that economic activities are organised, capitalist economies are categorised into ‘liberal market economies’ (LMEs), for example the US, UK and Australia which are distinguished by arms-length market transactions as means of resolving their ‘coordination problems’; and ‘coordinated market economies’ (CMEs), for example Germany and Japan which feature non-market mechanisms such as long-term relationships between dependent firms.

The VoC approach builds on comparative institutional literature and seeks to advance NBS theory. Placing the firm at the centre of analysis, it examines the ways in which firms solve internal and external ‘coordination problems’ with a focus on their key internal and external relationships with other actors in the economy (Hall and Soskice, 2001). How firms solve their ‘coordination problems’, related to IR, vocational training and education, corporate governance, inter-firm relations and relations with employees, is shaped by institutional arrangements. Hall and Soskice argue (2001:18) “that nations with a particular type of
coordination in one sphere of the economy should tend to develop complementary practices in other spheres as well.’’ For these authors it is the way that institutions interrelate and form ‘institutional complementarities’, where the presence of one institution enhances the efficiency of another, that distinguishes each NBS.

For instance, following Aoki’s (1994) findings regarding Japan, Hall and Soskice (2001) argue that financial systems providing capital on terms not sensitive to short-term profitability are more conducive to long-term employment and conversely financial markets that transfer capital easily among competitive firms sustain a demand for labour and thus fluid labour markets are more suited. Similarly, Thelen (2001) posits that the political and economic institutions in the US, such as public shareholding, short-term financing and restrictive labour laws complement anti-union activity by firms. Deregulation of labour markets is also considered likely to produce large economic gains only in nations with complementary fluid financial markets (Hall and Gingerich, 2004:37). Noting the relative lack of these ‘collateral institutions’ in the US and UK, Thelen (2001) further argues that US and British firms normally revert to managerial unilateralism.

Hall and Gingerich (2004) added to the VoC approach by creating a ‘coordination index’ by which each country could be measured in terms of the extent to which they are a LME or CME. Based on consideration of shareholder power, dispersion of control, size of the stock market, the level and the degree of wage coordination and labour turnover, countries were accorded a score on a scale from zero to one. The US was given a score of zero, representing the most LME and Austria a score of one as the most CME. Countries with a score below 0.5 were considered to be LMEs with those above 0.5 being CMEs. Australia’s score of 0.36, while below 0.5 and thus considered a LME, was considerably higher (indicating a more coordinated economy) than the US. This can be interpreted as indicating low industrial coherence between corporate governance and IR systems which could lead to low opportunities for institutional complementarity (Höpner, 2005). It is notable however that the data for this study were gathered for the period 1990-1995 at an early stage of a long period of deregulation and decentralisation of IR in Australia that has included some radical reform. While not repeated identically, Hall and Gingerich (2009) later found Australia to have a coordination score of 0.29 in relation to IR.

Observations drawn from the theory of institutional complementarity illuminate some of the difficulties involved in transferring ER policies and practices between differing NBSs.
According to the VoC approach firms are more likely to reproduce their home policies and practices in institutionally similar, or institutionally weak, locations (Morgan and Kristensen, 2006).

Thus, if a comparative institutional approach was taken to examine transfer it would focus on NBS and institutions built up over time and consider firms’ behaviour to be shaped through their ‘embeddedness’ in those systems and institutions. This embeddedness can be evident in an MNC’s ‘home country’, causing a ‘country of origin’ effect, or in its subsidiary ‘host country’ causing a localisation effect. The NBS and VoC approaches provide useful methods to analyse the context that shapes and limits the decisions on transfer made by MNCs.

New Institutionalism

Another influential body of institutional theory, ‘new institutionalism’ examines, so far as it is used to consider transfer, the relationship between firms and their institutional environment and in particular how institutional pressures shape firms’ internal structures (DiMaggio and Powell, 1983; Meyer and Rowan, 1977; Powell and DiMaggio, 1991; Zucker, 1977). Comparable to one aspect of VoC, new institutionalist theories point to normative (relating to beliefs, values, and social norms) and cognitive (shared social knowledge) differences between nations that cause difficulties in transferring ER policies and practices between national institutional domains (Ferner and Tempel, 2006). Central to new institutionalism is the concept of ‘isomorphism’ which is the process by which structures and processes of one organisation change to resemble those of other organisations that have the same environmental conditions (DiMaggio and Powell, 1983; Kostova, 1999; Scott, 1995).

New institutional theory, applied to examining transfer of ER policies and practices within MNCs, describes MNCs as subject to the ‘institutional duality’ of mediating between different internal and external isomorphic pressures (Westney, 1993) or pressures for internal and external legitimacy (Kostova and Zaheer, 1999). For example, Rosenzweig and Nohria (1994), based on their survey of the top officers of 249 US subsidiaries of MNCs headquartered in Canada, France, Germany, Japan, the Netherlands, Sweden, Switzerland and the UK, argue that MNCs are subject to strong pressures for local isomorphism balanced against differing pressures for internal consistency depending on MNCs’ country of origin. The concept of ‘institutional distance’ is used to describe the extent of institutional difference between home and host countries (Kostova, 1999; Kostova and Roth, 2002) and in this way is analogous with the culturalist concept of ‘cultural distance’.
Until recently, subsidiaries have been portrayed as conforming passively to isomorphic pressures (Tempel, Wächter and Walgenbach, 2006). More recent studies of transfer have drawn on Oliver’s (1991) identification of a range of strategic responses of organisations to institutional pressures, ranging through acquiescence, compromise, avoidance, defiance and manipulation, to study subsidiary responses to HQ attempts to transfer policies and practices. Recent studies, drawing on this strand of theory to introduce recognition of transfer as a contested process, have linked the level of adoption of ER policies and practices by subsidiaries to a number of institutional factors. Examples include pressures created by subsidiaries’ institutional distance from the HQ environment (Kostova and Roth, 2002; Saka, 2002); local managers’ use of embeddedness in incompatible institutional environment (Edwards et al, 2005); and the interdependence of subsidiary management and the parent company balanced with the local context (Tempel, Edwards, et al 2006). Most recently, Ferner et al (2012) proposed expanding Kostova’s (1999) concept of institutional distance by incorporating analysis of MNC actors’ power resources.

**Criticism and Summary of the National-Institutional Approach**

Institutional theory provides a firmer basis for examining the operations of MNCs than the uncertain cultural principles; however it can be criticised in three notable ways. First, the concentration on national institutions and systems leads to a failure to account sufficiently for system dynamics, that is change within business systems. While the notion of path dependency of institutions is inherent in the comparative institutionalist approach and goes some way to accounting for change, path dependency has in turn been criticised for its ‘punctuated equilibrium’ model focusing on radical changes and ignoring small, incremental changes such as those arising from MNCs’ exploitation of the space in which they operate within institutional environments, that can transform a NBS (Edwards and Kuruvilla, 2005; Ferner and Tempel, 2006; Streeck and Thelen, 2005). On the other hand, Morgan (2007) joins in the criticism of path dependency theory and of the core ‘institutional complementarity’ notion of VoC but defends the NBS approach against criticism of failure to account for change. He admits that the NBS approach’s use of ‘ideal types’ of business systems in its analysis is static but argues that these ‘typologies’ provide the fixed background against which the dynamic nature of actual business systems can be examined and explained empirically. This interdependence between national institutions and organisational politics suggests institutions are themselves political ‘objects of contest’ (Hyman, 2001) and unsuitable to provide sole theoretical basis for transfer.
A second criticism is that institutionalism is deterministic. As comparative institutionalism takes place at the level of national institutions, it fails to account for many variations and influences occurring outside of the national-level model (Crouch, 2005), seeing “organisations as passive in their interaction with the institutional environment” (Edwards et al, 2007:203). In this way, comparative institutionalism fails to account for variations within each NBS (Edwards and Kuruvilla, 2005), tending to assume that all firms within each NBS will respond passively to institutional pressures (Crouch, 2005; Morgan, 2005). Further, firms may also be influenced by sectoral factors that operate industry-wide across borders (Casson and Lundan, 1999; Katz and Darbishire, 2000) as well as supranational by regulation such as from the World Trade Authority (Ferner and Tempel, 2006).

Finally, the central criticism of institutionalist approaches is that they leave little scope for agency (Jackson and Deeg, 2006). The criticisms that apply to institutionalism broadly, in particular the underplaying of interests, relate particularly to studies of MNCs (Hall and Wailes, 2009) where decision-making can be a highly political undertaking (Geppert and Williams, 2006; McGraw, 2004). As described by Morgan (2007:140), MNCs are “complex sites of conflict and negotiation as actors with different interests, some strongly based in particular institutional settings, others positioned in the managerial and career structure of the MNC and still others concerned with network lines beyond the organisation”. Deeg and Jackson (2007) provide a more promising argument for a contemporary treatment of institutions, more dynamic than classically portrayed, within which actors operate to the extent that they can achieve their desired outcomes, but without constraining those actors entirely in certain circumstances.

National-institutional theory has wide application for the study of workplaces located in multiple national environments. It provides a context in which transfer can be analysed. That is, it deals with national-level conditions within, and across, which MNCs operate. These conditions shape and limit the choices made by MNCs in how they manage their workforces in foreign subsidiaries. While national-institutional theory is an important element and should be represented in a theoretical framework seeking to examine and explain transfer, alone it accounts insufficiently for agency of organisations and individuals. Further approaches will now be considered which will provide additional theoretical lenses through which to study transfer beyond the constraints of institutionalism.
2.3 Organisational Factors Affecting Transfer

While institutional approaches to examining transfer account for context within which MNCs operate, their weakness in failing to account sufficiently for agency might be mitigated by integrating analysis of the role of organisational actors. That is, as MNCs sit at the centre of the issue of transfer, richer and more enlightening information is expected from integrating a place for global MNC actors and the international business environment in which they operate with the national institutional context (Tempel and Walgenbach, 2007). This section will examine organisational-level theories relating to firm and HR strategy and structure and will consider how these theories can be incorporated into an overarching framework for understanding transfer.

Early organisation-level approaches to explaining MNCs’ conduct of ER in subsidiaries argued that the main issue for MNCs was to find the best fit, or congruence, between their international HRM (IHRM) strategies and their overall business strategy (Adler and Ghadar, 1990; Milliman et al, 1991). These approaches focus on four areas: First, the influence of the industry sector in which MNCs operate; second, MNCs’ organisational strategy; third, MNCs’ HQ/subsidiary organisational structure; and fourth, a market-based view of strategy.

Industry Sector

Some studies argued that the industry sector in which an MNC operates has a determinative effect on its chosen strategy (Cooke, 2007; Harzing, 2000; Porter, 1986b). Porter (1986b) argued that within some industries MNCs are more likely to operate multidomestically, competing nationally and more likely to allow subsidiary management autonomy over ER policies and practices, while MNCs in other industries operate globally, competing internationally and are more likely to centralise their HR policies and practices. This theory reflected an understanding that global, more than multidomestic, MNCs need to transfer people, products and information from country to country (Porter, 1986b). Industry-wide strategic trends have been linked to the level of standardisation of products in particular industries and the importance of global efficiency (Coller, 1996; Edwards, 1998; Harzing, 2000). However, other empirical studies have cast doubt over whether industry-related factors have any effect on transfer (McGraw, 2004; Rosenzweig and Nohria, 1994).

While the impact of industry sector on transfer is subject to debate, industry factors remain important in terms of shaping the institutional environment in which firms operate and
shaping norms regarding accepted best practice, leaving open the possibility of dominant MNCs having strong influence (Marginson and Sisson, 1994).

**Organisational Strategy**

A number of scholars (Hannon et al, 1995; Harzing, 2000; Harzing, 2004, Taylor et al, 1996) argued that the extent to which MNCs seek to transfer ER policies and practices to foreign subsidiaries was related to the stage of internationalisation of those firms. These studies sought to explain firm ER behaviour by extending typologies, developed in strategic management literature, applying to firms’ strategic response to the issue of global integration and local responsiveness (Bartlett and Ghoshal, 1998; Jarillo and Martinez, 1990; Perlmutter, 1969). Applying such typologies to examining MNCs’ ER policies and practices has suggested that an MNC’s ER strategy is directly linked to its overall international business strategy. That is, one should expect to find ER strategies, including those related to transfer, consistent with the firm’s overall strategy and international orientation.

Central to these strategic models is the assumption that competitive pressures on MNCs influence the transfer of policies and practices to their foreign subsidiaries. This in turn is based on an assumption that, in order to meet market pressures and maintain or improve firm competitiveness, the fundamental objective for MNCs is to balance the needs and demands of coordination, control and autonomy of their subsidiaries. The correct balance is expected to facilitate competiveness, efficiency, local responsiveness, flexibility, learning and transfer of knowledge (Bartlett and Ghoshal, 1998).

Following from these assumptions, strategic models recognised the need for IHRM strategies to align with the firm’s international business strategies. However, firms are faced with choosing between consistency across operations (standardisation) or customising their policies and practices adapting to local norms and institutions (localisation), creating the dilemma of “global integration – local responsiveness” (Hannon et al, 1995:533).

In the strategic management literature, building on models developed by Perlmutter (1969) and Jarillo and Martinez (1990), Bartlett and Ghoshal’s (1998) typology described four
organisational models of MNC: ‘multidomestic’\(^1\) companies, whose strategy allows subsidiaries to operate autonomously and to be responsive to local environments; ‘global’ companies, which seek global efficiency through centralised decision-making based on opportunities in both the global operating environment and worldwide consumer demand; ‘international’ companies, whose strategy spreads HQ knowledge and expertise to foreign markets; and ‘transnational’ companies, which simultaneously utilise the strategies of the first three models to suit their purposes using complex management structures.

A number of models (Hannon et al, 1995; Taylor et al, 1996) have sought to recast these strategic management typologies to explain and predict the ER policies and practices in MNCs’ subsidiaries along the same scale from localisation to standardisation. Taylor et al (1996) developed a theoretical model which sought to link MNCs’ choice of appropriate ER systems to firm strategy by way of senior management’s international ‘orientation’. Such approaches to examining transfer of ER policies and practices have been criticised for assuming that MNCs’ ER strategies flow straightforwardly from their international business strategies, thus leaving little role for ER strategy (Hall and Wailes, 2009). Harzing’s (2000; 2004) large scale survey study sought to account for organisational strategic actors by extending the typology to examine, most notably, the control mechanisms used by HQ in managing subsidiary operations. The inclusion of control mechanisms in Harzing’s extended typology goes some way to providing a role for organisational actors when examining transfer.

However, some empirical literature contradicts these typologies. Bray and Lansbury’s (2000) study of a single Swiss MNC’s subsidiaries in Australia, Switzerland and Finland found some convergence of ER practices within the MNC’s subsidiaries despite the company portraying itself as multidomestic. Further, evidence found in the survey-based study by Kim and Gray (2005) of 34 Australian headquartered MNCs operating overseas subsidiaries failed to support the authors’ hypothesis that MNCs following a multidomestic strategy would have lower degrees of similarity in HRM systems between HQ and subsidiary, nor did it support the hypothesis that the strategic HRM orientation of top management would positively affect similarity. As Harzing (2004:61) rightly points out in relation to Bartlett and Ghoshal’s

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\(^1\) This thesis follows the convention of other scholars (e.g. Harzing 2004) by referring to Bartlett and Ghoshal’s “multinational” companies as “multidomestic” because the term “multinational company” (MNC) is used in a more generic manner throughout this thesis
model, “although this is a convenient typology, few MNCs will neatly fit” within it (Harzing, 2000:101).

In order to adequately account for transfer, the implication that ER strategy flows without other influences from organisational strategy would need to be avoided. Thus, while these typologies might provide a useful contextual framework within which to examine MNC behaviour at the organisational-level, in order to adequately examine transfer other factors must be included. The effect on transfer of corporate strategy and the resulting structures are well described by Ferner and Edwards (1995:235) as influencing “whether a MNE wants to transmit practices to its subsidiaries.” Whether, how and to what extent an MNC does transfer practices depends on other factors including at the individual-political level which are not accounted for in approaches based around typologies such as that of Bartlett and Ghoshal (Dörrenbächer and Geppert, 2006).

HR Strategy

The models in the literature examined in this section have strongly implied an automatic connection between organisational and ER strategy allowing for little agency by organisational actors. Some studies have argued that the success of MNCs relies on effective management of HR (Stroh and Caligiuri, 1998) and particularly that “HR strategy [is] the primary device for strategic implementation and control in the global/transnational firm” (Scullion and Starkey, 2000). Further, a group of scholars have sought to place HR strategy at the forefront of their analyses of MNCs’ HR function implementing their global organisational strategies (Brewster et al, 2005; De Cieri and Dowling, 1999; Schuler et al, 1993; Schuler and Tarique, 2007; Sparrow et al, 2004; Sparrow, 2007).

Schuler and colleagues’ (De Cieri and Dowling, 1999; Schuler et al, 1993; Schuler and Tarique, 2007) prominent framework sought to offer a method to account for linkage between HRM and strategy through examining the way ‘strategic [MNC] components’, along with other factors endogenous and exogenous to the firm, influenced ‘strategic IHRM issues, functions, policies and practices’. In this framework the place of HRM was still largely reactive and operational, linked directly to firm strategy (Hall and Wailes, 2009) and thus did not provide a strong place for organisational agency. Sparrow and colleagues reinforced the strategic role for firms’ HR function, proposing a global HRM model for examining transfer that was less contingent upon organisational strategy. Their model of ‘strategic recipes’ linked organisational ‘drivers’ of IHRM to internal ‘enablers’ of IHRM delivered through
‘HR processes’ (Brewster et al, 2005; Sparrow et al, 2004). However, HRM has been criticised for overemphasising the role of strategy due to a large gap between HR policy and HR practice (Syed and Kramar, 2012). Acknowledging this disparity, Sparrow (2007) highlighted for future research a political examination of transfer including an examination of power.

**HQ/Subsidiary Organisational Structure**

The main theories based in organisational strategy that have been used to analyse transfer have now been examined. Some of those organisation-focused theories, particularly those centred on Bartlett and Ghoshal’s (1998) typology, necessarily included examination of MNC structure. This section will focus on organisation-level approaches that have directly considered the influence of MNCs’ structural context on transfer of ER policies and practices to subsidiaries. These approaches have considered the relationship between HQ and subsidiary from two main perspectives: First, their degree of interdependence; and second, their relative size and power.

*Degree of Interdependence*

The degree of interdependence between MNCs’ subsidiaries and HQ has been posited as a determinant of the control an HQ is likely to have over subsidiary policies and practices. Where a subsidiary is highly dependent on its HQ an MNC is more likely to have integrated ER policies and practices but over time the subsidiary is expected to become more autonomous and thus HQ will require alternative control mechanisms (Prahalad and Doz, 1981). In their literature review, Baliga and Jaeger (1984) developed a conceptual model to examine the impact of environmental uncertainty, cultural proximity and interdependence on control mechanisms in MNCs. They argued that interdependence between HQ and subsidiary was the most crucial determinant of HQ management’s control mechanisms and level of delegation to subsidiary management. This was supported by Hannon and colleagues’ (1995) conclusion that global integration and local responsiveness were associated with HQ’s control of critical resources, the size of the parent's ownership stake in the subsidiary and the subsidiary's dependence on local resources.

Literature dealing with subsidiary management’s relationship with HQ has taken a resource dependence approach focussing on subsidiary-HQ power dynamics, for instance: Ghoshal and Nohria’s (1989) survey of large European and US MNCs examining the different structures
by which ‘fit’ is achieved; Martinez and Ricks’ (1989) survey of US MNCs operating in Mexico finding a positive relationship between subsidiary dependence on HQ resources and HQ control over subsidiary HRM (see also Ambos and Schlegelmilch, 2007; Johnston and Menguc, 2007; Loveridge, 2002; Medcof, 2001; Mudambi and Navarra, 2004).

Other studies examined the degree of subsidiary dependence on HQ in terms of the way MNCs were formed. For example, Tempel et al (2006) cited the fact that a British subsidiary had been acquired as the reason for its management having more autonomy that its German counterpart that had been set up and tightly controlled by the US HQ. Supporting this finding was evidence from a survey (Marginson et al, 1993) and from a case study of two British MNCs (Edwards et al, 1996) which demonstrated that MNCs have difficulty transferring ER policies when they have grown by acquisition. However, this is contrary to the findings of Kim and Gray (2005) who failed to find statistical support for their hypothesis that greater incidence of parent company expatriates working in senior positions in subsidiaries would lead to greater similarity of HRM systems. The authors noted (2005:823) that this finding “appears to be in line with an assertion that informal and subtle control mechanisms are becoming more and more important in MNCs”.

There are two main arguments against relying too heavily on firm structure as an analytical tool in terms of HQ and subsidiary interdependence. First, a political approach, for which this thesis advocates, sees MNCs as systems of bargaining and influence (Ferner and Edwards, 1995) and therefore not bound by organisational structure; and second, MNCs cannot generally be characterised as simple hierarchies but are complex systems with various actors possessing and exercising different forms of power (Bélanger et al, 1999).

**Relative Size and Power**

The other approach that has been used to consider the effect of MNC structure on transfer examines the relative size and power of HQ and subsidiary (Ferner and Tempel, 2006). This sophisticated approach looks beyond interdependence between subsidiary and HQ and analyses interdependence between the subsidiary and its environment through power derived from institutions.

Drawing on new institutionalist theory, Ferner and Tempel (2006) argued that integration of ER policies and practices introduced by HQ to a subsidiary would depend on the relative power of subsidiary to HQ, shaped in turn by MNC structure in terms of the relative size of
the subsidiary, as well as subsidiary managers’ local institutional power. Their study found that all but one of the studied US-based MNCs’ subsidiaries located in Britain were managed by way of policies devised centrally at US HQ. The one exception, managed in a fairly decentralised manner, was considered by the authors to be due at least in part to its relatively large size.

While this approach gives some credence to organisational structure affecting HQ control over subsidiary policies and practices, this thesis argues that the concept of power relations is relevant at each level of analysis of transfer. At the national-level power relations are intertwined with institutions in terms of the power derived from them at different levels and potentially of actors exogenous to the firm such as the state; it relates to organisations in terms of HQ relations with subsidiary management; and, as will become apparent below, it provides for useful analysis at the individual-level with individual power relationships.

**Market-Based**

This thesis argues that the most appropriate approach to organisation-level factors in examining transfer is a market-based approach for reasons discussed both in this section and later in relation to its suitability to form part of an integrated approach to examining transfer. A market-based approach posits that MNCs, motivated by competitive pressures from product, financial and labour markets, will seek to institute best practice throughout the organisation so as to maximise outcomes and ensure long-term viability (Edwards et al, 2007). Market-based theories focus on the way competitive pressures shape firms’ decisions in sharing best practice with their foreign subsidiaries.

Examples of market-based approaches used to consider transfer are the resource-based approach, which provides for competitive reasons for transfer of organisational competencies or perceived competitive advantages (Taylor et al, 1996), and the ‘cost-minimisation’ approach taken by Schmitt and Sadowski (2003), holding that MNCs will try to minimise the costs of centralisation and decentralisation associated with transfer, with higher costs of decentralisation allowing for greater influence of country of origin effects and higher costs of centralisation allowing greater host country effect (Schmitt and Sadowski, 2003).

An empirical study illustrating market-based factors, and examining country of origin and localisation effects, is the survey by Pudelko and Harzing (2007) of MNCs headquartered in the US, Japan and Germany and their subsidiaries located in each other country. The authors
refer to the ‘dominance effect’, analogous with the market-based factor, under which transfer depends on both the HQ’s and subsidiary’s perceptions of best practice and the receptiveness of the host country’s institutional factors. Their study concluded that the dominance effect was the most important factor explaining their finding of US HR practices adopted as worldwide best practices. However, the survey on which this study was based asked respondents to indicate “the practices they believed best characterised the [HR] practices … in their subsidiary” (2007:543). Respondents do not appear to have been asked why the practices were chosen and transferred.

The market-based approach has not been subject to wide empirical research on its own and has been criticised in three main ways. First, for assuming that ‘best practice’ is readily identifiable. Second, for assuming that senior managers determine courses of action and can implement them effectively. The third criticism is that, while MNCs obviously face market pressures and seek to exploit any opportunities to maximise their position compared to their competitors, MNCs do not act only on the basis of rational decisions but through “competing rationalities held by different actors” (Edwards et al, 2007:202).

**Criticism and Summary of the Organisational Approach**

National-level approaches used in isolation insufficiently explain relationships between HQ and subsidiaries within MNCs affecting transfer. This type of explanation requires inclusion of a political aspect (Coller, 1996). While including a market-based approach, providing as it does for some organisational agency, goes some way to overcoming the weaknesses of purely institutional approaches, transfer “is not governed solely by rational choices made by one group of calculating economic actors” (Edwards et al, 2007:202). Transfer is a process implemented and contested by actors with varying interests and power at various levels mainly inside MNCs but also outside them. It is at its heart a political process decided by various actors’ power relations (Ferner and Edwards, 1995). This leaves a place for examination of power at organisation-level but it is also imperative to include analysis of the agency of individual actors as it is individuals within organisations who make policies and implement practices. Further, a place should be made for the potential agency of exogenous actors as they, particularly the state, have potential to influence decisions made within the firm.

According to Edwards et al (2007), both institutions and markets thus provide the context within which transfer occurs, but within this context actors can shape transfer. The next
section will explore the ways in which literature has shown individual actors operate within this context.

2.4 Individual-Political Factors Affecting Transfer

This chapter has so far examined the utility of analysing factors affecting transfer at the national-institutional and organisational levels, identifying limitations and highlighting the importance of also considering political factors affecting transfer. For many years political struggles have been recognised as shaping outcomes within workplaces (Crozier, 1964; Mechanic, 1962; Pettigrew, 1973; Pfeffer, 1981). However, it is only relatively recently that literature has considered control within MNCs through relationships of power which Ferner (2000:525) notes is curious given the language of managers including such phrases as “forcing things through” and “resisting pressures”. In recent years, intra-firm politics has been emphasised in studies on transfer, with MNCs being categorised as ‘structures of power’ (Ferner and Edwards, 1995). This section will consider literature that has examined political factors affecting transfer.

Political approaches focus on how individuals within organisations, acting in their own interests or those of their principals or constituents, affect transfer or, in other words, focussed on “the conflicts that emerge when powerful actors with different goals or interests interact with each other locally and across national and functional borders” (Dörrenbächer and Geppert, 2006:255).

As will be demonstrated in this section, an MNC, and indeed its HQ and subsidiaries, are not unitary actors. MNCs can be seen as “structures of power” within which various forms of power provide for various “channels of influence” (Ferner and Edwards, 1995:231). Examination of political effects on transfer is also important so as to account for agency of individual actors within MNCs. Given the complexity of MNCs’ operations crossing national-institutional domains and of the complex internal strategic and structural factors, transfer of ER policies and practices from HQ located in one country to a subsidiary located in another is likely to be subject to complications and contestation at the individual-political level (Almond and Ferner, 2006; Morgan, 2001; Morgan et al, 2003). Further, strict hierarchies are becoming less common in MNCs due to their more internationalised, integrated management structures (Bélanger et al, 1999). In other words, within the
constraints imposed by institutional and market forces, there exists a ‘range of indeterminacy’ in which actors may choose from numerous available courses (Edwards et al, 2007:210). Ferner (2000:521) sees this as a “complex interplay of formal and informal power and authority relations”. Complication and contestation at subsidiary-level may not necessarily present as total acceptance or refusal. Transferred policies and practices may, for example, be implemented without commitment or as interpreted by local actors (Ferner and Tempel, 2006). Thus, subsidiary actors can be seen as gatekeepers between their organisation and HQ (Morgan and Kristensen, 2006).

Political approaches to transfer see actors as not only constrained by external influences but as enacting those constraints in order to pursue their interests (Dörrenbächer and Geppert, 2006). Central to such approaches is the notion that actors rely on various sources of power to which they have access in order to support their interests. In the case of HQ actors, this involves transmitting ER policies or practices and, in the case of subsidiary actors to implement or contest to varying degrees attempted transfer (Coller and Marginson, 1998; Rees et al, 1999). Hence, political factors are best looked at from the two aspects of HQ transmission and subsidiary reception.

**HQ Transmission**

HQ management has been identified by Liu (2004) as using two broad means to transfer ER policies and practices to subsidiaries, direct and indirect, while other scholars (Ferner, 2000; Ferner and Edwards, 1995) described a greater number of categories that generally fit within these two broad descriptions.

Direct means of transfer can involve HQ directly in subsidiary decision-making, monitoring, surveillance and issuing ER policies to a subsidiary and expecting compliance (Coller, 1996). Such means require that HQ has the authority to implement formal strategies and structures within stable environments which largely assumes that MNCs operate with strict hierarchies giving HQ such authority (Dörrenbächer and Geppert, 2006; Ferner and Edwards, 1995; Stopford and Wells, 1972). However, direct, formal mechanisms are becoming rarer (Rees et al, 1999) for a number of reasons. As demonstrated in the discussion above regarding stages of internationalisation, simple international hierarchies within MNCs are becoming less common with “traditional hierarchical power relations with the HQ as the key player … in decline” (Dörrenbächer and Geppert, 2006). Further, subsidiary resistance can be stronger in response to transfer attempted through direct means (Liu, 2004). Such direct control can
restrict subsidiaries’ capacity to be locally responsive and can be a source of demotivation for subsidiary managers, both at expense to HQ (Coller, 1996).

For Liu (2004), indirect mechanisms involve transfer of ER policies and practices attached to a ‘carrier’ such as organisational culture or expatriate management. Perhaps more broadly, indirect mechanisms of transfer by HQ can be characterised as networking within hierarchy (Coller and Marginson, 1998). These indirect mechanisms involve subtle control through using power to apply pressure on subsidiary managers. Examples of indirect transfer mechanisms include use of expatriate managers, company culture, frequent communication and coercive comparisons.

Harzing and Sorge (2003) offer a more complete categorisation of HQ means of transfer distilling from the literature two main dimensions of HQ control. These are the degree of directness or explicitness of control and the degree to which control is personal or impersonal. Combining these factors, they create four main types of control that an MNC HQ may use alone or in combination. Direct personal control is typified by direct supervision by home country expatriates holding senior positions in the subsidiary. Indirect personal control includes socialisation through informal communication and training of key managers. Direct impersonal control is seen in standardised formal policies, and indirect impersonal control is found in output control and strategic planning.

Empirical studies have typically found US MNCs to exercise strong central control (Bartlett and Ghoshal, 1998; Clark and Almond, 2006; Edwards et al, 2007; Ferner et al, 2004) primarily in a direct impersonal manner, sometimes supplemented with indirect personal means (Harzing et al, 2002). One indirect impersonal means used by US MNCs for transfer is coercive comparisons involving HQ using internal comparisons between subsidiaries that are in competition for investment by HQ (Coller, 1996; Edwards, 1998; Edwards et al, 1999; Frenkel, 1994). HQ management may use the ‘globalisation metaphor’ to justify standardisation of policies and practices across subsidiaries or may draw on their exclusive relationship with investors to justify investment decisions of regime shopping (Dörrenbächer and Geppert, 2006; Morgan and Kristensen, 2006). Martinez and Weston’s (1994) case study of a US-based automobile manufacturing MNC found systematic coercive comparisons between all plants, the results of which were linked to investment by HQ in those subsidiaries.

**Subsidiary Reception**
When a HQ seeks to transfer new policies or practices to a subsidiary, management and employees within the subsidiary may respond in a range of ways. These might include acceptance, for example when the new policy or practice is consistent with local norms, or, in the case of an inconsistent policy or practice, open opposition or informal subversion (Edwards et al, 2007).

Subsidiary actors’ response will depend to a large extent on the power that those actors possess. Studies taking a political approach have demonstrated that, not only does HQ management draw on power resources to facilitate transfer but, actors within subsidiaries use their own power resources to contest transfer. Subsidiary actors may gain power from sources such as a local market in which consumers demand a local producer or where actors possess local knowledge and expertise of value to the MNC but not otherwise available to HQ management (Rees et al, 1999).

Extant literature has generally acknowledged that only a small number of powerful key management-level actors are normally involved in political activity (Dörrenbächer and Geppert, 2006). However, very few studies have examined political activity at subsidiary-level involving actors other than subsidiary management (Edwards et al, 2007). This thesis argues for examination of subsidiary contestation at three levels: subsidiary management, subsidiary workers and actors external to the company. Literature examining the first two of these will now be reviewed while the third level has not been the subject of existing literature on transfer of ER policies and practices.

*Subsidiary Management*

Few studies of transfer of ER policies and practices within MNCs have examined political factors (Edwards and Kuruvilla, 2005). Those few studies that have dealt directly with politics exhibited a strong focus on management power resources, or “the degree to which actors are able to access, protect and control scarce resources” (Dörrenbächer and Geppert, 2006:259). For instance, a study of British and German MNCs operating in France, Ireland, Italy, Spain and the US, found that Spanish subsidiary management used their embeddedness in their local environment to operate as “interpreters of the local environment” in relation to recruitment decisions (Ferner, 2000:530). Similarly, in their case study of a British MNC operating a subsidiary in France, Edwards et al (1996) found that subsidiary managers used power derived from their connection to the French market to change the timing of a redundancy package that HQ sought to implement. Broad (1994) showed how a Japanese
MNC’s use of expatriates as ‘carriers’ of HQ’s preferred high involvement management system was deflected by local managers of a Welsh subsidiary using power gained from their superior relationships with shop floor employees. Edwards et al (2007) found that subsidiary managers were able to use power resources derived from their knowledge of local institutions to divert a diversity policy introduced by HQ.

*Subsidiary Workers*

A small number of studies have extended examination of political processes beyond managers to the shop floor level, where a focus on power resources is less evident. One notable exception to this is Crozier’s (1964) study finding that maintenance workers gained power through their exceptional knowledge and skills and ability to control their own working environment.

Two prominent examples examining shop floor political response to transfer involved ethnographic studies of subsidiaries of Japanese MNCs located in the UK. In their case study, Webb and Palmer (1998) examined a type of resistance known as ‘fiddles’ which they describe as a circumvention of operating rules and procedures through use of workers’ accumulated shop floor experience. Sharpe’s (2006) case study, also demonstrated interests as a source of power for actors, examining strategies of resistance and control at the point of production. For Sharpe (2006:337), political processes are “attempts to both sustain and resist the transfer of a managerial control system across institutional contexts.” In documenting worker resistance to changes introduced by management, this study demonstrates the political role of shop floor workers whose power was sourced not so much from resources but through diverging interests among key actors related to culture, institutions and situation (Dörrenbächer and Geppert, 2006; Rothman and Friedman, 2001).

After ‘resources’ and ‘interests’ the third mechanism through which actors may gain power to resist transfer focuses on actors’ ‘identities’, seeing power as relational and about challenging institutionally embedded practices (Rothman and Friedman, 2001). The identities approach emphasises resolution of political struggles through allowing each party to “speak about their needs and values in the presence of their adversaries … to simulate learning” rather than through usual means of conflict management (Dörrenbächer and Geppert, 2006:261). However, while Dörrenbächer and Geppert (2006) gave prominence to an identities approach in the special edition of the journal to which their article provides the editorial, they recognised that none of the contributions to the special edition gave the approach anything
more than passing reference. Further, attempts to pursue the concept of identity have, along with examinations of interests that assume workers’ antagonistic interest in resisting management such as labour process theory, been criticised as unlikely to capture the true experience of shop floor workers (Rosenthal, 2002).

In their review of literature on power and influence in MNCs, Bouquet and Birkinshaw (2008) propose a more nuanced framework for examining political struggles between low-power subsidiary actors and the relatively high-powered MNC HQ, distinguishing two sets of factors: the objectives of low-power actors; and the strategies or tactics used by low-power actors to reach the objectives. The authors further categorise the objectives into achieving internal legitimacy, controlling unique and valuable resources, and becoming central to the strategic networks within which the MNC is embedded. The strategies used by low-power actors are identified as challenging the status quo (using the methods of initiative taking, profile building or ‘breaking the rules’) and entering political games using existing power (including, for some employees, use of collective power).

The most promising approach applicable to transfer, for examining agency exercised by actors is developed by Bélanger and Edwards (2006). Their framework considers three ‘realms’ of politics: micro, between workers and management; meso, between subsidiary and HQ; and macro, between the MNC and external actors. They also build on the dominant foci on resources, interest and identities by allowing for three ‘forms’ of power exercised by actors, being: economic power, relating to the control of resources; political power, relating to physical force and rights of authority; and ideological power, relating to ideas, meaning systems and symbols. The strength of this approach is in its comprehensive treatment of forms of power and in the potential place it gives to key actors at all levels within the MNC as well as allowing a role for external actors. This introduces the significant element of power relations between MNCs and governments that has been neglected in existing business literature (Sally, 1994; Turner, 2003).

While this thesis argues that analysis of political actions within MNCs is important, to focus solely on this aspect in relation to transfer would risk overstating the extent of freedom possessed by actors within MNCs to operate outside market and institutionally imposed constraints (Edwards et al, 2007). In the next section, this thesis argues for an integrated approach to examining transfer that includes a political examination as well as environmental and strategic factors.
2.5 Integrated Approaches to Examining Transfer

Various attempts have been made, both theoretical and empirical, to use integrated or eclectic theoretical approaches to consider forces internal and external to the firm when examining phenomena such as transfer. However, this field remains relatively undeveloped in terms of adequately incorporating factors internal and external to the firm and also allowing for agency of actors in a manner most suitable for examining transfer.

This thesis has so far outlined a variety of theoretical lenses through which to examine transfer at the national-institutional, organisational and individual-political levels. An examination of transfer at only one or two of these levels provides only a partial understanding of the issues.

Integrated and Eclectic Approaches

Early integrated approaches to studying MNCs, if not specifically transfer of ER policies and practices, combined institutional and resource-based views of MNCs. That is, they examined both the institutional forces shaping MNCs’ normatively rational decisions and the economic forces motivating MNCs’ economically rational decisions. For example, Oliver (1991; 1997) built on previous work that called for a similarly integrated approach (Barney and Zajac, 1994; Rao, 1994), and argued that combining these two fields allowed for organisational agency while also examining the constraints and opportunities created by the social context in which MNCs’ decisions relating to their resources are embedded.

Other early attempts to incorporate factors internal and external to the firm included Mauri and Michaels (1998) combining resource-based and industrial organisation approaches; Bélanger et al (1999) combining market-based and NBS theories; Malnight (2001) combined institutional and organisation structure approaches; and Kostova and Roth (2002) examined subsidiary-HQ relations through the characteristics of dependence, trust and identity relations in the context of institutional theory. Those approaches incorporating internal and external perspectives are good as far as they go, meeting the criticisms of purely institutional analyses by allowing a place for organisational agency, however they do not account for agency of individual actors.
The two most notable early attempts to develop a more fully integrated framework were by Schuler et al (1993) and Taylor et al (1996). The framework initially developed by Schuler et al (1993) sought to integrate a multitude of factors at cross-national and firm levels and placed IHRM and its links to firm strategy at the centre of their analysis. They examined influences of factors endogenous to the firm (mainly internal structural matters), factors exogenous to the firm (industry, country and regional characteristics) and ‘strategic [MNC] components’ (incorporating a variety of political, legal, cultural and institutional issues). While drawing from multiple analytical levels, the framework is lacking in a number of ways. First, it does not allow for a place for political contestation between HQ and subsidiary. Second, the framework arguably underplays the role of institutional factors in its treatment of ‘exogenous’ factors (Hall and Wailes, 2009), a key difference between HRM and IR-oriented research. The model was updated in later years (De Cieri and Dowling, 1999, Schuler and Tarique, 2007) but the core approach and the applicability of the criticisms remain.

Taylor et al (1996) developed a theoretical model, with a resource-based focus that sought to link MNCs’ choice of appropriate ER systems to firm strategy by way of senior management’s international ‘orientation’. The authors argued that this approach allowed for examination of resources as a source for MNCs’ competitive advantage at three levels: the parent company’s resources (e.g. links to home institutions); the assets and capabilities of the firm; and subsidiary-level resources (including resources of specific employee groups). In this indirect way the model made some allowance for agency. Building on this approach, Rupidara and McGraw (2011) provided a more direct place for agency in their proposed conceptual approach to configuring HR systems within subsidiaries of MNCs. They suggest an integrated approach, viewing subsidiary actors as exercising agency under the influences of rational, resource-based and institutional perspectives.

Other recent attempts giving a more prominent place to intra-firm politics have allowed for examination of institutional or economic factors as contested internally. In their case study of four MNCs from the food and automotive components industries, Rees et al (1999; see also Edwards et al, 1999) examined transfer as a negotiated process of networking within hierarchy, employing a theoretical approach that examined structural and environmental factors, e.g. product markets, production integration and how companies are globally integrated. This approach followed a body of work integrating structural and political factors to examine transfer (Coller and Marginson, 1998; Ferner and Edwards, 1995; Ferner and Quintanilla, 1998; Marginson and Sisson, 1994; Martinez and Weston, 1994; Martinez and
The authors argued that a bi-directional relationship existed between the environmental and structural factors and the internal political factors. Edwards continued his exploration of integrated models (Edwards and Kuruvilla, 2005) in examining the related question of how MNCs balance the competing pressures for internal standardisation and local responsiveness, identifying in their literature review three concepts relating to IHRM that had been used but not integrated in literature to that point: national institutions, politics and MNCs’ international division of labour.

In their case study of US, German and Finnish MNCs in the lifts and escalators sector operating subsidiaries in the UK and Germany, Geppert and Williams (2006) examined the impact of the extent of centralisation of strategic decision-making and the level of embeddedness of subsidiaries in their local institutional setting on subsidiary management’s power resources. This approach provided a good combination of factors at all three key levels in examining the impact on political power of strategic and institutional factors but stopped short of examining how power is used by subsidiary actors in response to HQ’s attempts at transfer.

Geppert and Williams advanced from this position more recently (Dörrenbächer and Geppert, 2011b; Williams and Geppert, 2011), answering a criticism of existing international business literature that it relies on economics-based foci such as power resources thus providing a rationalistic view of MNCs (Seelinger, 2012). The contributions to Dörrenbächer and Geppert’s (2011b) book make some significant steps towards perceiving the MNC more as ‘contested terrain’ (Edwards and Bélanger, 2009:193), providing a greater place for power and politics. Dörrenbächer and Geppert (2011a) in their introduction, mirrored in Morgan’s (2011) concluding chapter, propose a framework for examining international activities of MNCs, and structure the book, based on the three realms of politics developed by Bélanger and Edwards (2006). While structured according to this framework, and providing some important contributions to literature on power and politics within MNCs, no single empirical contribution to the book follows the proposed framework, instead maintaining attention to HQ-subsidiary relations.

Most recently, Bélanger et al (2013:308) acknowledged the growing interest in internal MNC politics, yet sought to return focus to the context in which MNCs operate arguing, “Institutions continue to matter but so, too, do micro-politics.” Their survey-based examination of the extent to which Canadian subsidiaries of foreign-owned MNCs have
discretion over their own ER policies integrated analysis of the parent company country of origin, the subsidiary’s organisational capabilities and the subsidiary’s position in the global value chain. They found a country of origin effect with subsidiaries of US-based MNCs having less discretion than in MNCs based in Europe or Asia. In limiting their research to issues of overall discretion to establish ER policies, the authors were only able to identify broad patterns and were unable to account for variety found in discretion among ER policies of different kinds. Their research was also limited in continuing the focus on politics within the MNCs, reinforcing the risk of viewing institutions as determinative.

Three integrated models provide the most promising approaches to examining transfer (Edwards et al, 2007; Elger and Smith, 2005; Ferner and Tempel, 2006; Smith and Meiksins, 1995).

First, Smith and Meiksins (1995) developed a model for comparative organisational analysis examining three sources of external influence on work organisation practices that they called system, society and dominance effects. These effects were identified as the economic mode of production; national cultural and institutional patterns; and accepted best practice of the ‘society-in-dominance’ in the world economy at a given time. While this approach examined contextual factors at national-level along with organisational structure and strategy, it did not allow expressly for political factors. However, when Smith later revisited the model (Elger and Smith, 2005) it became clear through empirical research that political struggles at subsidiary-level formed an important part of the transfer process. The authors did not however vary their theoretical model and instead saw political struggles as “framed within the wider parameters of distinctive corporate structures, strategies and power relations on the one hand, and the local and national institutional structuring of labour markets on the other” (Elger and Smith, 2005:373).

Second, at the same time as Elger and Smith’s investigations, Ferner and Tempel (2006) and colleagues were taking a ‘modified institutionalist’ approach to examining transfer within US MNCs operating subsidiaries in Europe. In this study the authors developed a ‘power and institutions’ examination of transfer. This approach saw transfer as occurring between different national institutional contexts, using a comparative analysis of NBSs as well as a new institutionalist focus, but with the fundamental premise that transfer is a political process contested by actors at varying levels with a variety of interests and power resources. This approach continued a recognition that, as well as being constrained by the institutional
environment within which they operate, MNCs can influence it via contested political process (Hyman, 2001). Tempel and Walgenbach (2012) continued to combine politics with new institutionalism by examining agency of subsidiary managers operating in multiple institutional settings. Hall and Wailes (2009) argue that this approach is deficient for accepting that NBSs are homogenous and for not addressing the extent to which ER practices are shaped by material interests. This thesis argues for a more prominent place for decisions of actors than is given by either the Ferner and Tempel or the Elger and Smith models, a call that may be met by a more fully theorised examination of political contest.

Third, Edwards et al (2007) develop a theoretical framework that best recognises transfer as a contested process while giving appropriate attention to contextual and strategic factors. Their ‘political economy’ model, tested empirically through a single case study of a US-based MNC operating a subsidiary in the UK, integrates ‘cross-national comparative’, ‘market-based’ and political perspectives. That is, the approach focuses on the way policies and practices are formed and transferred through the interrelationship of national institutional environments; product, financial and labour market pressures to spread ‘best-practice’; and the material interests of actors exercised through intra-firm political struggles either via open challenges or informal resistance (see Figure 1). This approach more than any other allows for transfer to be examined as a contested process, taking into account agency at various levels, while also recognising that any contest occurs within the contexts of national institutions and rational, market-driven organisational decision. Recognising the relationships between these factors, the ‘political economy’ model also meets the test, noted by a number of authors as crucial (Bray and Lansbury, 2000; Edwards et al, 2007; Rees et al, 1999), that its components interact rather than be eclectic.
However, despite being the most promising approach developed to examine transfer phenomena, Edwards and colleagues’ (2007) political economy model has limitations. Despite the authors addressing the political nature of institutions, subject to political contestation by actors at various levels, their framework still provides a narrow view of politics, limiting agency to intra-firm actors gaining power through control of resources. This thesis argues for a more comprehensive treatment of politics.

**Towards an Integrated Theoretical Framework**

MNCs are complex organisations the study of which requires a multi-faceted theoretical approach. MNCs operate in multiple countries and are competitive businesses operated by individual managers and workers. Specifically, MNCs come under the influence of multiple institutional settings and NBSs, they seek to maximise their competitive position throughout their subsidiaries and are subject to political influence and struggles. An integrated approach to examining transfer should examine factors at all three levels of national-institutional, organisational and individual-political allowing for explanation of, first, how ER policies and practices are formulated and decisions made to transfer them to subsidiaries; and second, how transferred policies and practices are received within subsidiaries. It is argued that a modified
political economy approach is appropriate to examine the institutional and market forces shaping MNCs’ decisions to transfer policies and practices and their reception in subsidiaries as well as the efforts by actors to exercise agency within those institutional and market constraints.

This thesis will apply this modified integrated theoretical framework to answer the research questions. The framework developed is based on the political economy approach proposed by (Tony) Edwards et al (2007) and is expanded to address the criticisms made of that model. Their framework is expanded here, drawing on Bélanger and (Paul) Edwards’ (2006) model, to examine three ‘realms’ of political influence on the transfer of ER policies and practices at micro-level (between workers and management), meso-level (between subsidiary and HQ) and macro-level (between the MNC and external actors) and three ‘forms’ of power exercised by actors, being: economic power, relating to the control of resources; political power, relating to physical force and rights of authority; and ideological power, relating to ideas, meaning systems and symbols. This proposed modified theoretical framework is represented in Figure Two, showing the realms of power but not the forms of power. It is argued that viewing ER policies and practices as developed and implemented within institutional and market contexts, influenced by a variety of actors potentially utilising a range of powers, accounts for the strongest influences within MNCs and gives an appropriate place for actors both endogenous (in the micro and meso realms) and exogenous (in the macro realm) to the firm. This thesis will empirically test this proposed modified political economy approach.
2.6 Empirical Studies on Transfer to MNCs’ Australian Subsidiaries

Before using the proposed modified theoretical framework to examine the case study and address the research questions in the following chapters, this section will provide an overview of extant empirical studies on transfer of ER policies and practices to Australian subsidiaries of overseas-based MNCs. This subset of the literature is very small so this section will necessarily be brief.

Empirical research on ER polices and practices in Australian subsidiaries of MNCs is limited in scope as well as volume. As noted by McDonnell et al (2011) in their literature review, many of the studies have dealt more with other related important aspects of MNCs than directly with the extent of and explanations for transfer, such as comparisons of HR practices and capabilities between locally and foreign-owned operations (McGraw and Harley, 2003; Walsh, 2001) and transfer of management practices generally (Bamber et al, 1992; Dedoussis 1987). No study has employed an integrated theoretical approach incorporating factors from national-institutional, organisational and political levels, and two were grounded solely in institutional theory (Fenton-O'Creevy et al, 2008; Gooderham et al, 2006). Data for most of
the studies were drawn from large-scale survey material (Fenton-O'Creevy et al, 2008; Gooderham et al, 2006; McGraw, 2002; McGraw and Harley, 2003; McGraw and Peretz, 2011; Walsh, 2001). A considerable proportion of the studies focus on Japanese-based MNCs (Bamber et al, 1992; Dedoussis, 1987; Purcell et al, 1999), which leaves a considerable gap in the literature given the large representation of US-based MNCs in Australia.

With such a small quantity of existing empirical literature on transfer of ER policies and practices to Australian subsidiaries of foreign MNCs, it is difficult to elicit a pattern. What these existing studies do articulate is that Australian subsidiaries appear to have some autonomy to manage ER issues, that transferred ER policies and practices are adapted at subsidiary-level indicating either an institutional host-country effect or perhaps political resistance. No study elaborates on politics within MNCs operating in Australia. Australia’s IR system is identified as a significant local institutional factor affecting transfer (Gardner and Palmer, 1992) particularly of IR practices (McGraw, 2002); however, the deregulation that occurred since the early 1990s has both affected Australia’s standing within VoC theory and potentially made IR less of a local issue, shrinking one institutional impediment to transfer of IR practices (McGraw and Harley, 2003). Nonetheless, the emphasis of research on transfer of HR polices and practices within MNCs in the existing literature generally is mirrored in Australia with very little extant research relating to transfer of IR policies and practices to Australian subsidiaries of MNCs.

Given the limited quantity and eclectic nature of extant research on transfer of ER policies and practices to Australian subsidiaries, a summary of the relevant key points from those few studies that do touch on this issue is annexed as Appendix 4.

2.7 Conclusion

This chapter has reviewed existing literature and proposed a modified integrated theoretical framework which has potential to better examine transfer of ER policies and practices from MNCs’ HQ to their overseas subsidiaries. The modified framework provides for national differences while recognising that MNCs and the individuals within them do not act involuntarily by including a focus on market-based economic decisions and incorporating micro, meso and macro politics. It also allows for the potential of agency exercised by actors outside the firm. It is argued that such an integrated approach, drawing on national-
institutional, organisational and political theories has been underutilised in extant literature as a method to examine transfer. The core of the framework is derived from one recent study (Edwards et al, 2007) and has been expanded, using Bélanger and Edwards’ (2006) approach to politics in MNCs, to form an innovative approach to examining transfer.

The research in this thesis is novel in the context of MNCs operating in Australia. Of the very few studies that have touched upon the ER policies and practices of MNCs’ Australian subsidiaries, any direct examination of transfer has been extremely rare and the theoretical basis used for those studies has been largely restricted to traditional national-institutional approaches.

Thus, there exists a gap in the literature related generally to the under-developed theoretical approaches to examining transfer of ER policies and practices and specifically in relation to transfer to Australia.
Chapter 3 - The Case Study - Ford and GM in Crisis

“2009 isn’t exactly a year that people who work in the auto industry are going to look back on fondly. In fact, most of us will wish we never have to go through anything like it ever again.” (Polglaze 2010)

3.1 Introduction

During the period in which this research was undertaken, Ford and GM faced severe crisis that threatened their ongoing existence. Throughout the 20th century, they prevailed as two of the world’s largest companies, yet by 2009 both companies were recording multi-billion dollar annual losses and were close to collapse. By this time, a confluence of market, strategic and institutional factors had created a situation in which both companies were instituting major change in order to stay in business.

This chapter first introduces the US-based parent companies, Ford and GM, followed by their two wholly-owned Australian subsidiaries, Ford Australia and Holden. It provides an historical overview of the companies and then focuses on 2009, the period of both the research and the economic crisis.

3.2 Two US-Based MNCs - The Ford and GM Parent Companies

Ford and GM were established in the state of Michigan in the US in the early 20th century, Ford in 1903 and GM in 1908, where they remained headquartered. They grew to become two of the largest employers in the US, comprising, with Chrysler, the ‘big three’ US automotive manufacturers. Their growth was established on strong domestic sales and large international operations. Ford and GM manufactured in numerous locations around the world with their US manufacturing focussed on domestic sale. The US product market accounted for the vast majority of each company’s total global sales. Most of the companies’ domestic manufacturing occured in and around Michigan State within a few hours’ drive of their HQ.
Both companies’ workforces were broadly comprised of unionised ‘hourly’ blue-collar manufacturing workers and non-unionised ‘salaried’ white-collar workers. The ‘hourly’ manufacturing employees were 100 per cent unionised, represented in large part by the UAW. The wages and employment conditions of these employees were set by company-specific collective labour contracts negotiated between each company and the UAW.

Representation by the UAW of the two companies’ US-based hourly workers occurred at national, local and plant levels. Union officials were elected to full-time positions at each of these levels. Further, bargaining over terms and conditions of employment for hourly workers took place at national and plant levels, culminating in two separate but interrelated collective labour contracts. The labour contracts between Ford and its hourly workers, and between GM and its hourly workers were binding upon the companies and their employees for the duration of the contracts.

Health insurance and pensions were both closely tied to employment in the US. In the absence of a universal public health system, a large cost for Ford and GM has been the provision of private health insurance for the companies’ employees, retired employees and their families. Likewise, ongoing provision of pensions for retired employees has been a responsibility for employers such as Ford and GM under their labour contracts. Thus, in addition to paying higher wages than in competing, foreign-owned ‘transplant’ manufacturing operations, GM and Ford carried high legacy costs related to their retirees. For example, compared to its 96,000 active employees in 2008, GM remained responsible for retirement pensions of nearly 475,000 retirees and spouses and health benefits for about one million people (Committee on Financial Services US House of Representatives, 2008a). In the 15 years to 2008, GM used US$103 billion in cash and assets to fund healthcare and pensions of retired employees (Committee on Financial Services US House of Representatives, 2008b). Agreements between the UAW and the two companies in the 2007 labour contract negotiations to set up a Voluntary Employee Beneficiary Association (VEBA) allowed the UAW to lift the financial burden of retiree health benefits from Ford and GM.

Salaried workforces of both US companies, mainly comprised those employees not working in manufacturing, were not unionised, were not subject to the collective labour contracts, were ‘exempt’ under the federal Fair Labor Standards Act 1938 (in short, disentitling them to penalty rates for overtime worked) and were employed by the companies on individual ‘at-will’ contracts.
The Ford Production System and GM’s Global Manufacturing System (GMS) were versions of lean production systems closely based on that of Toyota. They included focuses on just-in-time manufacturing, team-based work practices, quality and continuous improvement. The Ford and GM production systems were introduced in the US in the 1990s and were subsequently spread throughout the global operations. As well as providing systems for production, the Ford Production System and GMS both allowed HQ to undertake statistical comparisons between individual plants and between plants of each country. Manufacturing plants could be compared in terms of factors such as speed of production, cost of production and quality.

Ford’s and GM’s market dominance in the US peaked in the 1960s with the two companies enjoying domestic market shares as high as 30% and 50% respectively. However their market shares dropped steadily since due to increasing competition from foreign auto producers. Throughout the 1960s and 1970s competition from imported Japanese vehicles grew, then intensified with domestic production of Japanese vehicles with Honda commencing US production operations in 1982, Nissan in 1983, Toyota in 1984 and Mitsubishi in 1987. Through the 1980s and 1990s competition increased markedly with growing production in non-unionised ‘transplant’ factories. During the 1990s Ford and GM maintained strong domestic sales due largely to their concentration on light trucks and SUVs which were popular products, received less competition from the Japanese companies (Katz, 2008:135) and carried relatively high profit margins. Nonetheless, by 2009, Ford’s domestic market share had dropped to 16.1 per cent and GM’s to 19.9 per cent (Canis and Webel, 2013:4).

It was during this time of increasing competition from non-union Japanese transplants that a ‘perfect storm’ of financial and product market factors hit Ford and GM. From the mid 1980s to the early 2000s the price of oil had remained steady with the price of a barrel of light sweet crude oil trading at around US$25 to mid 2003. However, in the following five years the price of oil appreciated sharply, peaking at US$147.30 per barrel in July 2008 (TradingCharts.com, 2013).

The rise in oil prices, reflected in retail prices of petroleum, impacted Ford’s and GM’s sales more than most of their competitors due to their product range emphasising larger passenger vehicles such as light trucks and SUVs. Their total sales and market shares dropped precipitously during this period while those of their Japanese competitors increased. In 2000 Ford sold 4,202,820 (Ford, 2001) and GM sold 4,953,163 new vehicles (GM, 2001). By 2008
the number of US sales had dropped to 1,988,376 for Ford (Ford, 2010) and 2,084,000 for GM (GM, 2009a).

In 2006 both Ford and GM posted losses of US$12.6 billion and US$10.6 billion respectively. Both companies reported further losses in 2007 and then, in 2008, almost immediately following the peak of oil prices, the effects of the GFC, including reduced consumer confidence and vastly reduced access to credit, struck the US automotive manufacturers catastrophically. October 2008 industry sales volumes reached the lowest annualised level in 25 years, down 34% from the October 2007 volumes (Ford, 2008). GM reported that, in the wake of the GFC, its finance arm, GMAC, was unable to effectively gain access to secondary financial markets and thus was greatly restricted in its ability to provide finance to potential buyers of GM vehicles (Committee on Financial Services US House of Representatives, 2008a). Further, as the large drop in sales occurred over a very short period of time the companies were unable to respond by reducing costs to match their lost revenue (Ford, 2008).

Ford ended 2008 with sales down 20.7% from the previous year (Ford, 2009b) and GM’s sales dropped 22.9% from their already historically low levels in 2007 (GM, 2009b). Ford and GM reported losses for 2008 of US$14.8 billion and US$30.9 billion respectively (Ford, 2009a; GM, 2009a).

By the end of the first decade of the 2000s Ford and GM had both been brought to the brink of financial collapse. The two companies were forced to obtain external funding and to undertake large-scale internal restructures. They differed from each other in the timing and source of funding.

**GM in Crisis**

In late 2008, GM projected that it would soon be unable to service its debts and sought emergency finance from the US government of US$18 billion. Receiving at this time a similar request from Chrysler, itself facing serious lack of liquidity, and having provided US$25 billion funding to the ‘big three’ in late 2007 (Roth and Feaster, 2009), the US government called a Congressional enquiry to consider the requests and to more broadly investigate the viability of the US automotive industry. The Congressional hearing took place over two sessions on 19 November and 5 December 2008. Evidence was taken from 19 witnesses including the Chief Executive Officers (CEOs) of GM, Ford and Chrysler and the President of the UAW.
The leaders of Ford and GM, along with Chrysler, were subjected to considerable criticism from the Congressional Committee for their strategic decision-making, which, along with broader market conditions, were considered to have led to their collective failure. Criticism was particularly focussed on the companies’ emphasis on building larger vehicles, missing signs of changing consumer preference, environmental concerns and increasing fuel prices as well as allowing labour costs to become uncompetitive compared with transplants. The Chairman of the committee concluded the hearing by noting general agreement that something should be done to support the automotive manufacturers and that there was a pressing need for cooperation between company and union (Committee on Financial Services US House of Representatives, 2008b). The UAW and Ford had already taken steps towards such cooperation in their 2007 labour contract negotiations that involved significant changes in information sharing and bargaining processes (Cutcher-Gershenfeld, 2011).

President Bush signed off on a loan of $13.4 billion for GM from the Troubled Assets Relief Program (TARP) of the Emergency Economic Stabilization Act (EESA) of 2008 that had been established essentially to ‘bail out’ troubled banks during the GFC (McKinnon and Stoll, 2008). A condition of the loan, and of a further loan granted in January 2009, was that GM enter a conditional agreement with the US Government with the aim of ensuring reform within the company. During the Congressional hearings President Bush was noted to have said in a national news interview,

‘No matter how important the autos are to our economy, we don’t want to put good money after bad. In other words, we want to make sure that the plan they develop is one that ensures their long-term viability for the sake of the taxpayer.’ (Committee on Financial Services US House of Representatives, 2008b:283)

The 31 December 2008 and 16 January 2009 Loan and Security Agreements between GM and the United States Department of the Treasury imposed various conditions upon GM including that it obtain approval from its unionised workforce for certain prescribed Labor Modifications to become more competitive with the transplant auto manufacturers. The required Labor Modifications comprised compensation reductions, severance rationalisation, work rule modifications and removal of GM’s hourly workers’ right to strike for the duration of the loan. GM negotiated with the UAW for concessions, consistent with the government’s requirements, which were agreed to in the first half of 2009 and formalised in amendments to the national labour contracts. With no right for GM’s workers to strike, should agreement not
be reached in the next contract negotiations, binding arbitration would be available to the parties.

Agreement by the UAW to such radical changes to the labour contracts was indicative of more cooperative relationships formed between the union and the companies in the lead up to and during the crisis. Facing increasing competition from non-unionised transplant facilities, pressure from government for reform and the near collapse of the big three US auto manufacturers, the union and companies found common interest in survival which precipitated a departure from their historically adversarial relationships in favour of greater cooperation.

GM followed its 2007 and 2008 losses of US$43.2 billion and US$30.9 billion respectively with continuing woes in early 2009. In 2009 GM’s US sales dropped by a further 30% (Canis and Webel, 2013:13) and by February 2009 GM sought further funding from the US government, bringing its requests for funding to a total of US$30 billion. In the same month, GM announced (GM, 2008) plans to reduce its salaried workforce by about 10,000 (14 per cent), its total worldwide workforce by 47,000 and to cut the pay of the majority of its remaining US salaried workers. In March 2009, unsatisfied with GM’s plans for restructure, the US government forced GM to replace its CEO, Rick Wagoner with its then Chief Financial Officer (CFO), Fritz Henderson and gave the company 60 days within which to lodge a satisfactory amended restructuring plan. In April 2009 GM lodged its amended restructuring plan and in May it borrowed a further US$4 billion from the US Treasury.

Around this time, and with the US government facing further requests for finance from GM, President Obama reiterated the concerns of the previous President, and those of Congress and the Senate, that bailout money not be given without drastic change in practices to make GM competitive, particularly in relation to labour practices:

“As for our auto industry, everyone recognizes that years of bad decision-making and a global recession have pushed our automakers to the brink. We should not, and will not, protect them from their own bad practices. But we are committed to the goal of a re-tooled, re-imagined auto industry that can compete and win. Millions of jobs depend on it. Scores of communities depend on it. And I believe the nation that invented the automobile cannot walk away from it” (Obama, 2009)
Despite receiving financial support from the US government and the restructure undertaken by GM, the company was unable to service its debts and, from 1 June 2009, undertook a corporate restructure via Chapter Eleven of the US Bankruptcy Code. Distinct from Chapter Seven of the US Bankruptcy Code, and from corporate bankruptcy under Australian law, Chapter Eleven did not require liquidating all of a company’s assets and distributing them to creditors and instead allowed a company to remain in control of its business operations during restructure under supervision of the court. Thus, on 10 July 2009 GM emerged from bankruptcy, having liquidated its ‘bad’ assets, e.g. discontinuing businesses such as Pontiac and divesting others such as Hummer, and moving ‘good’ assets into the new company, General Motors Company. This new GM was no longer a publicly listed company and was largely owned by the US government.

**Ford in Crisis**

While not forced into bankruptcy like GM, Ford was nonetheless pushed to the brink during this period, able to maintain liquidity despite low sales due to recent considerable borrowings allowing extensive restructuring. Under the leadership of Alan Mulally, Ford’s CEO, newly hired from his former position as CEO of Boeing, Ford instituted a comprehensive restructure of its operations, financed by US$23.5 billion raised in December 2006. In the three years to 2008 Ford closed nine plants, including six assembly plants, cutting almost half of its hourly and salaried workforce (Mulloy, 2009). During this period Ford reduced its US-based hourly workforce from 83,000 to 44,000 and its salaried workforce from 33,000 to 21,000 (Committee on Financial Services US House of Representatives, 2008b:181). Costs associated with the restructure, in particular termination payments to hourly workers negotiated with the UAW, contributed to Ford’s losses during this period (Katz, 2008), but by early 2008 Ford was showing signs of improvement posting a profit of US$736 million in the first quarter. However, this good fortune was short lived due to ongoing poor sales attributed to the effects of the GFC.

Suffering low sales and reporting large losses, Ford sought access to funding from Congress along with GM and Chrysler. However, while seeking a ‘standby line of credit’ in the amount of up to $9 billion (Committee on Financial Services US House of Representatives, 2008b:175) Ford said it had sufficient liquidity, due to the finance raised in 2006, to weather the storm of the GFC unless it was longer and deeper than anticipated (Mulloy, 2009; Representatives, 2008). To support its application to the US government for finance, Ford
submitted to Congress a new business plan described by Mr. Mulally as an “acceleration” of their existing restructuring made necessary by the impacts of the GFC (Committee on Financial Services US House of Representatives, 2008b). In his submission to Congress Mr. Mulally listed the four ‘key priorities’ of Ford’s ongoing restructure:

- “Aggressively restructure to operate profitably at the current demand and changing model mix;
- Accelerate development of the new products our customers want and demand;
- Finance our plan and improve our balance sheet; and
- Work together effectively as one team, leveraging our global assets.” (Committee on Financial Services US House of Representatives, 2008b:169)

In furtherance of the first point, Ford planned to close another six plants from 2009 to 2011.

While not receiving funding from the US government in 2009, like GM did, Ford and the UAW made further changes to their national labour contract in 2009 under pressure from the US government to improve competitiveness against foreign transplants. Amendments to the labour contract, introducing the government’s preferred Labor Modifications, were made. One difference between Ford’s amendments and those of GM was that Ford’s amended labour contract did not include a strike ban or related arbitration clause.

3.3 Two Australian Subsidiaries - Ford Australia and Holden

Just as the two US companies have been criticised for their strategic complacency born out of years of domestic market dominance, their two Australian subsidiaries have been subject to criticism of similar complacency caused by years of government protection (Bell, 1993). The two Australian subsidiaries were established and grew behind protectionist policies of successive Australian governments. They became the dominant players in the Australian automotive product market and two of the largest manufacturers in the country. However, declining government protection, increasing competition, changes in consumer preference and the GFC all contributed to the falls in sales and profits suffered by both companies. These factors, combined with major global restructures of their parent companies, left both Australian subsidiaries in precarious situations, uncertain of their future viability and dependent on decisions in their US HQ for production allocation.
Ford Australia was established in 1925, commencing manufacturing in that year and GM acquired Holden in 1926, manufacturing whole vehicles in Australia since 1936. Holden’s assembly facilities were located in the outer suburbs of Adelaide, Ford’s were similarly on the outskirts of Melbourne.

The Australian automotive manufacturing industry was founded and grew behind protectionist government policies shielding local manufacturers from foreign competition. It was at the time of research, as it has always been, reliant upon Australian government support. Ford Australia and Holden grew to become the dominant domestic automotive manufacturers but were brought close to closure by crisis in 2008/2009. Australia’s recent Prime Minister, Julia Gillard, and Opposition Leader, Tony Abbott, continued to support local automotive manufacturing stating, respectively,

"I think supporting the car industry is important for our nation's future"

and

"above all else, without a motor industry [this] is not an Australia that makes things any more and is not a first-class economy.” (Hartcher, 2013)

Yet in May 2013, Ford Australia announced that its manufacturing operations in Australia will cease in 2016 and Holden remains with an uncertain future (Ford Australia, 2013).

After decades of market dominance, a 25 per cent cut in tariffs in 1973 signalled the start of a flood of imported, higher quality and cheaper vehicles, exposing to foreign competition the Australian automotive manufacturing industry that had become complacent and inefficient behind the protection of historically high tariffs (Wright et al, 2011). Under pressure from unions, manufacturers and State governments, tariffs increased by the federal government over the following decade to their peak of 57.5 per cent in the early 1980s.

However, from 1983, under the newly elected Labor Government, an industry plan known as the ‘Button Plan’, after the then minister John Button, was applied with the aim of revitalising the domestic automotive manufacturing industry by exposing it to increasing international competition and encouraging investment of the local companies’ overseas headquarters (Wright et al, 2011). As well as removing import quotas, this industry plan commenced a staged reduction in tariffs, leading gradually to the current level of five per cent. By 2009 imports made up 79.2 per cent of all domestic sales of new passenger vehicles compared to
only 31.1 per cent in 1990 (Department of Industry, Science and Resources, 2000; Department of Innovation, Industry, Science and Research, 2011).

As with their US parent companies, Ford Australia and Holden have always relied heavily on domestic sales of locally manufactured products. However, with a current population of approximately 23 million (ABS, 2013), the Australian market for new car sales is considerably smaller than that of the US with a population of about 315 million (US Census Bureau, 2013). Ford Australia has for some time exported only a small number of vehicles to New Zealand. Holden was also left with only exports to New Zealand after having their exports to the US, and previously the Middle East, cancelled by US HQ. Exports from Australia have sometimes been difficult for the local producers to secure as they were subject to competition from other subsidiaries within the same company and decisions made by their HQ (Lansbury et al, 2008).

Mirroring the pattern of their US parents, Ford Australia and Holden had for many years only produced large passenger vehicles for their predominantly domestic markets. Manufacturing for a limited product market, requiring small production output, along with longstanding domestic consumer preferences made production of larger vehicles, with higher profit margins, more viable.

As was the case in their US parent companies Ford Australia’s and Holden’s ‘hourly’ manufacturing workforces were 100 per cent unionised, the majority being members of the Australian Manufacturing Workers Union (AMWU), and their white collar workforces were non-unionised. One exception to this was found in the segment of the workforce comprised mainly of white-collar engineers who were generally members of the Association of Professional Engineers, Scientists and Managers Australia (APESMA). Wages and conditions of employment for hourly workers in Australian automotive manufacturing were, similar to their US counterparts, set in collective Enterprise Bargaining Agreements (EBAs). These EBAs were negotiated at enterprise-level between each company and their employees, represented by the unions. The collective agreements were, in turn, underpinned by industrial Awards. Other than the engineers, Ford Australia’s and Holden’s white collar workforces were not union members and were employed on individual, common law employment contracts. The employment contracts of a small number of these salaried employees, such as clerical staff, were underpinned by industrial Awards.
Australia and the US are generally considered to be institutionally similar LMEs (Hall and Gingerich, 2004), built on immigration dominated by Anglo origins and with legal systems built on English foundations. However, some institutional differences between the countries have developed. While ER in both countries was built on a foundation of common law doctrine modified by statute, both the common law and the statutes regulating employment differed in important respects. The keystone of individual employment regulation in the US, the doctrine of ‘at-will’ employment, does not feature in Australian jurisprudence. The right of either party to terminate employment in Australia is tempered by its statutes and common law. The common law of employment contracts in Australia, absent the concept of at-will employment, prevents variation of a contract of employment without mutual consent.

Representation by the AMWU of Ford Australia’s and Holden’s hourly workers occurred to an extent at national, local and plant levels as was the case in the US companies. However, key differences in the union structure remained. Union officials were elected to full-time positions at State and National levels and shop stewards represented the interests of members at plant-level. However, bargaining over terms and conditions of employment for Ford Australia’s and GM’s hourly workers took place only at the national-level culminating in one collective agreement for each company, binding between it and its relevant workers for the duration of the agreement.

Health insurance and pensions have not been strongly linked to employment in Australia compared to the US. Universal public health insurance is available in Australia under a government provided, taxpayer funded program called Medicare. Private health insurance is available to supplement ‘free’ services but premiums are generally not paid by employers. Likewise a government-provided, means tested, age-based pension is available to all Australians regardless of employment. There is only one minor link to employment as the pension can be supplemented or replaced by superannuation, a fund held on trust for individual workers into which employers must contribute a percentage of gross wages on behalf of employees and into which employees may voluntarily contribute. Thus, Ford Australia and Holden have not suffered the same legacy costs related to health care and pensions as their US parents.

Similar to the US plants of their parent companies, Ford Australia and Holden used versions of lean manufacturing. The Ford Production System and GMS were implemented in the Australian plants by Ford Australia and Holden in the late 1990s. As with the US companies,
record keeping associated with the production systems allowed the US HQ to readily compare production facilities in various subsidiaries on a number of criteria.

The recent fortunes of Ford Australia and Holden have closely mirrored those of their US parent companies. Years of increasing competition from international participants in the Australian product market, changing consumer preferences and the recent product and financial market crises associated with the GFC contributed to their marked falls from positions of market dominance and large size. Indeed, while federal tariff protection has been receding for some time, without ongoing government assistance it is unlikely that automotive manufacturing in Australia would exist (Wright et al, 2011).

During the period of this research, Federal Government assistance to the industry targeted two policy aims of supporting the industry and making it more environmentally sustainable. Following a decade of the Federal Liberal Government continuing reduction of tariffs and continuing to provide direct financial support to automotive manufacturing, in 2007 the newly elected Labor Government commissioned a report on the automotive manufacturing industry. Based on the resulting 2008 ‘Review of Australia’s Automotive Industry’ report, known as the ‘Bracks Report’ after the author’s name (Bracks, 2008), the government published its policy, ‘A New Car Plan for a Greener Future’ (Carr, 2008). The policy provided for $6.2 billion of direct support for Australian automotive manufacturing including the ‘Green Car Innovation Fund’ that was available to the companies until its cancellation in January 2011. Under the policy, funding was available to match certain investments by the three local automotive manufacturers, Ford Australia, Holden and Toyota Australia’s foreign parents in ongoing Australian manufacturing.

The viability of Australia’s automotive manufacturers was intrinsically linked to the level of government support for the industry. However, despite this recent federal government finance, both Ford Australia and Holden faced crises that lead them to near closure at the time of the research.

**Holden in Crisis**

Holden has, since the late 1990s, manufactured only one type of vehicle, the Commodore large passenger vehicle, and variants. It has been a very successful product for Holden for many years including being the top selling motor vehicle in Australia. Further, being a large vehicle that attracted higher profit margins, Holden was able to produce the Commodore at a
profit despite small production runs compared to the profits that could be made from a small vehicle.

However, concentration on production of only large vehicles also exposed Holden to risk. The sharp increase in oil prices and change in consumer preference away from large vehicles in favour of imported smaller vehicles was already reducing demand for Holden’s products prior to the GFC. Holden’s sales were already dropping significantly during the years preceding the GFC, exhibited in local sales of the flagship, Commodore. In 1999, Holden sold 85,648 Commodores for a 15.6 per cent market share. By 2008 sales were only 51,093 representing an 8.6 per cent market share (Department of Industry, Science and Resources, 2000; Department of Innovation, Industry, Science and Research, 2011). Sales then plummeted in the fourth quarter of 2008 and first quarter of 2009. Suppressed consumer confidence and reduced access to finance associated with the GFC hit demand for new vehicles in Australia in much the same way as they did in the US, reflected in drops in sales for Holden of 20-30 per cent in that short period (GM, 2010). Compounding the product market crisis for Holden was the dire state of its US parent company. GM’s decision in January 2009 to discontinue its Pontiac business caused Holden to lose all of its exports other than those to New Zealand. Prior to this change, Holden had exported its Commodore vehicle, rebadged as a Pontiac to the US. Removing Holden’s exports to Pontiac cut its export volume by 86 per cent and removed a market that had accounted for half of Holden’s total production (Polglaze, 2010). Holden suffered a loss of AUD$70.2 million in 2008 (McDonald, 2008) and their troubles in the crisis would be further reflected in a record loss in 2009 of AUD$210.6 million (Park, 2009).

In early 2009 Holden faced an uncertain future with shrinking domestic sales, a lost export market for its flagship product and a parent company facing possible bankruptcy and restructure. Holden found itself particularly exposed within GM as, after losing almost all of its export business, it was left producing an ‘orphan’ product within an MNC that was pursuing a ‘global product architecture’, involving globally standardised product lines aimed at achieving efficiencies in areas such as design, production and marketing. However, at that time GM’s HQ decided to allocate production of its Cruze model of small vehicle to Holden. Encouraged by the Australian government’s funding under its ‘A New Car Plan for a Greener Future’ policy, GM agreed to match the government’s investment of AUD$149 million and prepare the EA Plant to produce the vehicle from 2010. In GM’s restructuring plan submitted to the US government in February 2009, the company noted of its Australian operations:
“Continued local production has become more challenging due to changes in market preferences. GM’s local subsidiary (Holden) and the Australian government have developed a plan to bring to market a new, more fuel-efficient vehicle, with project funding provided by the Australian Government in the form of permanent grants. With this support, Holden is projected to be a viable operation, making a positive NPV contribution.” (GM, 2008:13)

**Ford Australia in Crisis**

Just as Holden has concentrated on production of its Commodore large passenger vehicle, Ford Australia’s flagship product has been its own large passenger vehicle, the Falcon. In the decade leading to the time of the research, Ford Australia manufactured two types of vehicle: the Falcon, and variants, and another large passenger vehicle, the Territory SUV. As with Holden, Ford Australia’s concentration on large vehicles carrying relatively larger profit margins, allowed the company to continue producing small runs of vehicles. Exporting just under ten per cent of new vehicles produced to New Zealand, Ford Australia has been reliant on domestic sales.

Ford Australia was already operating at well below its production capacity when the crisis of 2008/09 hit. During the research period, Ford Australia’s BA Plant was operating only one shift in a plant with a potential to operate three shifts of 24 hour per day production. Domestic sales of Ford Australia’s flagship Falcon demonstrate the recent decline. In 1999 Ford sold 70,084 Falcons for a 12.8 percent market share. By 2008 sales were only 31,936 representing a 5.4 per cent market share (Department of Industry, Science and Resources, 2000; Department of Innovation, Industry, Science and Research, 2011).

Ford HQ’s global policies provided further uncertainty for Ford Australia’s future. The key component of Ford’s global restructuring has been its ‘One Ford’ strategy. At its centre, One Ford advocated global product architecture, moving away from the situation where orphan products were made in individual countries for local sale. Thus, compounding the problem of producing only a small number of vehicles for domestic sale, it already appeared by the time of the research that Ford Australia was unlikely to continue to produce the Falcon in its current rear wheel drive form, unique to its domestic market.

In 2007, using the financial leverage of funding from the Australian government, Ford Australia secured agreement from its US HQ to produce the Focus small passenger vehicle at
its BA Plant in Melbourne. However, in 2009, before commencing production on the Focus, this decision was reversed by Ford Australia in favour of its Geelong plant producing a new, more economical, engine for both domestic use and export, benefiting from Australian government funding of AUD$42 million from the Green Car Innovation Fund. Justifying this reversal of strategy, Ford Australia’s General Manager, Marin Burela said,

"The world has changed, from an automotive perspective, forever. People are underestimating the level of change that has occurred because of the Global Financial Crisis. Volumes globally have significantly reduced in terms of companies' forward planning numbers. If we look at the ability to take a vehicle like that out of an Australian cost base and then export it into Asian markets, it would have been financially prohibitive." (Gratton, 2009)

By 2008, Ford Australia was in a particularly precarious position. Relying heavily on its production of an orphan product for local sale, inconsistent with the US HQ’s global strategy and operating only one shift of a potential three-shift plant, Ford Australia posted a 2008 loss of AUD$274.4 million (Blackburn, 2009). Although the decision and public announcement of the closure of Ford Australia’s manufacturing operations in 2016 would not be made until 2013 (Ford Australia, 2013), it was clear at the time of research that Ford Australia’s future was at risk.

3.4 Conclusion

This chapter has introduced the case study companies in the context of crisis in the US and Australian automotive industries. Ford, GM, Ford Australia and Holden have in many ways plotted similar courses, emblematic of the rise and fall of the manufacturing industries, in both the US and Australia. They all commenced operations at the origin of automotive manufacture, grew to become large companies and leaders in their respective product markets before succumbing to hostile market conditions, falling almost to complete collapse.

The following Part Two presents the results of empirical research. Through describing the processes and transactions that occurred in the case study companies in the context of crisis, the first research question, To what extent do MNCs transfer ER policies and practices from HQ to foreign subsidiaries, will be answered. Specifically, Part Two will identify ER policies and practices developed in the home countries and transferred to the Australian subsidiaries;
those developed in the home country and not transferred; and those developed locally in the host country. Policies and practices in three key areas affecting hourly and salaried workers will be examined: work organisation and staffing in Chapter Four; remuneration in Chapter Five; and management-union relations and bargaining in Chapter Six.
PART TWO
The Extent to which ER Policies and Practices are Transferred from MNCs’ HQ to the Australian Subsidiaries

Chapter 4 - Work Organisation and Staffing

4.1 Introduction

As a large part of this research was undertaken during 2009 at the height of the crisis faced by the two companies, the issue of work organisation and staffing was dominated by restructures, downsizing and labour adjustment. The main developments observed in the companies involved adjustment of labour in manufacturing plants in response to the severe downturn in the product market. Each of the four plants visited adjusted production output and labour levels at around the same time. GM and Holden also terminated the employment of some salaried workers at around the same time, allowing for these practices to be compared between countries. Ford was not found to have adjusted its salaried workforces during this period, due mainly to the company having undertaken a major restructure of this kind a few years earlier.

4.2 Changes to Hourly Staffing in GM and Holden

In April 2009, in response to the product market crisis, GM’s HQ instructed the LDT Plant to halve its production output to meet the new, sudden lower demand. At the time of this decision, the plant was running two production shifts of a three-shift capacity. The proposal to halve production in the plant would clearly have left a considerable excess of staff. Thus the plant had available to it a number of alternatives for adjusting its labour.
GM’s HQ initially suggested to plant management that they should ‘de-rate’, meaning slow the production line, by half. This approach would have involved halving the number of workers and reorganising all of the jobs performed on the line to accommodate the new speed while maintaining two shifts. Changing each workstation, moving all tools, creating new jobs and retraining all production workers would have carried additional cost. Hence, plant management proposed an alternative of simply removing one whole shift and running only one shift per day. This approach would avoid the short term costs associated with reorganising work and retraining and would also cut some other overhead costs associated with running a second shift such as electricity. It would, however, require the same reduction in labour.

The solution at the LDT Plant was developed cooperatively between local management and US HQ. It was described by a plant manager as,

‘a two way. They [HQ] visualise the number of units that need to be removed from the demand, and they give us some proposals, and we went back and forth two or three times on proposals, and they accepted the plant recommendation to take the shift off, rather than their recommendation of de-rating’ (Interview with GM LDT Plant Manager, 18 June 2009)

One shift worth of workers was ‘laid off’ in the manner outlined in the national labour contract between GM and the UAW. That is, the workers remained employed by the company but were not required to report to work. While laid off, the workers were entitled to receive unemployment benefits from the state equal to about 50 per cent of base pay. Unemployment benefits were also topped up by ‘supplemental’ payments from GM, taking their total pay to about 85 per cent of usual base pay. Laid off employees remained available to return to work when required, thus allowing GM considerable flexibility in staffing to meet fluctuations in production demands.

Like its US counterpart, Holden’s EA Plant cut one of its two production shifts to meet the new, lower demand. Also needing to halve its number of production employees, Holden had available to it one obvious option within the existing labour laws, their EBA and the usual way of doing business: retrench the workers from one shift. However, unlike the LDT Plant, Holden’s management was aware of a short-term future increase in production due to the recent announcement that the EA Plant would commence production of the new Cruze small car in 2010. Thus, when Holden cut one of its two production shifts, it retained both of its
crews of production workers, working either alternating weeks or two weeks on, two weeks off. Under an agreement negotiated with the union, employees received half pay during their time off and undertook training funded by the Australian government. To retrench workers would have carried an immediate financial cost due to the retrenchment packages required under the EBA but there were two more pressing deterrents to following this course.

Holden’s solution was largely influenced by anticipated difficulties rehiring workers when production increased and by tacit pressure from the Australian government. Holden’s management considered the local labour market in the northern suburbs of Adelaide to be short of skilled candidates for roles in the assembly plant so that, aside from the time and cost associated with recruiting employees to fill a new second shift anticipated for 2010, they were not confident of being able to find sufficient suitable employees at all. Also strongly in the minds of those formulating Holden’s staffing solution was the significant, and very public, funding received from the Australian government to produce the Cruze. This money, along with lobbying by the government of GM HQ, had secured for Holden production of the Cruze over GM’s Korean subsidiary from where the model was then imported to Australia. The government was not directly involved in formulating the two crew/one shift solution but throughout negotiations, the Industry Minister, Kim Carr was in regular contact with AMWU leadership and with Holden’s CEO, Mark Reuss and the Government agreed to fund training during down time. An AMWU leader described the negotiation process:

“we’re dealing [with the government] almost daily with those sorts of issues, the use of training monies for the purpose of the GM staff for example . . . we raised some sensible issues with government and they listened at the end of the day, so that keeps people employed, it keeps GM operable, it keeps them from being illiquid if you like. I think that the government’s been just a pleasure to work with.” (Interview with AMWU National Leader, 9 July 2009)

US HQ’s involvement in this solution was negligible after suggesting an alternative approach with one local manager noting,

“the manufacturing function says, “why don’t you just retrench the surplus; that’s what you should do.” So the battle becomes locally, well, no, that doesn’t make sense for a whole lot of reasons here.” (Interview with Holden Senior ER Manager, 9 July 2009)
While Holden’s EBA did contain a ‘market response downtime’ provision, allowing for partial payment of employees during non-production days, the final solution ‘was loose at best under our industrial arrangements to be able to implement that sort of shift pattern’ (Polglaze, 2010). In the prevailing product market environment and in light of GM’s financial woes in the US, the AMWU agreed to the solution, despite it not being strictly allowed by the EBA.

4.3 Changes to Hourly Staffing in Ford and Ford Australia

In late 2008 Ford’s DT Plant was operating at capacity on three shifts and needed to cut one shift. In determining the plant’s response to the product market downturn, and forecasting production needs for their entire US business, Ford’s US HQ anticipated a need to employ the surplus DT Plant production workers somewhere in their US operations at the same time within the coming year. Further, while subject to a very similar national labour contract to GM’s allowing for layoff of hourly employees, management at Ford perceived tacit pressure from the US government and from the UAW to enter an alternative arrangement rather than simply relying on the existing labour adjustment mechanisms. This decision was made in light of the UAW’s recent agreement with Ford to amend their 2007 labour contract rolling back longstanding rights including the ‘Jobs Bank’ program, which had effectively guaranteed workers’ employment on full pay during long periods of layoff. Post amendment, workers could remain on layoff for a more limited period before termination of their employment. Therefore, Ford sought to implement a short-term solution, retaining workers for longer, maintaining the workers’ skills and obtaining labour flexibility through negotiating an innovative solution with the UAW. The DT Plant thus cut its third shift but retained all workers on a rotating four weeks on / two weeks laid off basis with workers receiving about 85 per cent of base pay during layoff weeks made up of state benefits and supplemental pay. This arrangement effectively extended the maximum layoff period, keeping skills fresh and increasing job security. The solution was developed initially by plant management then negotiated at the national-level between Ford and the UAW.

With its exports limited to the small New Zealand market and with no anticipated short-term increase in product demand, Ford Australia’s BA Plant was already operating only one shift when the crisis hit. It was thus left with only one genuine option to adjust its labour force to meet lower demand during the crisis: to slow the production line and terminate the
employment of a proportional number of workers. Ford Australia did slow its line by 30 per cent in November 2008 and reduced its workforce proportionally. The company developed this solution independently of its US HQ except that the HQ gave approval for funding of the voluntary redundancy packages that, consistent with the EBA, provided lump sum termination payments calculated by reference to years of service. When asked about HQ’s level of interest in how the Australian plant reaches solutions on downsizing, a plant manager said there was none,

“providing we are achieving our cost objectives, we . . . don’t really get any direction.”

(Interview with BA Plant Area Manager, 11 March 2010)

4.4 Changes to Salaried Staffing in GM

Associated with the layoff of hourly workers in the LDT Plant in April 2009, GM reduced the plant’s salaried employee headcount. When the shift was cut, policy originating from HQ dictated that adjustment had to be made to the salaried workforce also. Under a policy known as ‘Zero Base Staffing’, a predetermined template determined the maximum number of salaried workers allowed in each functional group (e.g. HR, Finance etc) for a one shift plant, a two shift plant and a three shift plant. Each template was negotiable between plant management and HQ depending on particular circumstances of the plant. For example, the LDT Plant was new and had technology requiring particular skill sets. Such requirements gained allowances or ‘pluses’ (Interview with LDT Plant ER Manager, 18 June 2009) to salaried staffing levels. When the LDT Plant cut one shift, a new template applied to salaried employees in the plant and it became necessary to terminate the employment of some of those workers subject to negotiation of particular needs of the plant.

Adjustment of labour in the plant in response to the cut shift differed in one fundamental way between hourly and salaried employees. While the hourly workers’ collective labour contracts provided for paid layoff and later return to work, salaried employees enjoyed no such employment protection. When salaried workers’ employment was terminated in November 2008 and in April 2009 the result was final with no direct avenue for return to work with GM other than by seeking employment in any future advertised vacant position. In this way adjustment of the plant’s hourly workforce was considerably more flexible than for its salaried workforce. In each case a ‘special retirement plan’ and a ‘mutual satisfactory
separation program’ (Interview with LDT Plant ER Manager, 18 June 2009) were instituted to pay termination packages to those salaried employees whose positions were redundant.

Holden also undertook a round of redundancies associated with its reduced production requirements. In February 2009, GM’s US HQ directed Holden to terminate the employment of a number of salaried employees. A senior Holden ER manager described the direction from HQ:

“In Detroit imposed a number in about February that said, ‘you will separate this many salaried people from your company,’ and there was some logic in some of it, and some of it seemed a bit arbitrary” (Interview with Holden Senior ER Manager, 9 July 2009)

A number of Holden’s salaried employees were eventually retrenched, however only after eight months of negotiations, avoidance and delay in funding. Negotiations took place between Holden management and HQ management over the final number of redundancies. Holden’s management was particularly concerned that the initial direction from US HQ to terminate the employment of half of Holden’s engineers would have seriously weakened an aspect of its business that provided Holden with a considerable competitive advantage within GM.

“Effectively the initial number said that Australia won’t be a capable engineering organisation and that’s part of what we think is important at Holdens. So [Holden’s Managing Director] particularly has dealt through every part of the company to say we need to retain the capability to do these sorts of things.” (Interview with Holden Senior ER Manager, 9 July 2009)

In a speech to the Australian Workplace Conference on 31 March 2010, looking back at this period, Holden’s Executive Director of HR outlined the advantage of the delay in terminating salaried employment:

“So waiting through that period, February/March through to September/October, instead of restructuring in response to a crisis and probably doing irreparable damage to the business, and certainly the plans that were in place in February, if we had have gone through with them, would probably have killed the business.” (Polglaze, 2010)

The negotiations between Holden and US HQ took time. This delay, which suited Holden’s goal of retaining more of its engineers than HQ had directed, was aided by the geographical
and time differences between Melbourne and Detroit so that Holden’s General Manager was able to maintain a low profile and not push the pace of negotiations. Delay was also aided by the crisis in the US company, commanding the attention of managers in HQ, in particular GM seeking bailout money from the US government and facing Chapter Eleven bankruptcy. One practical result of GM receiving funding from the US Treasury was that redundancies in Australia could not be financed by US Government money. No termination package could be offered to Holden’s salaried employees until this complex issue was solved and funding was approved. Negotiating US HQ approval of the quantum of termination packages was also complex due to differing expectations over appropriate payments to retrenched salaried employees. Such terminations were relatively unfettered under US employment law so Holden’s request for funding was greater than expected by US HQ.

“[US HQ management] thought our separation tools were outrageously generous and so we went back and forth around what we are legally required to do because of our policies and our history. In the past we’ve said what is sensible to do because of our benchmark set by the hourly and award covered workforce and eventually landed with the corporation and what a sensible, or what they thought was a sensible, compromise around how much money we would get to spend to separate people.” (Interview with Holden Senior ER Manager, 9 July 2009)

The usual process when Holden wished to terminate a large number of salaried employees was to seek approval of the Treasury department within US HQ, a process described by a Holden senior ER manager as follows:

“traditionally to separate a large group of people under either a voluntary or involuntary process, and we’ve traditionally used voluntary processes, the approval process has always been you apply for money from the GM US Treasury office. They test whether it’s reasonable or not and then they provide the money and so that’s the kind of normal approval and it goes through the Vice President in Asia-Pacific as an approval step.” (Interview with Holden Senior ER Manager, 9 July 2009)

However, negotiation of the approval was different on this occasion in light of the unusual circumstances faced by both businesses in crisis.

“This time round, there was more discussion around whether what we were doing was reasonable, so we were subjected to some tighter expectations of how much money we
were going to give as an exit, and then in addition the corporate treasury didn’t have the ability to say okay, here’s the cheque, off you go and do it. The provision of the money compared to the removal of the tool – like the approval of the tool has never been a big deal. They’ve kind of just taken our word for it, this was a regulatory or otherwise required to do, they say, ‘yeah, fair enough,’ and they might ask some questions to make sure we sound like we know what we’re talking about and then they say, ‘all right, now you’ve got access to the money.’ This time around the approval of the tool became a really big deal and they couldn’t approve the money. So it’s kind of different.” (Interview with Holden Senior ER Manager, 9 July 2009)

The proposal made to US HQ by Holden, and the agreement eventually reached between them, involved benchmarking against redundancy packages that would be available to hourly employees in the same situation. While the termination packages agreed were more generous to employees than required under local legislation, and most of the salaried employees were not covered by a collective agreement containing redundancy payment obligations, Holden’s HR management considered them to be valuable for a number of reasons.

“... policies which we’ve used for a voluntary separation are the same [as the enterprise agreement for hourly employees]. So if I was to turn around and say ‘okay, from tomorrow we want to change those,’ our legal advice is that ‘well, you know, that isn’t going to fly’ and then from a brand perspective as well to treat our Award-free people drastically different from our Award covered people, didn’t seem like a great plan, so it ended up with the Asia-Pacific Vice President becoming involved in the conversation and we kind of reached a somewhat middle ground around how to approach that.” (Interview with Holden Senior ER Manager, 9 July 2009)

As they were with the hourly workers, Holden’s management was concerned about retaining valuable employees so was reluctant to offer truly voluntary redundancies. Instead, while publicly calling the redundancies offered, ‘voluntary’ they applied criteria to their process of deciding to whom the ‘voluntary’ redundancies would be offered. Describing the process in his speech in 2010, Holden’s Executive Director of HR, Mark Polglaze said:

“It wasn't, 'put your hand up if you'd like to leave'; it was, ‘we have performance criteria that we were judging people by’ and we also had skill criteria where people worked in the business and we did a lot of work through the year on the performance side so no one was surprised when we went and spoke to them and the skill criteria
was also - there were just some departments where there was no workforce, so it was really a matter of going - we didn't ask people to put their hand up; we went and talked to them. So we chose the population who would leave the organisation, and not every one of those people went, but we achieved what we needed to get done through the voluntary process after talking to them. There was some persuasion, I don't want to kid anyone with that, but it was a chosen workforce rather than, put your hand up.” (Polglaze, 2010)

4.5 Conclusion

The catastrophic product market conditions that befell the US and Australian automotive manufacturing industries from late 2008 and into 2009 required Ford’s and GM’s US and Australian plants to cut production and to adjust their labour levels accordingly. However, the volume of labour reductions and the methods used to adjust labour in the four US and Australian assembly plants, as well as the level of central HQ’s involvement in reaching those solutions, differed greatly. Thus no clear pattern of transferred policies and practices was found in relation to adjustment of hourly labour.

There was evidence of attempted transfer of practices relating to the termination of the employment of salaried workers in GM and Holden. This was most evident in directions issued by GM’s US HQ to Holden regarding the number of employees in certain categories to be retrenched. However, Holden HQ management resisted this attempt successfully so the specifics were not transferred. Salaried workers’ termination packages required approval from US HQ and had to be negotiated between Australian and US HQ management but these activities were evidence of oversight, but not transfer of practices.
Chapter 5 - Remuneration

5.1 Introduction

A number of observations were made of remuneration policies and practices both in relation to general arrangements and developments that occurred around the time of the research. Data showed that remuneration arrangements were localised for some employees and globalised for others. Where an employee’s remuneration arrangements fell in the standardised-localised continuum depended on multiple factors that will be examined in this chapter in relation to general remuneration setting and performance management as well as standardised, global remuneration cuts and freezes that occurred during the GFC.

5.2 Global Restructures and Remuneration

Responding to the product and financial market crisis, Ford and GM undertook major restructures of their global operations in 2007 and 2009 respectively. The global restructures impacted directly on the reporting hierarchy in both subsidiaries with each US HQ clearly taking a different approach to management of its Australian subsidiary. Following the restructures, the level of reporting by the subsidiaries to offshore managers changed markedly with Holden becoming more autonomous and Ford Australia becoming less so. As well as affecting reporting lines, the corporate restructures changed how remuneration was set and performance managed in Ford Australia and Holden. Transfer of policies and practices associated with the new structures was still a work in progress at the time of research and teething problems in instituting the changes remained.

Prior to GM entering Chapter Eleven bankruptcy, remuneration in Holden, along with many other ER policies and practices, was managed functionally. Under this arrangement, Holden’s senior leadership team reported to senior functional leaders in GM’s US HQ. For instance, in Holden’s ER function the most senior ER role reported directly to the global Vice President of HR in regional HQ rather than directly to Holden’s General Manager. Any issue impacting senior leadership or executive-level employees in Holden would be dealt with functionally. Numerous functions were managed in this way as far down the reporting hierarchy as middle management. For example, middle managers in Holden’s Global Purchasing function
reported directly to managers in Global Purchasing in US HQ. However, Holden management regarded this practice as ‘pretty crazy.’ (Interview with Holden Senior ER Manager, 10 March 2010)

In the middle of 2009, just after GM entered bankruptcy, the company changed its worldwide reporting structures. Where GM previously operated with four regions: North America; Europe; Asia-Pacific; and Latin America, Africa and Middle East, it changed to only two regions, being North America and GM International Operations (GMIO). At the time of the research, GM’s European business was to remain temporarily separate, subject to its sale or incorporation into GMIO. Holden management continued to report to the regional HQ, located in Shanghai, China, but the region had increased dramatically in size. After the change, there were three ‘global functions’: Product Development (including design, engineering, program management and planning), Global Purchasing and Information Technology. In each of the global functions Holden management reported to US HQ, but even in those global functions, no person below executive-level reported to someone outside of the subsidiary.

These changes were reflected in remuneration practices in Holden whereby ‘Merit Plans’ (budgetary plans for periodic remuneration increases not related to promotion) for all levels of employees were prepared by Holden management. The exception to this arrangement was in the global functions in which merit plans for all employees in the top two compensation levels (senior management and executive levels) were set by the functional leader in US HQ while the merit plans for all employees in middle management and below are set by Holden’s management.

In relation to performance management, prior to the restructure many employees in middle management and above reported directly to functional leaders in regional HQ. For example, in the words of a Holden senior ER manager:

‘What that meant was if we wanted to promote someone from a 6B to a 6A [job grades in the mid range of middle management] in global purchasing, there would be an HR committee in Shanghai that would have the final say about whether that happened or didn’t happen . . . At a performance management level, if this guy reported in the leader 1 sense to somebody in Korea, they had the final say over their performance measurement for the year and their merit planning. So we had someone who, you know, I’d sit next to you, you’d theoretically be my leader 2, and someone
in Korea is making a decision about whether I’m doing a good or a bad job. So that was kind of where we were at to where we are now.’ (Interview with Holden Senior ER Manager, 10 March 2010)

After the restructure, in a move away from arrangements this manager described as ‘just madness’, no employee below executive director-level reported offshore. The reporting hierarchy, even in global functions, reported up to a ‘Country Lead’ and only executive directors then reported offshore.

In contrast, at around the same time the reporting hierarchy for Ford Australia was restructured, as part of its One Ford strategic approach to standardisation of policies and products, resulting in much greater reporting to a regional HQ. Prior to the restructure, Ford Australia was largely self-managed and afterwards, it became very closely bound to the region. Until the restructure the only role within Ford Australia reporting to HQ was the General Manager.

‘Five years ago you never talked about the region, there was no such thing as region. Ford Australia was a sort of self-contained unit, if you like, that reported to Dearborn’ (Interview with Ford Australia ER Manager, 11 March 2010)

After the restructure associated with the implementation of the One Ford strategy, Ford’s operations were divided into three regions: Europe; Asia Pacific; and Africa and the Americas. Ford Australia, reported to the Asia Pacific regional HQ in Shanghai.

Changes to reporting lines in Ford Australia went even deeper with multiple functions reporting to the regional HQ. Further, the global functions of IT, Product Development and Purchasing had a more functional reporting structure than others. In those functions employees as far down the reporting hierarchy as upper middle management reported directly to regional HQ.

After the restructure, remuneration of Ford Australia’s hourly employees, non-management salaried employees and the most junior of six levels of management employees was generally determined entirely within Ford Australia. Remuneration arrangements for all other management employees in Ford Australia were set consistently around the Ford world. There was some influence at regional-level based on labour market requirements but is generally globally consistent.
The reporting structure within global functions impacted the management of employees within Ford Australia. Relative to other countries within Ford’s Asia Pacific region, Ford Australia had mature Product Development and Manufacturing functions. Ford Australia supported the less mature but growing subsidiaries such as China and India by providing people or engineering support. This involved employees being assigned to overseas destinations or, more commonly, reporting to managers in those overseas locations while remaining in Australia. For example, the Ford Australia Vice President of the Information Technology function,

“the one that is almost fully regionalised and to some extent is globalised, [has] about two people in Australia reporting to him. The rest report to people in China, in India and some directly to Dearborn. But they work and they're based here. Some of the people who are based here have people reporting to them. They've never met them.” (Interview with Ford Australia ER Manager, 11 March 2010)

The situation was similar for the Purchasing function and was particularly so for the Product Development function. Using the example of the global Product Development function, management of employees in Ford Australia was almost entirely regionalised. That is, they reported to management in regional HQ.

“Those people are working on regional programs, these cars are not being made here. They’re being designed here. They’re being tested here, but they’re going to be manufactured in Thailand or Vietnam or in South Africa or China. So PD, a lot of those people don’t report to people within Australia.” (Interview with Ford Australia ER Manager, 11 March 2010)

The change in structure was noticed at the plant-level with a BA Plant manager noting,

“it's certainly a far more integrated regional model than we've ever had and therefore with that comes that responsibility to look after the region as an entity. Even the fact that organisation structure promotes that now, it's actually structured that way so that you don't have the ability to operate as a geographic isolated - you are dependent on the region, which I think's probably healthy if we're coming to the One Ford strategy. It's a necessity not just a philosophical commitment.” (Interview with BA Plant Manager, 11 March 2010)
The Product Development function was cited as exemplifying issues associated with managing a global function:

“I think the challenges that creates for us is then from an employee group who are now dealing with not only a work group or colleagues within our market, but we have what we term virtual teams where we have a team of engineers. There may be a supervisor located in India with three engineers and there might be one of them in China and three in Australia and one in Taiwan and they are a working group, which is quite diverse to where we would’ve been four or five years ago where you’ve worked in a very close, connected . . . You were in the same building as opposed to you wouldn’t even be very often in different locations. So that’s provided challenges in a variety of different areas around supervisory challenges around compensation challenges. You’ve got people on different currencies, different salaries, working in different business structures . . . Then obviously working together or alongside of each other they become more familiar with what’s happening in the different markets and are appreciative of the fact that there are differences.” (Interview with Ford Australia HR Manager, 25 March 2010)

A number of ER issues arose from the regionalisation process and practice:

“One of the problems with regionalisation is it happened at such a pace that the employee relations and HR type policies and processes and procedures haven't kept pace with that. They're lagging behind and ideally you'd want to have all those processes in place and then implement the regionalisation. But because it's happened so quickly, HR, at the moment, is just trying to catch up.” (Interview with Ford Australia ER Manager, 11 March 2010)

The ER function was trying to catch up in relation to specific remuneration policies and in relation to how performance was managed and, in turn, its impact on pay and reward. An example of the impact of regionalisation on specific remuneration policies related to how employees reporting offshore should be compensated for working outside of normal working hours.

“Because of the time zones, people have to make calls or attend meetings in conference calls at all hours of the day and night. But we have no policy how to manage that. Like, do you pay people an allowance, do you have flexible work
options. At the moment, people are probably just doing that, they're adjusting their
days but there's no formal policy around that. That's the simple example. . . . The
technology to do that and making calls from home and your internet at home, there's
no policies around reimbursement for those sorts of things. I think people are
supporting that process at the moment, but there'll become a point - and we've noticed
it in bargaining with the salaried unions particularly - that those sorts of things are
starting to become industrial claims. . . . reimbursement for calls, late nights in the
office. Rather than being appropriately managed through policy, they're now trying to
seek redress through an industrial agreement. So where we're lagging behind in those
sorts of - and even just how simple things are communicated and announcements are
put out about people moving or changing positions, there's an awful amount of time in
just aligning the relevant people in the region and in the market. To coordinate that is
much more difficult than it used to be.” (Interview with Ford Australia ER Manager,
11 March 2010)

A senior ER manager in Ford Australia also noted difficulties maintaining consistency in
performance management across groups with different matrix reporting relationships:

“I think from an HR perspective, maybe to give you an example that's very real is, is
that if the performance assessment of people in PD, purchasing and IT, there that's
done on a functional basis. But then the performance assessment for all of the other
individuals is done by [Ford Australia’s CEO] and that creates some confusion. The
way the process should work is those functional leaders should talk to the market
leaders to make sure that there is an alignment with how those people are perceived.
That's what should happen. It doesn't always happen, so that is an example of where
that can cause some confusion.” (Interview with Ford Australia Senior ER Manager,
25 March 2010)

Further, while the structure of job grades was consistent globally, the restructure undertaken
by the company in response to its crisis resulted in local ‘blurring’ of employees’
responsibilities within job grades occurring across the grades. One senior Ford Australia ER
manager noted:

“that resourcing has been tight, which is why you see this blurring of roles and
responsibilities which I alluded to earlier in terms of the level of responsibility that
people are now given within their existing grades. So that causes stress, work overload
etc which in turn affects morale and then leads to retention. So I think it has a domino effect on everything. You can't afford to pay the increases that you paid in the past. People may up and leave when the economy picks up. I think it just has a huge effect on the way people are managed.” (Interview with Ford Australia Senior ER Manager, 25 March 2010)

Thus, it appears that remuneration policies and practices are more likely to be transferred from US HQ to Australian subsidiary in the case of salaried employees over hourly, of senior employees over junior and of employees working in global functions over local functions. Such a position might look like that represented in Figure Three.

**Figure 3  US HQ Control Over Subsidiary Remuneration**

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<thead>
<tr>
<th></th>
<th>Local function</th>
<th>Global function</th>
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<tr>
<td>Hourly</td>
<td>Least transfer/control</td>
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<td>Salaried</td>
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<tr>
<td>Executive</td>
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<td>Most transfer/control</td>
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### 5.3 Performance Management

However, it would be wrong to attempt to apply a simple formula to the first research question and expect an accurate answer. There are more factors at play that can best be explored by examining a specific, and the most globally standardized, ER practice in both companies: performance management.
Performance management was cited by most interviewees when asked for an example of the ER practice most likely to be transferred from US HQ to Australian subsidiary. Indeed in each company the Australian subsidiary was given by US HQ very specific timing, procedures and forms to follow when instituting performance management processes.

“For example, [within Ford Australia] there's now a regional cycle plan around when we communicate the payment of compensation for salary people. Or when performance reviews have to be conducted, when individual development plan discussions have to take place, when objectives need to be set and completed. What are some of the other ones? Probably when performance review discussions have to be held and the guidelines around holding performance review discussions and holding individual development plans. That those sorts of things are all consistent . . . within the region . . . . Another simple one is the day performance reviews need to be held and the dates objectives should be written up and signed off with your supervisor, the same process. An email will go out and in that email there'll be links to the templates, this is the document you've got to use, you click on here.” (Interview with Ford Australia ER Manager, 11 March 2010)

The email received from US HQ initiating the performance review process linked to a ‘global process’. That is, detailed, standardised procedure and forms were sent, with a look and feel different from local processes.

“So that when you click on the link, it's a global process. You can tell it's a global process because it doesn't look like anything you've seen before. You know someone here didn't construct it. It looks different.” (Interview with Ford Australia ER Manager, 11 March 2010)

US HQ did not seek to control ER policies or practices to this extent in any other areas of practice:

“No, it's only those things like compensation, succession planning, nothing else is managed that way.” (Interview with Ford Australia ER Manager, 11 March 2010)

Within Holden, the performance management process was also governed globally, via the means of GM’s central repository of formal HR policy, the Global Bills of Process (GBoP). The GBoP will be examined in more detail in Chapter Eight but is noted now in relation to
performance management only. The GBoP intranet site contained the policy, procedure
guide and template documents for use by HR management globally. As explained by a
Holden plant ER manager, the GBoP provided the form, that cannot be amended by the
subsidiary, but not the content of the performance management process:

“A GM-generic practice that would be introduced would be performance improvement
plan or performance management plan (PMP) . . . So essentially, we have access to
the global websites. There’s global templates, and we use those tools to basically set
up the performance management expectations for an employee. So essentially, the
idea should be that regardless of the plant that I work in around the globe, everyone
should have the exact same form. You know, obviously what’s included in the form
will vary from place to place but the form itself should look relatively identical. . . . if
[US HQ] come up with the PMP documents, they don’t want Australia finessing it,
India finessing it, China finessing it. They just want to say this is the document, this is
the process, roll it out.” (Interview with EA Plant ER Manager, 13 August 2009)

This aspect of the GBoP for performance management illustrates how difficult it is to actually
standardise an ER policy and practice globally. While timing and forms were uniform, the
content of the performance management, in particular the performance appraisal, was
subjective. An ER manager in GM’s LDT Plant expressed frustration about the subjectivity
of the process under the existing template:

“This is the part that – in my opinion – General Motors has not done very well with,
because it’s very subjective. We used to have a performance scale where we rated
people one to six. Six was bad, one was outstanding. There was a big lawsuit in the
80s, and General Motors was sued. So they got rid of that because they couldn’t back
it up.

Now the performance management is more – you identify business objectives. How
do they meet red, yellow green? Are they meeting the objectives? We review – create
the performance management form at the beginning of the year, review it with the
employee, and then we’re in the process right now of doing our midyear reviews.

So based on each objective that we listed, we say are you red – you missed the mark,
green – you achieved it, or yellow – you’re not there but you will be by the end of the
year.
So it’s very subjective. I understand that there’s – Fritz Henderson – the new CEO – that is on his radar screen, to get something that is a little bit more concrete and to differentiate better.” (Interview with LDT Plant ER Manager, 18 June 2009)

The performance management plan was rolled out by GM’s US HQ with the intention that it would apply to all salaried employees worldwide. Within its North American operations this demarcation in treatment between salaried and hourly employees was entirely logical due to their demarcation along the same line between the unionised and non-unionised workforces as well as between the HR and IR functions. However, in Holden (and in Ford Australia) there is a unionised sector of the salaried workforce represented by engineers. This was an important sector of the Australian subsidiaries’ workforces, being in Product Development, a key global function in each company. With the engineers’ union being opposed in principle to performance management, transfer of a blanket policy for salaried employees did create tension in its application. Further, with the introduction of the GBoP, Holden’s HR management felt it must assert the performance management process more formally. As described by a senior Holden ER manager:

“The union are no great fans of performance management in rating people’s performance, and we say, ‘Well, this is a global standard; all salaried people are going to do a performance plan in the system and be assessed according to it’, and things like that. So that’s where we get tensions around that sort of stuff. Traditionally we always used to say, ‘We don’t care if you participate or not; if you don’t want to participate, we’ll write you a performance plan, and then if you don’t do what we ask you to do, we’ll performance manage you, and you have no right to opt out of that.’ With the new system—and over time, what that did, people basically—people can’t sit back and be told what to do and be told how they’re performing and not enter into any conversation which effectively is performance management. So, over time, most of the kind of tension around performance management has disappeared. We had a little bit come back in when we introduced the new system, but it wasn’t a big deal. We kind of got over it.” (Interview with Holden Senior ER Manager, 10 March 2010)

In Ford Australia, an HR manager asserted that the unionised engineers were performance managed in the same way as other salaried employees:

“All of the salaried workforce and 90 per cent of the process are administered exactly the same. So irrespective of whether you’re EBA-covered or not EBA-covered, a
paying union member or a non-paying union member, it’s irrelevant effectively from the processes that we follow. I think the only difference is obviously at a time when the EBA is running some people vote some people don’t. But overriding the way we run the business it’s irrespective of whether someone’s a union member, a non-member or union covered or non-agreement covered.” (Interview with Ford Australia HR Manager, 25 March 2010)

Another manager within Ford Australia expressed the view that the salaried, unionised workforce lacked power due to its relatively small membership as a proportion of the total salaried workforce covered by the EBA:

“of our salaried organisation, there's about 800 employees that are covered by the classifications of work in our agreement. But of those 800 there's probably only about 150 that are actually unionised. So the union doesn't have much power in terms of membership so therefore a lot of what we do goes through independent of union engagement. So it's a very hands-off union at the moment. They're trying to build their membership base and get more involved in our day to day business similar to the hourly unions.” (Interview with Ford Australia IR Manager, 11 March 2010)

It has previously been argued that broad patterns of US HQ control and transfer of remuneration policies and practices existed. These were dependent upon whether an employee was a ‘global’ employee through working in a global function or via seniority. Specific attempts by US HQ to transfer changes to Australian salaried employees’ remuneration during the height of the crisis in 2009 will now be examined. It will be demonstrated that transfer of pay cuts and freezes were not straightforward.

5.4 Senior Management and Executive Global Pay Cut

In March 2009, in a desperate attempt to reduce costs in the face of the crisis threatening collapse of the company, GM’s US HQ issued a global directive that all senior manager and executive-level employees take pay cuts of seven per cent and 10 per cent respectively for the remainder of the year. Such a change was relatively easy to accomplish in the US from a legal/regulatory perspective, but in Australia a change to employment contracts could only be made by agreement between an employer and each employee. Any employee could have refused to accept the pay cut imposed by the US HQ.
As explained by a Holden senior ER manager, a global directive from US HQ, or ‘global mandate’, such as this could still be negotiated between the subsidiary and HQ to meet local requirements:

“... it doesn’t stop anybody from still going back and saying it either breaches local law or we did it a month ago or it doesn’t make sense, or things like that. We had a salary reduction for our senior managers and executives, which was a global mandate, which is: ‘just go do it’. Well, actually we can’t, people need to agree with it in Australia.” (Interview with Holden Senior ER Manager, 9 July 2009)

Due to the ‘at will’ nature of employment for salaried employees in GM’s US operations, the company could more easily alter employees’ remuneration unilaterally, leaving employees little option but to accept the change or resign their employment. Under Australian contract law however, an employment contract could not be altered unilaterally in this manner. Each employee’s pay could only be cut by agreement, which meant that Holden had to consult each senior manager and executive employee and seek their consent to the ‘globally mandated’ pay cut. Holden’s HR management explained to their US HQ the institutional regulatory reason for their inability to impose the change upon employees in Australia:

“... it drives the Americans crazy because they grow up in an unregulated environment where they can do what they like and I say, ‘no, you can’t, and these are the steps that you’ve got to go through, we’re going to get everyone to sign it and we’re going to go through these steps’, and they’re pulling their hair out, but we need to do it.” (Interview with Holden Senior ER Manager, 9 July 2009)

Nonetheless, Holden management did ask all senior management and executive employees to take the pay cut and every one of those employees agreed to it.

“Everybody we asked to take a pay cut took a pay cut. It was a 100 per cent sale agreement, which again shows the climate and the communication we’ve done.” (Interview with Holden Senior ER Manager, 9 July 2009)
5.5 Salaried Employee Global Pay Freeze

Additionally, at the time of the senior management pay cut, GM’s US HQ issued a directive that all other salaried employees receive no pay increases for the remainder of 2009. The transfer of this policy to Australian salaried employees was more straightforward than the pay cut as no aspect of Australian law of employment contract prevented the action, or absence of action, not yet promised or agreed.

However, Holden’s salaried engineers’ 2008 EBA had already guaranteed annual base pay increases through to 2011. Nothing could oblige these employees to forego their future pay increases. In order for the salaried engineers to forego their pay rises, it would be necessary for a valid majority of the relevant employees to vote in favour of the amendment to the EBA in a formal vote. Given the need for a successful formal secret ballot, Holden’s HR management recognised the difficulties they faced:

“just having APESMA [the union representing the engineers] on board wasn’t good enough, we knew we had to sell it to employees at the end of the day. It is almost inconceivable to think that you could go out and ask someone to vote for a pay cut when they can see that that’s guaranteed and ‘you are wanting me to vote to say well I am willing to forego one of those increases now’ . . . In fact, I remember talking to the guys at [Holden’s external legal advisors] . . . and they just said, ‘look it's a very noble sort of exercise you are embarking but we just can’t see how you can pull it off. Because who in their right mind, when it comes to the cold light of day of casting a ballot, is going to vote for something not to get money when they know that money is in the bag?’” (Interview with Holden ER Manager A, 10 March 2010)

Nonetheless, Holden’s HR management asked them to do exactly that. Describing the approach they made to the engineers, one Holden HQ ER manager said:

“we went back to the engineers and said, ‘look, you are very well paid people, you have a parallel with our well paid award free groups, you have just now got guaranteed pay increases through to 2011. We weren’t to perceive that this was going to happen. Our award free people have taken a salary freeze. It would be a magnanimous gesture, especially for the corporation in terms of determining our future as part of the new GM, if it was seen at least that you were willing to go down that track as well.’” (Interview with Holden ER Manager A, 10 March 2010)
As a measure of the perceived and actual state of the company at the time, the engineers voted in favour of the proposition and acceded to the request for a pay freeze. Recognising that this agreement was reached during very different circumstances faced by the company and its relationship with its employees and their unions, the Holden HQ ER manager said:

“but we did it, and as I said that just would have been inconceivable 18 months earlier”

“I think, again, it spoke volumes for the fact that management did a good job convincing people of how serious the situation was and how we had a real red hot go to get out of it and it would only come to fruition if everyone sort of pulled their respective rabbits out of the hat.” (Interview with Holden ER Manager A, 10 March 2010)

This ER manager also noted that the fact senior managers and executives accepted a pay cut, along with the enforced pay freezes for other salaried employees, assisted their position when asking the engineers to accept a pay freeze:

“I think it sort of gave managers the resolve that, ‘well gee if I am copping the pain for a cut the least they can do is cop the pain for a freeze.’ Bearing in mind that the bulk of all the other award free people had already, whether they liked it or not, had copped the freeze anyway. So I think there was probably a pang of conscience with people, is well, ‘how do I look my fellow colleagues in the eye when they have given up so much and I’m just sailing along as if the good times are still rolling.’” (Interview with Holden ER Manager A, 10 March 2010)

Nonetheless, it was a close vote that passed the amendment to the EBA:

“I think at the end of the day the vote came out only around about 52 or 53 per cent in favour, when normally our votes or agreements are never anything less than 65. They are always an overwhelming majority. So yeah, this one came close but we thought even just to get any majority for that really indicated a shift in thinking in our people and probably their awareness of the circumstances we were in those dark days.” (Interview with Holden ER Manager A, 10 March 2010)

Within Ford, pay cuts were not instituted for salaried employees but Ford did impose a pay freeze on salaried employees in the US. Salaries were frozen, meaning no merit-based
increases in remuneration were awarded, from 2006 until Ford made a profit in 2010. While not applying to all Australian salaried employees, managers in Ford Australia had likewise been denied salary increases, the Ford Australia CEO and President, Marin Burela saying in 2009,

“We have had a management wage freeze for a long time and rightly so. . . . We have to put on the table the fact that we don’t think this is the right time for us to be making demands on ourselves as a company and it [sic] terms of a group of people growing our cost base” (Stanford, 2009)

5.6 Entry Wage System

A remuneration policy applying to new hourly employees was introduced in the two companies in both the US and Australia. An entry wage system was introduced in the US companies in 2007 and in the Australian subsidiaries in the two years following. Under the system new employees were paid less than existing employees as a means for the companies to save money and to address the issue of high wages relative to competitors. In the US companies, the main competitors although certainly not the only competitors on wages, were the Japanese transplant operations and in the Australian subsidiaries the main competitors for this purpose were foreign manufacturers within the same company. A Ford media release explained this attraction of the new system for the company:

“This entry-level wage structure enables Ford to blend our labor rate and make significant progress in closing our labor cost gap with that of transplants (non-U.S. automakers)” (Ford, 2011)

Wages for hourly employees in Ford’s and GM’s US plants were determined strictly under each company’s national labour contract. Prior to the contracts negotiated in 2007, a plant worker’s rate of pay depended on whether he or she was employed as a team member or a team leader, with a higher hourly rate for the latter. When hired, a team member would start on about 70 per cent of the team member pay rate before progressing each half-year until eventually catching up to the full rate.

After many years of successful collective bargaining by the UAW, wages under the contract had grown to a level considered by Ford and GM and by the US government to be
uncompetitive. The wage rates paid to hourly workers in Ford and GM were higher than those paid to comparable workers in non-unionised foreign transplants. One Congressman from the State of Michigan and member of the US Congressional enquiry into the viability of the auto industry articulated the situation:

“You know, in my district, the average manufacturing salary or the average manufacturing salary across the country is $31 an hour, including fringes. For the transplant [automotive companies], it is $48 an hour. For workers in the Big Three, it is $73 per hour. Should manufacturing workers who are making $31 an hour, or $48 an hour, should their taxpayer dollars be used to provide assistance to blue collar and white collar workers who are maybe making significantly more than what they are?”

(Committee on Financial Services US House of Representatives, 2008a:7)

When the national labour contracts between the two companies and the UAW were renegotiated in 2007, a new type of wage structure was introduced for hourly workers. The new entry wage system allowed newly hired employees to be paid at a considerably lower rate than existing employees while maintaining the wages of those existing employees. New workers earned about $14 per hour, compared with the previous starting wage of about $28 per hour (Ford, 2011). Under the national labour contracts, it was possible for workers employed on the entry wage to receive progressive increases in their hourly wage but not to ever reach the same point as those employees hired on the previous arrangement. In order to progress further up the wage scale, a worker employed on the entry wage would have to formally apply for employment at the next level. A promotion of this nature would only be available on the basis of seniority, that is, if no current upper-level employees wish to apply for the particular job.

Ford and GM introduced the entry wage system in order to reduce their overall wage costs and to become more competitive with the foreign transplants as well as for one reason that they shared with the UAW. In addition to being interested in keeping wage levels down in order to compete with non-union foreign transplants, both companies and the UAW had a desire to facilitate allocation of small vehicle manufacture to US plants. An advisor to the President of the UAW cited this as the union’s reason for agreeing to the entry wage structure saying that the primary issue for the union was to “bring jobs to the US” (Interview with Advisor to UAW President, 11 November 2011). Allowing a wage structure to help facilitate this was a vital step. Wage levels were particularly important for such internal production
allocation decisions relating to small vehicles as the profit margin on such products is smaller. Hence, decisions relating to cost-per-vehicle, of which labour represents a large proportion, decisions were weighed most carefully.

With this focus on cost of production, the agreement reached between Ford and the UAW did not specify any particular duties for ‘entry-level employees.’ A Ford media release made this clear,

“new Ford production employees will be hired as entry-level employees and can be assigned to any non-skilled job within the plant.” (Ford, 2011)

The UAW-GM National Agreement, on the other hand, provided for GM to use the entry wage arrangement to organise its workforce into core and non-core work functions. New employees were to work on the lower entry wage to perform roles peripheral in nature, or assisting the core workers. These roles in GM were identified in a Memorandum of Understanding that formed part of the national agreement (UAW-GM, 2007) as including duties such as truck driving, material handling, warehousing etc. An LDT Plant Shift Leader described the division of labour into core and peripheral roles:

“if you didn’t put parts on the car, you didn’t get paid the higher wage. If you were a support person doing material handling for example, or a quality inspector, you made less money than they guy who was actually putting a tire on or applying the paint or whatever the case may be.” (Interview with GM LDT Shift Leader, 18 June 2009)

Under the national labour contract, workers could be hired on the entry wage to work in a plant only if certain other options were first exhausted. A plant could hire new workers on the entry wage only if there were no current employees on lay-off within a 50-mile radius of the plant nor any volunteers from outside the radius from any GM or Delphi (an automotive parts supplier formerly owned by GM) facility to work in the plant to fill the roles in question.

In 2008, GM hired its first workers on the entry wage to work in the LDT plant. The plant was adding a second shift and had exhausted all other recruitment options for existing employees to fill the roles needed for the additional shift, as required under the labour contract. GM hired 135 workers on the entry wage to work alongside those employees hired prior to the 2007 changes. However, when the second shift was removed in April 2009, those
135 workers employed on the entry wage were the first to be laid off, as required by the labour contract, as they had the least seniority of all workers in the plant.

Once GM had gained agreement for the entry wage structure in the US, its management perceived some benefit in transferring the arrangement internationally.

“Once the US had it, they thought it was a good idea for everyone else, essentially.”

(Interview with Holden Senior ER Manager, 10 March 2010)

However, while a form of entry wage was introduced in Holden, it was not directly transferred from US HQ. Rather, Holden ER managers realised the potential benefits of the US system when discussing IR issues in meetings with overseas-based GM IR managers. This increased awareness in Holden’s management of global IR issues and developments, introduced by Holden’s first head of ER to originate from the US parent company, was grounded in the aim of continuous improvement and was aided by the manager’s network of contacts within the IR function in HQ. It led to a series of meetings and scheduled discussions involving Holden, Asia Pacific regional and US HQ IR managers. During these discussions a two-tier wage system, allowing use of peripheral contract labour at lower pay rates was identified by Holden management as a practice that had potential to break longstanding patterns and introduce some flexibility to labour management in Holden. Holden’s ER managers, learning from the US experience with the entry wage and negotiating with the AMWU that was fiercely resistant to this change, introduced a conservative version of the entry wage system in their 2008 EBA. Under this system, new workers’ time spent in the lowest pay grade was limited to a fixed period of 12 months.

The version of entry wage system finally introduced by Holden is different in significant ways from that of its parent company. Holden, desired to restructure its workforce around two separate tiers, creating true core and peripheral workforces, divided not only by different duties and wages but also divided by the sector of the business in which employees worked. Under GM’s system in the US, workers from each wage level could work side-by-side under the same roof, yet performing different duties. The agreement reached between Holden and the AMWU maintained all first tier workers in the core manufacturing operations of general assembly, body shop and paint shop. Second tier employers were to work in the peripheral manufacturing operations of Press Shop, Fabrication Assembly, Plastics and Materials (GM Holden, 2008). While the clear purpose of the entry wage arrangement in GM was to maintain a lower-wage workforce, such a system was not fully introduced in Holden.
Holden’s ‘Cross-Skilling’ system provided the company with only a short term wage saving and was expressed as an induction period with wage increases linked to acquired training. The lower entry wage rate was to last for only the fixed period “or until he or she has completed the defined induction requirements, whichever is longer” (GM Holden, 2008:5.1.1.1(a)). An important aspect of the agreed arrangement, noted by one AMWU leader interviewed, was that it did not affect any current workers (Interview with AMWU State Division Leader, 12 August 2009). At the time of research, no worker had yet been hired on the lower entry wage.

The AMWU was opposed to the introduction of any type of two-tier remuneration system and it was clearly a sensitive subject within both the union and Holden. Of the three union leaders interviewed, one agreed that ‘Cross-Skilling’ was a form of two-tier system; one initially denied it before agreeing with the proposition; and one denied outright that any form of two-tier wage system was agreed to in the 2008 negotiations. When it was suggested to this AMWU leader that new employees would be employed in a different tier he said:

“Must have been on seriously bad drugs when they put that to you, mate, never going to happen in my life. I mean Toyota tried it, they didn’t get it. General Motors suggested it but realised how futile it was. Ford have raised it and we’ve just told them don’t even bother to pursue it. Unless they’re waiting for me to sort of move on, which is probably the sensible thing, but not in my lifetime.

General Motors, as did their global parent, presented a two-tier wages system to us of the type that they presented in Canada and the United States but ultimately you have to be able to compare apples and apples and if we, in fact, were in the same situation as they were in the States and had the same legacy issues they do in the States, invariably you could justify an argument that said we move to a two-tier system. They ran those arguments. They couldn’t sustain them so we don’t have a two-tier system in Ford or General Motors.” (Interview with AMWU National Leader, 9 July 2009)

Similarly, Holden management is careful not to publically use the term ‘two-tier’, preferring the formal title, ‘Cross-Skilling’. When told of the union’s reaction to the suggestion of a two-tier remuneration system, a senior ER manager said,

“No, absolutely no, and not if you ask us! We have a Cross-Skilling arrangement.” (Interview with Holden Senior ER Manager, 10 March 2010)
A Ford Australia ER manager also noted the sensitivity of the issue. Commenting on the agreement reached between Holden and the union (and the similar agreement between Toyota and the AMWU), the manager said:

“the union hate that terminology, so they call it something else. So if you look at their agreements you don't go to teams and two-tier wage structure, it's buried in their agreements. There's a lot of code around it.” (Interview with Ford Australia ER Manager, 11 March 2010)

The main impetuses for Holden introducing an entry wage system related to high wages and pressure from HQ. Unlike the situation in the US, all three of the automotive manufacturers in Australia operated unionised manufacturing plants so there was no pay differential compared to non-union foreign transplants. However, similar to the situation in GM, the base wage of hourly employees in Holden was high compared with comparable workers employed by other manufacturers. Most importantly though for Holden was the wage competition internally in GM between manufacturing facilities in different countries.

While having an entry wage system in its national labour contract similar to that of GM, Ford’s IR management did not consider it necessary to standardise and transfer the practice globally. Whether to transfer the practice was viewed as dependent upon local needs, in particular the local wage rates. A Ford US HQ senior IR manager gave this view on whether overseas subsidiaries should have an entry wage system:

“Well I guess it all depends on what the current base-rate pay is. If the base-rate pay is pretty much at the competitive level of the competition then I think the need to go to a tier-two isn’t near as strong. What would be the challenge is that when employees are presently being paid at a level that's above the market then they normally don't want to take pay-cuts so how do you re-blend a labour rate in order to get competitive to stay in business? One of the ways to do that is to have a, we call it ‘entry level’ here but the phrase is ‘tier-two’, have a tier-two wage rate so basically at the end of the day you can blend the labour rates to be competitive. So it would vary around the world but the basic principle is, again, we want to do business where we have a wage rate which is competitive in the market and that competitive wage rate is determined by the free market.” (Interview with Ford US HQ Senior IR Manager, 24 August 2010)
In their EBA negotiations during 2009/10, Ford Australia and the AMWU agreed to a form of entry wage system, whereby new hourly employees would be hired at the same hourly rates as prescribed in the 2006 EBA instead of at the negotiated increased rates. Such new employees would then progress to earning the new rates over a defined period. Ford Australia introduced the scheme as a short-term cost saving exercise rather than as part of a broader strategy to segment the labour force.

While Ford Australia introduced its entry wage system shortly after Ford in the US, it was not a practice actively and directly transferred by the US Company. As explained by a Ford Australia ER Manager:

“I think there is a trend towards two-tier wage systems. We did it for the cost reason. There's been no directive globally or regionally saying you must try and implement a two-tier wage system.” (Interview with Ford Australia ER Manager, 11 March 2010)

Ford Australia’s ER managers’ decision to introduce a form of entry wage structure was influenced by a number of sources discovered through their own research and informal connections within the company. They were aware of entry wage arrangements having been agreed with unions in Ford’s US company as well as in Holden and Toyota Australia and in one of Ford Australia’s suppliers, Venture Industries. Further, like its US parent company, labour cost was the key motivator for seeking to introduce the system. As explained by a Ford Australia ER manager, in their preparations for EBA negotiation, their research and benchmarking uncovered information on trends in negotiations:

“What are some of the things that competitors or other companies, for example, in non-automotive might be bargaining around. . . . we saw that particularly in the United States, that two-tier was a trend in the automotive industry. Some suppliers in automotive here had also negotiated two tier structures. . . . Venture, which are next door to us, they supply us with plastic components, bumper bars, external mouldings, they deliver instrument panels for our vehicles. In the early '90s they were part of Ford but we sold them. They manage to negotiate with the union a two-tier structure, not in the purer sense that there would be a gap between employees hired and existing employees ongoing.

But that arose out of the financial difficulties Venture are in. The union didn't see us as being more vulnerable to the extent that Venture were at the time. But did recognise
that we'd come off a significant loss. So we came to a sort of half way house. . . . Holden and Toyota, both did something similar . . . that had an impact because we, of course, we look closely at Holden and Toyota's agreements.” (Interview with Ford Australia ER Manager, 11 March 2010)

This manager also recognised value in setting a baseline for future negotiations by agreeing with the union to a compromise position on the entry wage system:

“What generally happens in bargaining, once something is in there, then it just gets expanded. So I think for us it's getting a foot in the door at this round of bargaining and the next round of bargaining we would seek to expand that. I think the union were also willing to do it because we're going through a period where we're not doing the mass hiring, we had been doing and was less likely to be something that we would be using on a large scale basis.” (Interview with Ford Australia ER Manager, 11 March 2010)

Also noting the influence of informal networks within Ford as a source of inspiration for the entry wage system was another Ford Australia IR manager:

“But predominantly labour will continue to be [subsidiary] driven because of the uniqueness of the situation. What we do however - and most recently with our current negotiations - is speak to our labour colleagues across the Ford world to understand what kind of changes they're trying to implement from a contractual point of view. . . . It's just an informal network, given that we have quite a transient population of Ford employees that move around the globe. You can easily quickly find out who's the relevant person you need to speak to in the US or Europe. Then generally it's a telephone call. It's accessing a shared website that's got labour information. . . . So we're doing a lot more of that to try to identify best practice and then mimic that within our local operations.” (Interview with Ford Australia IR Manager, 11 March 2010)

While the entry wage system had potential to save costs in future, it would not be very effective during a time when the companies were undertaking very little recruitment. As well as restructures, plant shutdowns, pay freezes and cuts and terminations examined previously in this Part, the companies took one more measure affecting remuneration to minimise costs of production.
5.7 Overtime

The companies introduced measures to eliminate, or minimise, the use of overtime in the manufacturing plants. However, they did so in varying ways from plant to plant.

In the middle of 2009, GM’s LDT Plant changed its shift pattern from five eight-hour days to four ten hour days. This move from ‘five eights’ to ‘four tens’ was a cost saving exercise intended to save money on fixed costs involved in running the plant and by reducing the need to pay overtime to hourly workers. As described by a shift leader,

“the reason for this is really only cost driven. . . . four tens allows us to save between $2 and $4 million per year across the Lansing region. . . . And it’s basically all facility costs. It’s utilities to run the place, turn the lights on, heat our ovens. We use a lot of energy here in paint. It’s all cost savings and when you’re pinching pennies, when you’re in bankruptcy, we’re going to do the things that make sense. So we’re working on zero non-scheduled over time, we’re producing every car we can and trying to get them to the dealers and get them sold, and we’re trying to save pennies by turning lights off and such.” (Interview with GM LDT Shift Leader, 18 June 2009)

Associated with this change was a change to the calculation of overtime. Where hourly workers were previously entitled to overtime at time and a half for any work exceeding eight hours in a day, after the change they would only be entitled to overtime payments for work performed in excess of 40 hours in a week. The decision to change hours of operation and shift pattern was made by local plant management, quite soon after enabling language was included in the 2009 amendments to the national labour contract between GM and the UAW. As explained by an LDT Plant Shift Leader, before the amendment to the contact, such a change would have to be negotiated between plant management and the local union:

“before, it had to go before a vote. Management couldn’t arbitrarily come out and say, effective tomorrow or next week we’re going to do four tens. It had to come to a vote that the management would present to the union membership. Now that is no longer required” (Interview with GM LDT Shift Leader, 18 June 2009)

Explaining the change to the national labour contract, this manager said:
“There was an addendum to the 2007 national agreement just a couple of weeks ago where it went to vote. It was some of the concessions that were made by the international union to make General Motors, Chrysler, and Ford more viable. And the GM portion of that contract was voted on and passed by a 70 per cent to 30 per cent margin in favour of. And some of the things that changed and they conceded were to allow management to implement what they call an AWS, an Alternative Work Schedule. . . . The concession that the union made was, we’ll allow you to make that call without our input. And so once that was blessed and approved - and that was about two weeks ago - just yesterday that announcement came out that said, we’re now going to four tens. It came from management and we didn’t have to go to a vote, so that was really a [Plant Manager] decision that we’re going to do that locally.” (Interview with GM LDT Shift Leader, 18 June 2009)

While the decision to implement the changed shift pattern was made at plant-level, it was with clear oversight by US HQ:

“[The Plant Manager] had the authority to make that decision but with the status of the business and what we’re in, a lot doesn’t go on without Detroit or Washington DC having an input into what we’re doing and why. In the old days it would never have been that way, but because of us being funded by the federal government and because of the critique that we get for every penny that we spend on overtime or something out of the ordinary, Detroit and DC are involved.” (Interview with GM LDT Shift Leader, 18 June 2009)

Holden maintained its eight hour shifts but did institute a policy under which no overtime should be worked as a cost saving measure, particularly as that the plant was operating at below capacity.

“The standard working week is five-eights, with an RDO or a program day off once a month. At the moment, because of the way in which we’re operating. We’re not accruing enough hours to justify the RDO/PDO, which was something that we had to negotiate with the union over.

Overtime: if and when we need to work it we do but in the main the amount of overtime we’ve worked is minimal. There hasn’t been overtime for probably the last 18 months because again it’s about cost-cutting, so if you can do a job during standard
time, do it. You essentially need two signatures to get overtime”. (Interview with EA Plant ER Manager, 13 August 2009)

Ford’s US DT Plant had a general prohibition on overtime under the direction of US HQ. No changes were made to shift patterns in the way they were at GM’s LDT Plant but, as explained by a plant ER manager, management was aiming for hourly workers to work 40 hours per week, the maximum hours before overtime entitlements commenced under the collective agreement:

“For hourly, it’s typically 40 hours a week. Right now, trying to cost-save, we aren’t working overtime in the plants. There is a kind of a direction from the company to say, try to minimise or reduce or eliminate all overtime. So everyone’s pretty much on a 40-hour a week schedule that’s accommodated with the straight time pay. Anything more than 40 hours kind of kicks in time and a half pay.” (Interview with Ford DT Plant ER Manager, 17 June 2009)

Ford Australia’s BA Plant, in contrast to the other three plants studied, was found to be offering overtime at the rate of about two days per month. The overtime was arranged by plant management to meet short term increases in product demand and to compensate for occurrences such as days lost due to quality issues. A plant ER manager noted the competing demands of keeping a minimal staff while maintaining ability to adjust hours worked to increase production from time to time saying,

“Obviously you never want to increase your workforce if there’s any chance that that demand could actually cycle down again as well.” (Interview with Ford Australia BA Plant ER Manager, 25 March 2010)

Ford’s US HQ’s direction to the DT Plant to prohibit overtime was not applied to Ford Australia. A Ford Australia IR manager was however aware of the US practice through the manager’s informal internal network and had considered doing something similar in Ford Australia:

“We've looked at things like eligibility to overtime. In the US now you need to work a minimum of 40 hours within your work week before you can get paid an overtime premium. So for example, you work four days a week and you're sick without reason
on the fifth. If you work Saturday overtime, that's paid at a flat dollar rate.” (Interview with Ford Australia IR Manager, 11 March 2010)

Ford Australia’s plant management did harbour a desire to change the overtime arrangements but were frustrated by the constraints of the EBA. A BA Plant Area Manager voiced this concern:

“for some trades, we were looking at to eliminate weekend overtime. We’ve had patterns, where we’ve had people work what would be a four day week, including with the spread of days being over the weekend. But basically, the only way we could have been able to do that, for example, is to pay them overtime penalties for nearly all - like the whole thing basically works out on overtime. It becomes quite - like just trying to overlay those patterns and see how they could be done under our existing agreement turns into paying substantial overtime penalties. We never seem to have managed to get enough alignment on where we’re doing our enterprise bargaining planning and enterprise bargaining negotiation, to be at the point where we’re ready to have enough visibility of the future to know what pattern that we particularly want. We seem to be out of sync.” (Interview with BA Plant Area Manager, 11 March 2010)

5.8 Conclusion

Complex patterns existed in the remuneration arrangements in the companies. It is possible to make broad assertions that remuneration policies and practices were more likely to be transferred from US HQ to Australian subsidiary for more senior employees and for employees in global functions, but to do so only paints part of the picture. Whether an ER policy or practice was transferred or not depended on which policy or practice was examined. Performance management systems were found to be the most commonly transferred but the transfer of even these practices met some resistance.

GM’s US HQ’s attempts to impose a pay cut across a large sector of GM’s global salaried workforce and a pay freeze on all salaried workers could easily have been resisted within Holden. However in both cases transfer was entirely successful. Holden’s executive employees could have refused the pay cut under Australian contract law and Holden’s EBA-covered engineers could have rejected the pay freeze due to the EBA requirements. Neither group did resist the US HQ’s transfer of these practices.
Ford’s and GM’s US HQ did not seek to directly transfer remuneration policies or practices to the Australian subsidiaries applying to hourly employees. This was consistent with the broad finding of that US HQ were less likely to involve themselves in wage setting for hourly workers. It is also consistent with findings relating to work organisation and staffing applying to hourly workers. Changes were made in availability of overtime work in the manufacturing plants. However, it is difficult to identify a direct transfer of such a practice. As was found in relation to labour adjustment in each of the plants, overtime arrangements were made locally and in manners differing from location to location.

However, despite there being no direct attempt by either US HQ to transfer the US entry wage system to Australia, versions of those systems were transferred indirectly. Forms of entry wage systems were negotiated and included in both Ford Australia’s and Holden’s EBAs. While quite different in nature, the origins of the Australian systems can be traced at least in part to the recent inclusion of such systems in the US national contracts.
Chapter 6 - Management-Union Relations and Bargaining

6.1 Introduction

Focusing on management-union relations and bargaining, this chapter clearly overlaps with some of the themes explored in the previous two chapters. Some topics relating to bargaining and some aspects of the management-union relationship have necessarily found their way into chapters dealing with work organisation, staffing and remuneration. For example, the introduction and negotiation of an entry wage structure was a landmark in bargaining between management and unions in the two countries.

This chapter will first examine formal requirements for reporting of management-union relations and bargaining issues by subsidiaries to US HQ in Ford and GM before focusing on management-union relations in the US companies and considering how, if at all, this was transferred to management-union relations in the Australian subsidiaries.

6.2 Reporting of IR Matters to HQ

Ford and GM employed two direct means to control IR practices in their Australian subsidiaries. These related to reporting of industrial action and arrangements for gaining HQ’s approval prior to EBA bargaining. However, direct involvement by the two US HQ in managing the subsidiaries’ unionised hourly workforces was minimal.

GM’s US HQ maintained a formal requirement for reporting of industrial action within US production facilities but at the time of research did not require the same of its overseas subsidiaries. A senior IR manager from GM’s US HQ explained,

“I’ve already got a process internally. So for North America it’s very standardised and it’s very sensitive. I mean they can’t hardly – they’re late for work and we know about it.” (Interview with GM US HQ Senior IR Manager, 15 June 2009)

IR leaders in GM’s US HQ desired a similar reporting requirement for overseas subsidiaries but had not yet determined the process and content of the requirement.
“In other countries, a work stoppage could be defined differently . . When anything happens anywhere else in the world, [we] want to know about it. . . How do the regions or countries notify us when there’s a work stoppage? Today they don’t. We might find out two weeks later that they had a little issue down in Venezuela but it wasn’t a big deal so we didn’t think anything of it. Well, now we want to know. Now we want to know what’s going on around the world so we can start getting that data and we start getting a feel for our employer relations around the world.” (Interview with GM US HQ Senior IR Manager, 15 June 2009)

From Holden’s perspective, any industrial action was always reported voluntarily to IR management in US HQ. In addition, a monthly report was provided to US HQ on industrial action generally. However a Holden senior ER manager noted that nothing had been reported to the US HQ in the previous 12 months apart from progress and outcomes of the EBA bargaining, as there had been no industrial action.

Ford managers described strong oversights from US HQ relating to industrial action. A US HQ senior IR manager expressed a clear expectation that industrial action in any Ford production facility would be reported:

“I would be notified if there was industrial action even contemplated by the union or imminently taking place. . . . if industrial action took place and we starting losing units I would be notified immediately”. (Interview with Ford US HQ Senior IR Manager, 24 August 2010)

A senior Ford Australia ER manager corroborated this view, noting a desire to report industrial action to US HQ before HQ management heard about it via media reports in an age of instant, global news media:

“before, you get publicity, no one would ever see it. But now the moment it's published World HQ see it. So if we were to have a strike, for example, the phones would be ringing the moment the guys are out the gate because that's how quickly it would get around. There are a couple of articles that appeared that got the interest of Marty Mulloy’s [Vice President, Labor Affairs, US HQ] team. But it was just describing - being involved and you read the articles, it's not what happened at all. So it's just explaining to him what the situation is and no need to worry.” (Interview with Ford Australia ER Manager, 11 March 2010)
The one time other than during industrial action that the Australian subsidiaries communicated with US HQ regarding IR issues was in the lead up to EBA bargaining. This was particularly evident within Ford as a formal process required Ford Australia’s HR management to submit a “Mandate” to US HQ’s global IR management seeking approval for the budget associated with enterprise bargaining. The Mandate was described by a Ford Australia ER manager as a five to six page document providing,

“background, what's happening in Australia with the legislative changes. There's a section on competitor and supply-based wage outcomes over the last 12 month period, sort of a comparative analysis. There's a section on some of the economic factors, what's going on in Australia, what inflation is at, what interest rates are at, what levels are unemployment at. The average increases in the private sector and the public sector, all that sort of data. It's basically using that data to develop a wages outcome for the proposal for the period of that agreement. Then you look at what costs you're able to reduce to offset some of that cost and you come up with basically a number and that has to be approved.” (Interview with Ford Australia ER Manager, 11 March 2010)

Once prepared by Ford Australia’s ER managers, it was signed by the subsidiary’s Vice Presidents of HR and Finance and the CEO before being submitted to the regional heads of HR and Finance and the regional lead. The Mandate received final approval when signed by the senior managers in US HQ responsible for IR and finance. For the Mandate approval process in 2009, there was one telephone conversation between Ford Australia’s HR management and the US HQ’s Global IR leader,

“to give them a sense of what the dynamic is here, what were the issues and just to elaborate in more detail about what was some of the quality of stuff in the mandate was about. Then if we needed any support in terms of bargaining that him and his team were prepared to provide that.” (Interview with Ford Australia ER Manager, 11 March 2010)

From US HQ’s perspective, the process was the same for all bargaining Mandates within and outside the US with the only difference being for bargaining approval sought for larger amounts of money, for example the national labour contract in the US in which case approval would be required from the board of directors.
Holden’s HR management was not required to obtain approval in such a formal fashion as Ford’s Mandate. Nonetheless, it was a practice of Holden’s ER managers to involve US HQ prior to bargaining:

“So if we’re bargaining, we would involve Detroit to understand where we’re at and make sure that the agreement reached isn’t going to get second-guessed by someone.”

(Interview with Holden Senior ER Manager, 9 July 2009)

6.3 Management-Union Relations

In both companies, behaviours impacting the relationship between management and unions were transferred from US HQ to Australian subsidiary. In both cases, the relationships formed as a result proved to be important ingredients in managing through the crisis.

Around the turn of the last century Holden’s relationship with the dominant local union, the AMWU mirrored that of GM’s with the UAW in the US. The relationships were adversarial and lacked trust between union and company management, with nadirs reached in the US and Australia in their respective bargaining rounds in 1998 and 2001.

In 1998, protracted industrial action cost GM considerable market share and money. A strike in two plants in Flint, Michigan continued for over seven weeks and, as it affected supply of parts, effectively shut down production nationwide for its duration. The strike cost the company market share and in excess of US$2 billion (Farrell and Muller, 2007).

Similarly, Holden’s relationship with the AMWU during, and in the two years following, the 2001 EBA negotiations was very strained, described by one ER manager:

“We had a very negative relationship [with the union]. Our ‘01 enterprise bargaining was pretty much a disaster. The personalities were horribly frustrated with each other and we got bad outcomes, it was a bad process” (Interview with Holden Senior ER Manager, 9 July 2009)

Another manager compared Holden’s relationship with the union in 2001 to GM’s in 1998:

Flint 1998 was more like it was when I first got to Holden. We were working through lawyers. I would say that we probably paid 10 times – when I first got there, the legal
bill was 10 times what it is today, mainly because we sort of got rewarded for poking the union in the eye.” (Interview with GM US HQ Senior IR Manager, 15 June 2009)

After suffering the costly industrial action during the 1998 bargaining in the US, GM sought to change its relationship with the UAW to one of more open communication. The start of this change was credited on the company side to a GM senior manager returning to the US after leading the German operations:

“1998 is when it really started, when the chairman of Opal at the time, Gary Cowger, who is now head of manufacturing, came back. We had such a bad relationship with the union. He came back and changed it.

For the first few years, five or six years, that change was mostly – that didn’t really maybe amount to too many changes in the agreements or improvements in work practices. But it took a while to build back the trust. So it was like communication was the key. There were a lot of themes around that. We just kept working and building. There was a lot of getting together, dinners, meetings, just to try to trust each other again.” (Interview with GM US HQ Senior IR Manager, 15 June 2009)

This change in communication and relationship between management and hourly workers was noticed on the shop floor in the LDT Plant. A Team Leader interviewed noted that the UAW was,

“definitely working a lot more with management to make sure that this plant is successful. . . . It’s a whole lot better per se now because they work hand in hand. Before they were on different sides of the fence. Maybe just a matter of survival probably.” (Interview with GM LDT Plant Team Leader, 18 June 2009)

In 2003 Holden’s most senior HR management role was filled for the first time by a Parent Company National (PCN) who, informed by direct experience of GM’s new attitude towards unions and having observed the changes made by the senior manager returning from Germany, sought to improve the company’s relationship with the AMWU.

The PCN manager said of the initial efforts towards change:

“When I first came to Holden, they talked through lawyers. They would pass me a piece of paper whenever they wanted to talk. I took every piece of paper, I put it
aside, and I picked up the phone. Once we started picking up the phone – and we got criticised because hey, can we meet in the café to talk. I was one of those that reporters were following. Hey, look, they’re meeting in the café; look at this, they’re getting together. It wasn’t because we were trying to believe in their ideology or anything else. We fought like cats and dogs behind the scenes. But we believed we had to have a common ground.

Once we understand it wasn’t personal and that we would go in and debate our issues but come out and be able to talk about – and as long as we do it with our best interests – we got along. And that was true all the way to the end. If you think about how many people Holden have reduced just in the last few years, it’s been incredible that we’ve done it with the unions together.” (Interview with GM US HQ Senior IR Manager, 15 June 2009)

By 2009 the relationship between the parties was considerably better. A senior Holden ER manager observed,

“I think in the last five or six years we turned around a pretty negative relationship at that level to something that’s now positive.” (Interview with Holden Senior ER Manager, 9 July 2009)

The PCN who filled the senior HR position in Holden during this rebuilding period is given much of the credit, at least on the company’s side, for effecting the change. Efforts to maintain Holden’s relationship with the union appeared to be enduring:

“so the leader who came in . . . came with a different mindset and worked hard to rebuild relationships and get things working differently. I think we did that and I kind of attempted to follow that on and keep it going. . . personality-wise and hard work on both sides to build a relationship, and I think that both sides have generally worked hard at that. I think we would say that the relationship of the leadership with the union . . . is good, it’s cooperative, it’s open. We are getting more done and so you know that’s a positive.” (Interview with Holden Senior ER Manager, 9 July 2009)

The improved relationship between Holden’s management and the union proved to be important in a number of instances in the years following. Negotiation of unusual outcomes, or at least outcomes not provided for in the EBA, such as the rotating shift solution to labour
saving in the EA Plant was one such example. Further, in 2008 in the leadup to Holden’s EBA negotiations, prior to the worst of the crisis for GM but when it was already clear to senior management in the US HQ that the company was facing difficulties, US HQ’s management invited the National Secretary of the AMWU’s vehicle division to visit US HQ. From GM’s and Holden’s perspectives, the purpose of the visit was to provide the union with information about the company’s financial difficulties so that the union would not push in the EBA bargaining for more than the company would afford to pay. A senior US HQ IR manager said of this:

“To help the situation out, I brought [the AMWU Leader] here. I had him come up here and meet us, meet the top leadership. He went home very, I won’t say shaken, but he was very much awake. That’s why he got in, opened the agreement, settled the agreement. . . . This was in like mid July . . . of ‘08. So at the time we hadn’t had the crisis yet. There was no fear of bankruptcy but there were big fears. Also, we were going to get the agreement done a couple of months later. . . . So we brought him up. He got to meet with the top Vice-President of manufacturing. Our head of global manufacturing likes to know all the union leaders in every country. Right, wrong or indifferent, we believe that, relatively speaking, our relationships with our unions are more of a partnership.

That could fly in the face of our philosophy 10 years ago, but we really try to work with them to say, ‘here’s the problem and here’s the consequence if nothing’s done. I’m not going to tell you what to do, but if you don’t get certain things in line, the work is going to be in Mexico’.” (Interview with GM US HQ Senior IR Manager, 15 June 2009)

This US HQ manager noted that the wage rise agreed on the 2008 Holden EBA was lower than the local labour market conditions might have suggested, crediting the union leader’s visit to Detroit for the outcome:

“We settled that agreement in the middle of ‘08. When we settled the agreement over there, [the AMWU Leader] settled in effect for about 2.5 per cent of whatever.

If you look at the effective rate increase, based on everything that we were looking at, in an industry where he had been doing 5 to 6, if you looked at what Ford had done one time 5.5 per cent increases; and in a time when things are bad, the nurses and
teachers aren’t getting 5 and 6 per cent. So he had a lot of things to point to – the mining industry saying hey, in Australia’s economy we’ve got to keep up. And yet he took quite a hit. He negotiated – I don’t know if that would have been as possible if he had not come up then. It would be a little easier now, when we would go through this process [Chapter Eleven bankruptcy], but at the time we weren’t.” (Interview with GM US HQ Senior IR Manager, 15 June 2009)

The AMWU had taken a pragmatic approach to the 2009 EBA bargaining, consistent with GM’s view of the economic state of the company:

“In all of these things, or particularly so in these difficult times, it’s an old saying that I have, in good times put your hand out and in bad times pull your head in. We’re in the pull your head in mode and they’re pretty simple rules and we apply them” (Interview with AMWU National Leader, 9 July 2009)

The AMWU also took its own agenda to the meeting in Detroit, seeking to secure future allocation of production to Holden:

“The main game was to structure an outcome that created the environment to get a new car and I went to Detroit to talk to the parent company about the potential of a new product and I think central to that was the manner in which we approached the bargaining and the manner in which our members approached the bargaining.” (Interview with AMWU National Leader, 9 July 2009)

As detailed in Chapter Three, production of the Cruze small vehicle was indeed allocated to Holden’s EA Plant after efforts by the AMWU, Holden management and the Australian government.

As well as Holden employing a PCN in a senior HR position, a number of Holden ER managers gained experience in key IR roles in the US HQ. Working on contract negotiations between GM and the UAW before returning to work in senior ER management roles in Holden, their exposure to the US IR negotiation process trained and socialised the managers in the HQ’s way of preparing for negotiations, an expertise that they brought to Holden that was arguably superior to that in the Australian subsidiary. These Holden managers felt that GM’s IR management in the US undertook considerably greater and more sophisticated preparation for negotiations than did Holden, necessitated at least in part by the political
sophistication of the UAW negotiators. One of these managers in particular introduced to Holden’s preparation for negotiations with the AMWU a more sophisticated analysis of potential claims, more in-depth preparation of counter claims, varying scenarios, fallbacks with costing advantages and disadvantages and preparation of internal stakeholders for potential settlements and problems that may arise during negotiations. However, this transfer of preparation practices for negotiations was met with resistance from some Holden ER managers they regarded it as too sophisticated for Holden’s needs, considering the nature of bargaining with the AMWU compared to the UAW. Therefore little changed in Holden’s preparation and undertaking of bargaining.

Within Ford, the value of good relationships with unions has also been recognised by management. Ford’s senior managers and plant managers have undertaken considerable effort to engage with the UAW. This was found in behaviour modelling and in organised activities outside of the work environment to foster better management-union relations.

The relationship between Ford and the UAW started very poorly. In fact in the 1930s, as the UAW was attempting to organise the US automotive manufacturers, Ford was the last remaining of the big three to resist unionisation of its hourly workforce. Henry Ford defiantly announced at the time:

"We’ll never recognize the United Automobile Workers Union or any other union"

(Galensen, 1960:179)

A senior US HQ IR manager described the reason behind Ford’s reluctance to accept the union:

“There was a time at Ford Motor Company when we were the most combative of the three companies with the union. Henry Ford was not keen on having his people organised and one of the reasons he wasn’t is that Henry was really a decent guy, he was very paternalistic. They call it ‘Ford’s’. It wasn’t just plural plants but it was Ford’s plant. It is a family company, and he found it very difficult that his family members decided to get recognition through a third party to talk to him.” (Interview with Ford US HQ Senior IR Manager, 11 June 2009)

The battle between Ford and the UAW came to a head in 1937 with physical violence between Ford Security and UAW leaders at the Rouge Plant, the site of the current DT Plant.
Not long after, the UAW won the right to represent Ford’s workers and has done so at all times since. The US HQ IR manager continued:

“But after [Henry Ford] got through that he decided, ‘listen what’s done is done, we're going to make the very best of this situation, the voters have voted for recognition’. And from that time on Ford Motor Company took on a different perspective.”

(Interview with Ford US HQ Senior IR Manager, 11 June 2009)

This manager cited the founding father’s change in attitude as the birthplace of Ford’s collaborative approach with the UAW, referring to the apparently close relationship between the UAW and Henry Ford’s descendents who went on to lead the company:

“I think Henry the Deuce who came in to run Ford had a very, very strong relationship with the hourly guys on the floor. He’d show up over at the Rouge and I think the Ford family has always taken great pride in their relationship with the hourly employees. To this day Bill Ford goes down the Local 600.”

(Interview with Ford US HQ Senior IR Manager, 11 June 2009)

It was this behaviour modelling by senior managers which this US HQ senior IR manager credited for creating and maintaining a positive relationship with the UAW:

“role-modelling behaviour is really important. If the most senior person doesn’t model the behaviour then the people under that senior person will peel off. It’s interesting though, but one thing I’ve found is once you institutionalise, once you get a critical mass of people who want to be managed in a certain way, it’s very difficult to turn around that cultural change. For instance, once you introduce democracy in the workplace and give people an opportunity . . . and you really get it in an organization, when a new person comes in who doesn’t want to communicate very much, they’ll voice their opinion. I think it has to be institutionalised.”

(Interview with Ford US HQ Senior IR Manager, 11 June 2009)

Describing the current relationship with UAW as a competitive advantage for Ford, this senior manager outlined some ways in which the UAW was closely involved at leadership-level with the running of Ford:

“Yeah, I give a lot of credit to Bob [King, then UAW Vice President responsible for Ford] quite frankly, and Bob as you can see in his comments is very articulate, very
bright. He’s the kind of guy where he understands. If you give him the information he can absorb it, and it’s hard for anyone to absorb all the information. Bob does a very good job at it and he’s a very good problem solver. So Bob will take the information, talk to his people, get subject matter experts if he needs any assistance in particular areas and come back with all kinds of alternatives and plans. You know, I give him a lot of credit, he’s a very engaged guy, works very hard.” (Interview with Ford US HQ Senior IR Manager, 11 June 2009)

However, recognising that the management-union relationship must endure beyond current personalities, this senior manager still believed that relationships were the key to an ongoing successful partnership between company and union:

“you know, one time in my career we had books and binders about how you could have this good relationship and all these meetings and at the end of the day people did change and there was turnover. New people came in there and didn’t want to do it, and you know they got to the meetings but they were perfunctory, and you look at it, and say what are we doing this for? You know what I mean? I think to sustain it, it can’t be just on pieces of paper, you know. It’s got to be something that’s more of, genuine appreciation of other’s opinions and how can we improve the organisation, and in a general recognition that a union and its representatives can add value to the company” (Interview with Ford US HQ Senior IR Manager, 11 June 2009)

This senior manager argued that modelling this cooperative approach to management-union relations influenced behaviour within Ford Australia:

“I view that as just the way we’re taught at Ford, at how to value the union as more of a partner than an adversary. How do put in dispute resolution provisions, just how do you treat people in general? So there’s a lot of, that’s not going in and auditing [subsidiaries], it’s not going in and telling them how to do their procedures, it’s not being autocratic in management. I think it’s a much more subtle way and a much more profoundly influencing way to run a business. . . . I think it’s actually, . . . it’s almost in our cultural DNA of how we deal and work with unions. It’s not something we have a textbook on. But the Mandate is the only issue; it’s the only example I can use that there are controls and in those, very practical controls because countries will get engaged in negotiations.” (Interview with Ford US HQ Senior IR Manager, 11 June 2009)
In addition to the behaviour modelling posited by this senior manager as key to the Ford-UAW relationship, other concrete efforts were also made to build and maintain the relationship and to leverage it for positive change within Ford. The “unprecedented levels of information sharing and unique innovations in the bargaining process” for the 2007 UAW-Ford national labour negotiations have been well documented (Cutcher-Gershenfeld, 2011:115). Further, in June 2009 the writer attended a large meeting of Ford and UAW ‘internal change agents’. This meeting, entitled ‘Driving Change from Within: Appreciating Internal Change Agents’ was held in the UAW-Ford National Programs Center in Detroit. Jointly hosted by Ford and the UAW, the meeting involved many Ford managers and union representatives identified as being in positions to effect change. Also involved were Ford senior IR managers, senior union leaders and thought leaders from academia with a key note speech from Professor Thomas Kochan and meeting facilitation by Professor Joel Cutcher-Gershenfeld. The meeting was intended to leverage the working relationship between company and union to increase efficiency, productivity and competitiveness of the company.

A plant ER manager who participated as a Change Agent described how the change agents conference fit into the aims for improved operation of the lean Ford Production System, in particular keeping all parties actively involved in problem-solving and searching for efficiencies:

“one of the ideas is . . . try to get the most efficient use out of people, minimise waste, with all the different aspects of waste. And one of the things we’ve been working a lot with the union on is that, eighth waste or the waste of the mental or mind side. We show a cartoon of a lot of our joint sessions where the factory workers are filing into the plant and they’re putting their brains in their locker when they go into the work place. You know, and that’s, to be frank it’s a challenge, as to how do we engage the hearts and the minds of the workers on the floor, to drive improvements?

And when we do that, that’s to me the ultimate in lean production. If we can get everybody engaged on the same objectives and the same making the company efficient, getting vehicles produced with high quality, without waste, I think that’s the ultimate of where I think we want to be with the Ford Production System. There’s a lot of tools and techniques we use to get there.

But there are struggles to really engaging everybody to that level, and I think there are some challenges at every plant to doing that. Some people just want to come in and
just do their thing, and they don’t want to have to think any more about how do I make this job more efficient, or whatever. But you know, that’s definitely one of the challenges to the leadership in the plants, is how do you get people more engaged in all of that?

What are we doing? Well, a lot of what we’re doing are things like [the Change Agents Conference]. Identifying who are the change agents at the plants who can lead that change, and develop plans within the plants to try to – and we talk about whenever we hit a wall in any area: safety, quality, are we hitting our production numbers. We do have a lot of conscious discussions about, well, are we really engaging the workers in that area, wherever that problem might be? What else can we do to not maybe prescribe the solution for the people but to include people in trying to come up with solutions themselves? So a lot of it is, I think, being aware that that’s where we need to go, and having some conscious discussions around it.” (Interview with Ford DT Plant ER Manager, 17 June 2009)

An Area Manager in the DT Plant described the working relationship between union and management as very good:

“We work very good together, especially considering with us being on a [rotating shift] pattern. . . So bridging that gap you’ve got a lot of different personalities, a lot of different ways of operating. I think we get on pretty well.” (Interview with Ford DT Plant Area Manager, 17 June 2009)

Echoing Ford management’s view of the relationship with the UAW, Bob King, at the time in the position of UAW Vice President responsible for Ford, described the close relationship with Ford and noted the benefits gained by meetings such as the Change Agents conference:

“I’m very proud of the accomplishments of UAW-Ford, and Marty [Mulloy, Ford’s Vice President of Labor Affairs] is very humble – he deserves a lot of the credit because he brought top management and top union together early, and brought Joel [Cutcher-Gershenfeld] in, recommended Joel, all of us worked together on a problem solving mode of operation. It’s a constant struggle. We’re working together today because we don’t feel like problem solving is working as well as it should at every level of the corporation. When you get into difficult times the easiest thing to do . . .
in a labour-management situation is to blame the other side. . . . I think we’ve made a lot of progress” (King, 2009)

Mr. King was elected to the Presidency of the UAW later in 2009. One of his advisors observed, commenting on Mr. King’s belief in 2009 that the union was becoming more involved in management, that this was partly the result of the crisis but also recognition of problems that existed in management-union relations. Because the industry was globalised, the problems between labour and management were no longer appropriate. Mr. King called the new attitude of the union “21st Century UAW” (Interview with Advisor to UAW President, 11 November 2011). As the industry was global, the advisor argued, it was no longer a case of there being a national monopoly in which labour and management could just compete between themselves for the spoils and,

“There is no stakeholder more interested in the long-term success of a company than its workers” (Interview with Advisor to UAW President, 11 November 2011)

The relationship between Ford Australia and the AMWU was similarly regarded on both sides as generally positive. However, the union was not involved as closely in management of the company as the UAW was in the US. Of the relationship with the AMWU, a Ford Australia HQ ER manager said:

“I think it's a pretty good relationship. It's not the relationship you read about in the papers or see on the news. It's not an aggressive confrontational relationship and it has its moments. . . . From my perspective it's a good relationship. I can pick up the phone and ring any of them and they'll ring me and they'll either give me information or ask for stuff. It's quite a good relationship. I know there are some employers that won't even talk to a union official. We have none of this right of entry stuff. No disputes about right of entry. I just say, ‘look if you want to come onto the site, you're welcome to come on site just give me a call and let me know when you're coming and I can facilitate the thing, it's no problem’. It works well. But some employers get into big blues over things like right of entry.” (Interview with Ford Australia ER Manager, 11 March 2010)

A BA Plant senior union shop steward agreed with this view of the relationship saying it was,
“different from the olden days [when] the company make a decision without telling us [and] we make decision without telling them. . . So we come very close, we are feeling responsible like any manager in this company.” (Interview with BA Plant AMWU Senior Shop Steward, 11 March 2010)

The Australian HQ ER manager conceded that Ford Australia’s attitude towards the union was shaped to some extent by the parent company’s approach to union relations, the essence of which he described as:

“in terms of our relationship with the union, it's not an adversarial one, it's more of a, we're in this together and we've sort of got shared problems and shared responsibility and all that sort of stuff.” (Interview with Ford Australia ER Manager, 11 March 2010)

However, apart from this general approach to unions, there was very little transfer from US HQ of specific policies or practices regarding management-union relations and bargaining, in particular:

“We don't get much visibility on what's happening with the UAW. When I was doing some research in preparation for our EBA, the negotiations had just finished in America with the UAW and Ford, and Ford got a number of concessions out of the UAW. But that wasn't communicated through the organisation. We had to go and search that stuff out for ourselves. (Interview with Ford Australia ER Manager, 11 March 2010)

Perhaps most surprisingly, this manager considered that more of these types of practices were transferred from the UAW to the AMWU than from Ford to Ford Australia:

“I think it's fair to say the unions have more communication with - our unions here have more communication with the UAW then we do with the corporation about some of those things”. (Interview with Ford Australia ER Manager, 11 March 2010)

Further exemplifying the personal, individual nature of management-union relations, this manager expressed frustration at the difficulty caused by Ford’s policy of rotating a new person through the position of VP of HR at Ford Australia every bargaining round as a development experience:
“One of the problems is, not a problem, but one of the dynamics is that the people involved in the union have remained the same for years. You bargain with the same people, the same people we're bargaining with now have been bargaining, some of them since bargaining began in the early '90s. The bulk of them, at least since 2000. So they've gone through three bargaining rounds. Whereas we don't have that consistency. You get a different VP every bargaining round but you've got the same federal secretary [of the AMWU].” (Interview with Ford Australia ER Manager, 11 March 2010)

This provided a different view from that of the senior US HQ IR manager who said of relations with the AMWU,

“I remember [a senior AMWU leader] telling me . . . regardless of who the person is that is the new vice-president, for instance, for labour affairs for Ford of Australia, the personalities are different but their basic principles on how to deal with the unions is the same, and then how we train our people and it's kind of the DNA of the company.” (Interview with Ford US HQ Senior IR Manager, 24 August 2010)

The senior AMWU leader described GM’s, Ford’s and Toyota’s attitude to the union as,

“Good. I think that often the first casualty in tough times is the relationship between the union and the company. I think everybody is at pains to ensure that that doesn’t occur in the automotive industry.” (Interview with AMWU National Leader, 9 July 2009)

One key event in recent history that presented a test for management-union relations was a major change in Australia’s employment legislation which gave employers tools that could be used to exclude unions from workplaces. In March 2006, major amendments to the Workplace Relations Act 1996 (Cath) commenced operation. These amendments, commonly referred to as “WorkChoices” after the associated government policy, included provision for individual Australian Workplace Agreements (AWAs) that, when entered between employer and employee, effectively overrode Award and EBA provisions. Entering such individual agreements with employees would have provided an opportunity for Ford Australia and Holden to avoid having a unionised workforce. Ford Australia did not have a bargaining round during the time the WorkChoices laws were in place and did not pursue the option. Holden on the other hand did bargain with its unionised workforce during this time but,
despite pressure received from the Australia Government at the time to enter AWAs, decided to maintain collective bargaining with the union. A GM US HQ senior IR manager noted of circumstances at the time:

“When the AWAs and all the big argument there was happening, it was a lot of pressure on us. Would we become one of the companies who sort of stand up and do that? We didn’t think it made sense – our [EA Plant] at the time of 5,000 people all under individual contracts. We felt we needed the union to help us control the large number. In an environment where the processes – number one is tied to number 5,000. They’re all tied together in an assembly line. So we caught some grief.” (Interview with GM US HQ Senior IR Manager, 15 June 2009)

Explaining the company’s reasoning for not seeking to enter AWAs with its hourly workers, the manager said:

“In our case, an AWA was either going to have to be the same or better. Our industry is one of the highest paid industries, so we didn’t want to make ourselves more higher paid. So although the mining industries would say this is the way to go, we weren’t sure if it was for us.” (Interview with GM US HQ Senior IR Manager, 15 June 2009)

Further, this manager noted that some companies saw the introduction of AWAs as an opportunity to exact revenge against their unions, describing it as:

“our chance with the hammer. With our philosophy in GM, we used to be like that. Then in 1998 when we had the strike, that’s how our philosophy was: give us the hammer, we take advantage of it. What we’ve done over the last 10 years is change to a very open communication and open dialogue, sharing, open the books, understanding more and more; not crossing a path. . . So Holden had some real trouble there for a while. But because of the relationship right now, they’re able to make agreements and do things that would have been unheard of. They haven’t had a work stoppage now in several years. They’re not in the front page as far as ugly relations down there right now.” (Interview with GM US HQ Senior IR Manager, 15 June 2009)
6.4 Conclusion

In management-union relations and bargaining, mixed occurrence of transfer was again found. US HQ in each company had actively, and to degrees successfully, transferred a principle or an ideal way for management to relate with the unions representing their workforces. Transfer was not found to be absolute, however, as the AMWU was not involved cooperatively with Ford Management to the extent that the UAW was in Ford in the US. In Holden a failed attempt, albeit an informal attempt, to transfer bargaining preparation and negotiation practices also contributed to the complex pattern of transfer and non-transfer of policies and practices.

This Part Two answered the first research question, to what extent do the two companies transfer ER policies and practices to their foreign subsidiaries?

In Chapter Four, research into transfer of ER policies and practices relating to work organisation and staffing gave a mixed answer to the research question. The US HQ were observed to attempt transfer of practices relating to adjustment of both hourly and salaried employees with stronger, more direct attempted transfer in relation to salaried employees. However, the practices finally implemented in the subsidiaries were developed largely locally. Local actors were observed to be allowed some autonomy to develop their own practices, but they were also directly resisted transferred practices through a variety of means.

Chapter Five answered the first research question in relation to remuneration, identifying broad patterns forecasting transfer of remuneration-setting policies and practices from US HQ depending on employees’ seniority and workforce sector. Policies and practices relating to the setting of remuneration were more likely to be transferred from US HQ to Australian subsidiaries when they applied to salaried employees rather than hourly; to senior employees rather than junior; and to employees working in global functions rather than local. Performance management systems were found to be the most commonly transferred but only to salaried employees and not hourly. However, some unexpected findings of successful transfer of specific remuneration policies and practices complicated these apparent patterns. Examples of unexpectedly successful transfer of policies and practices from US HQ to Australian subsidiary were: Performance management systems applying to EBA-covered salaried employees; a pay cut for senior management and executive employees; a pay freeze applying to the group of salaried employees guaranteed a pay rise under their EBA; and entry wage systems to hourly employees. Transfer of these policies and practices was unexpected.
due to the local institutions operating strongly against successful transfer, yet transfer was indeed successful in each case. Complicating the issue further, policies and practices relating to availability and calculation of overtime were not transferred but were developed locally.

Chapter Six also provided an answer to the first research question identifying some policies and practices affecting management-union relations and bargaining that were transferred and others that were not. Outside of the policies and practices formalised in the lean production systems applied in both case study companies, there was less formally attempted transfer of ER policies and practices applying to hourly workers than of those applying to salaried workers. Transfer and non-transfer of a variety of policies and practices in this field were nonetheless observed. Both US HQ exhibited agendas of improving management-union relations, a change that was transferred successfully to one subsidiary and partially to the other. At the same time, an attempt to transfer a change to bargaining practices to Holden was unsuccessful.

With such a range of findings of attempted transfer being successful, unsuccessful and partially successful it would be premature to conclude too much from the answer to the first research question. In summary, the answer to the first research question, to what extent do MNCs transfer ER policies and practices from HQ to foreign subsidiaries, is clearly strongly dependent on particular circumstances. This is indicative of the complexity uncovered in the preceding three chapters. In each of the areas examined in Ford, GM and their subsidiaries: Work organisation and staffing arrangements; remuneration; and management-union relations and bargaining, broad patterns emerged on cursory examination of the data. Yet, deeper analysis illuminated a patchwork of transfer and non-transfer of ER policies and practices across all sectors of the workforces.

The complex pattern uncovered by descriptive analysis in this Part Two warrants analysis of why some ER policies and practices are transferred and other not. Part Three will now do this by seeking to answer the second research question: What factors account for transfer and non-transfer? This question will be answered by analysing the impacts on development and transfer of ER policies and practices of a variety of factors, utilising the integrated theoretical framework proposed in Chapter Two.

The next Part’s structure mirrors that of Part Two in that it analyses the development and transfer of ER policies and practices, first in relation to work organisation and staffing in
Chapter Seven before Chapters Eight and Nine do so for remuneration and management-
union relations and bargaining in turn.
PART THREE
Factors Accounting for Transfer and Non-Transfer of ER Policies and Practices

Chapter 7 - Work Organisation and Staffing

7.1 Introduction
Given the crisis in which Ford and GM were found during the research period, it is perhaps unsurprising that the main events observed affecting work organisation and staffing related to downward adjustment of labour levels. In this chapter labour adjustment affecting hourly employees is examined in all four of the manufacturing facilities, and affecting salaried employees in Holden. While the force initiating each of the events examined in this chapter was clearly the catastrophic product market conditions at the time, the other factors at play and actors involved differed in each case. Those factors influencing the development, transfer and non-transfer of ER policies and practices described previously in Chapter Four will now be analysed.

7.2 Changes to Hourly Staffing
As Ford and GM suffered an almost uniform drop in consumer demand in both the US and Australia, necessitating reduced production output, examining how each plant adjusted its workforce provided an opportunity to view the other factors at play. The acute product market crisis, while a precipitating factor, did not determine outcomes. Further, strong institutions that existed in each country for adjusting hourly labour were also important but not determinative. The manner and extent of the responses in each of the plants will now be analysed and found to vary in reaction to differing blends of institutional, market and political influences.

GM’s LDT Plant
GM’s US LDT Plant’s response to the drop in production, laying off one shift of hourly workers, was shaped largely by institutional and meso-political factors.
First, the collective labour contract covering hourly workers provided a strong institutional framework within which GM operated entirely. The layoff provisions in the UAW-General Motors National Agreement allowed considerable flexibility for GM to adjust its hourly labour in response to fluctuations in production, keeping hourly workers available for recall to duties when the need arose. When supplemental wage payments were combined with state unemployment benefits, the system also allowed employees close to their full base wage when not working.

The outcome in the LDT Plant was illustrative of the flexibility afforded an organisation like GM by the layoff provisions in their labour contract. In June 2009, only two months after cutting the shift and laying off employees, the corporate scheduling team in GM’s US HQ informed the LDT Plant’s management that demand for their vehicles was increasing, while stock of produced vehicles was rapidly depleting, and consequently requested that they increase production. Thus, the plant reinstated the second assembly shift and called back their laid off employees. A plant manager said of their earlier decision to cut a shift and lay off workers,

“at the time, if we had known what we know now we might have suggested something entirely different. . . . we’d have probably said keep both shifts at the current rate and rotate [staff] . . . so you keep the skills fresh.” (Interview with GM LDT Plant Manager, 18 June 2009)

However, as observed by a Shift Leader, the events of this particular six month period were not unusual for the plant that opened in 2006,

‘we’ve been through so many ups and downs. We started out on one shift, went to two shifts almost immediately, went to three shifts, went back to two shifts, went to three shifts, went to two shifts, and now we’re down to one shift, and then in two months we’re going back to two shifts again. It’s very, very flexible although not easy.’ (Interview with GM LDT Shift Leader, 18 June 2009)

Despite the obvious institutional embeddedness of layoffs as the labour adjustment mode of choice in the LDT Plant, cutting a shift and laying off workers was not the only option open to plant management in the circumstances so product market and institutional factors did not shape the LDT Plant’s response on their own. Within the bounds created by those two factors, there remained room for plant management to determine the means by which they
would adjust the hourly workforce. In this space, political dialogue played out at the meso-level between plant management and HQ management. US HQ management initially calculated the required reduction in production and asked plant management to slow the assembly line. Such de-rating would necessarily have required reorganisation of work roles as well as staff reduction. LDT Plant management resisted this request and, based on their own assessment of time and costs associated with complying with HQ’s initial request, entered negotiation with HQ management. In a cooperative process between plant and HQ management, the final outcome was reached via negotiation. In a meso-political exercise of economic power, plant management had used their knowledge of local resources to negotiate with HQ. That is, they drew on their knowledge of the additional costs involved in de-rating and the savings available by using the alternative of cutting a shift, such cost-benefit analysis being a resource on which they drew to resist HQ management’s suggested course of action. Thus, a combination of market forces and national institutions set the bounds within which the final course of action was determined through meso-political use of economic power.

**Holden’s EA Plant**

As in GM’s LDT Plant, the options available for plant management in Holden’s EA Plant to adjust labour to the new lower production-level were strongly shaped by market and institutional forces. However, there were also additional forces at play. The path laid by the EBA and the company’s usual way of doing business might have led to the obvious solution of retrenching employees. This strong institutional factor may have resulted in a similar outcome in the EA Plant to that reached in the US LDT Plant. However, a combination of current local labour market conditions, anticipated local product market conditions and meso and macro-level politics allowed for the creative rotating shift solution developed by plant management to be instituted.

Retrenchment provisions in Holden’s EBA dictated that removal of hourly workers from the production line involved termination of their employment and a considerable short term cost to the company in termination packages. In this way the regulatory-institutional pressure towards removal of workers was not as great as in the US where layoffs were available. Nonetheless, this had been the normal labour adjustment method within the industry in Australia.

Strong labour market influences drove local management away from the normative response of terminating workers. Plant management’s perception of a supply shortage in the local
labour market, coupled with its knowledge of an imminent change in the plant’s demand for labour, increased the importance of retaining the existing workforce. The risk of not finding suitable candidates and the cost of hiring and training new hourly employees were strong disincentives for retrenchment.

The anticipated increase in demand for labour was in turn shaped by combined product market, financial market and macro-political forces. GM’s US HQ had recently decided to allocate production of the new Cruze vehicle to the EA Plant with production to commence about one year later. The Cruze was a new model, more in line with consumer preference for smaller, more fuel-efficient vehicles particularly in the circumstances of high fuel prices. In a clear statement of the importance to Holden, the AMWU and the Australian government in the context of GM pursuing a global product architecture, when Holden only manufactured the ‘orphan’ Commodore vehicle and variants, a Senior Advisor to the Minister for Industry said,

“there's no doubt, if we didn't have the Cruze, we would have been in a lot of strife in relation to Holden. . . . for a year or so the real focus on everything was ‘well have you actually held the show? Have you held the show together?’” (Interview with Senior Advisor to Federal Minister for Industry, 28 May 2010)

To secure allocation of the Cruze production to Holden, the Australian government influenced the financial market in which Holden operated and used that fact as a source of ideological and economic power. The government pursued a two-pronged approach of providing financial incentives of a kind most attractive to the company and building personal relationships with company management. The Australian government’s AUD$6.2 billion Green Car fund provided funding to match, dollar for dollar, investment in Holden by GM to ready the Holden factory for producing the Cruze. The government also made available to Holden an additional line of credit in the height of the crisis. Its effect was explained by the Ministerial advisor:

“there was also the $200 million line of credit through EFIC as well - that they never used, but it was actually a confidence booster.” (Interview with Senior Advisor to Federal Minister for Industry, 28 May 2010)

Building relationships with senior management within both Holden and GM’s HQ was central to the Australian government ensuring that providing financial assistance would elicit future
investment in Holden by GM’s US HQ. The Ministerial advisor described the macro-political efforts of the Minister in this regard:

“the Minister works very hard to have close and confidential relationships with the CEOs here. I think it's a bit of a challenge, especially with the Holden ones because they keep turning them over. Same with Ford as well I guess. But that's actually sort of complemented by the overseas visits have sort of reinforced that relationship but also to find out a little bit more about what's actually going on and try to push and influence them I guess.

So you've got the - so I think that's something yeah, we don't talk about it that much. It's something that we've - everything that's been done, has been done on that basis, that understanding what we're proposing to do has to make sense in Detroit and Nagoya and actually has to if you like, either nudge them in a direction which they weren't going to go to before or actually confirm or support a direction” (Interview with Senior Advisor to Federal Minister for Industry, 28 May 2010)

Emphasising the need to align government financial incentives with company strategy, this advisor further stated:

“The other side of it is you looked at some of the other programs that were run with the industry under the previous government the MVP R&D scheme for instance. There were a lot of projects that were actually developed and funded, but they weren't actually central to the plans within the United States [HQ of the companies]. They'd been worked up here. So our thinking has always been it's got to make sense in the context of what Nagoya or what Detroit actually want to do. . . . that's why the Minister's probably been to Detroit now three times and he's been to Nagoya. And that we, he works very hard at actually cultivating the relationship and understanding with - well he's met Ed Whitacre [Chairman and CEO of GM], he's met Mulally [CEO of Ford] twice.” (Interview with Senior Advisor to Federal Minister for Industry, 28 May 2010)

With funding in place and future production of the Cruze vehicle in Holden secured, and providing it with ideological power, the Australian government was able to exert tacit influence over the development of a policy response to the production downturn in Holden
that would retain as many employees as possible. A senior AMWU leader observed this pressure in action:

“The federal government really had called on all employers in these difficult times to keep people employed because ultimately from a recovery perspective people have to have jobs. I think that’s a fair call in our industry given that they kick in a fair bit of money. They have a right to make those sorts of claims and not only did they make the claim, General Motors, to their credit, responded and then the government responded again to assist them with the payment and the coverage of people across those difficult times.” (Interview with AMWU National Leader, 9 July 2009)

The Australian government minister’s advisor noted the close relationship between the Minister and Holden’s leadership during negotiations over how Holden’s EA Plant would adjust labour in response to the cut in production:

“They [Ford Australia’s and Holden’s CEOs] talk to the Minister every week. And during the - when the question about General Motors and their future was uncertain, I mean and Reuss [Holden’s CEO] was - I mean they were very lucky. Reuss' father used to be the chairman of the board at General Motors. He's General Motors aristocracy, Reuss, and he was involved in all the internal things that were going on and he was talking to the Minister all the time. So he had - the Minister knew better than anyone where things were actually up to in the negotiations. That's on the basis of a personal relationship.” (Interview with Senior Advisor to Federal Minister for Industry, 28 May 2010)

Despite many forces pushing Holden’s management towards retaining hourly workers despite the halved production output, managers faced large institutional barriers preventing such action. Production was soon to increase in the EA Plant and the Australian government and local labour shortage were pressuring Holden to retain employees, but the plant still had too much excess labour capacity to carry until production of the Cruze commenced. Compounding these factors, GM’s US HQ was encouraging termination of excess employment and there was no other way to reduce labour sufficiently while adhering to the letter of the EBA. Nonetheless, strongly influenced by local labour market and macro-political pressures, the EA Plant’s senior ER manager and an Assistant Plant Manager resisted transfer from the US HQ by proposing a solution that responded to the product market issue
but extended beyond the institutional constraints. A plant ER manager said of the thinking at the time:

“If we’d gone through a redundancy program: A) we’d look bad; B) it’s not the right thing to do, sort of the employee/employer compact type arrangement. We knew that within a relatively short period of time – we’re already starting to see it, the market’s picking up again. So if you let people go, you can’t re-employ. You can but it takes a long time and then you’ve got to train, so you’ve lost all that investment. So it just didn’t make commercial sense to do it.” (Interview with EA Plant ER Manager, 13 August 2009)

While the rotating shifts solution made sense to Holden it was necessarily to gain agreement from the union to concessions not contemplated in the EBA, at a time that was outside the official EBA bargaining period. Recognising that the agreement to allow rotating shifts was reached between Holden and the AMWU in the context of the precarious state of the Australian automotive manufacturing industry, a senior AMWU leader said,

“I think that often the first casualty in tough times is the relationship between the union and the company. I think everybody is at pains to ensure that that doesn’t occur in the automotive industry. We’ve had to make some difficult calls. The one week on, one week off at [Holden] is a tough call that requires, again, a degree of innovation about how you tackle the problem. Again it goes to demonstrate the importance of having government because without a government that is prepared to work with the union and prepared to work with industry, ultimately we wouldn’t have been able to do that and we’d have 2,000 more people in the dole queues.” (Interview with AMWU National Leader, 9 July 2009)

The government’s ‘work’, to which this AMWU leader referred, included providing training to Holden’s workers during their time off. The Minister’s advisor said that this was something the government “threw into the mix” during negotiations with the company and union in order that Holden could “maintain capacity” (Interview with Senior Advisor to Federal Minister for Industry, 28 May 2010) to produce vehicles.

Thus, Holden’s solution was developed in the face of inconsistent local institutions and opposing strategic influence from US HQ. Local labour market conditions, anticipated local product market conditions and macro-political pressure from the Australian government were
the strongest forces determining the locally developed outcome. Strong links between the AMWU and the Australian government also demonstrated the union’s role in shaping outcomes within an MNC through macro-political influence.

Ford’s DT Plant

In a similar outcome to that found in Holden’s EA Plant, local management in Ford’s DT Plant developed a rotating shift solution. However, this outcome in Ford was shaped by a different combination of forces.

As Ford operated under a very similar national collective labour contract to that of GM, institutional norms for adjusting labour levels in the plant to meet changed production output were also similar. The usual practice was to lay off excess workers, relying on the layoff provisions in the national contract. However in the circumstances of 2008/09 a number of additional and interacting institutional, market and political forces were in play.

The key institutional factor had recently been changed, causing plant management to rethink how best to adjust labour. The 2007 changes to the national labour contract removing the Jobs Bank provisions drastically reduced the length of time hourly workers could remain on layoff before their employment was terminated. The UAW’s concession of these significant job security provisions was made at a time when the company was entering the crisis. An advisor to UAW leadership said of the union’s decision, that the Jobs Bank was an example of an old practice that was “ineffective for ensuring job security” and the only true way to ensure job security was to have a successful company, there being “no stakeholder more interested in the long-term success of a company than its workers” (Interview with Advisor to UAW President, 11 November 2011). The resulting restriction of the time hourly workers could be laid off had potential to remove a significant institutional force that had shaped labour adjustment decisions in GM for many years. If the company laid off workers and did not recall them to work within a set time the employment of those workers would end.

That the DT Plant should reduce its hourly workforce was clear in light of its cut production output consequent upon the product market crisis. This message was delivered to the DT Plant from Ford’s US HQ. The second part of the message from US HQ, that the company would likely need to redeploy those workers in a Ford factory somewhere in the US at some stage in the near future, presented a challenge for local management. This was the extent of the strategy, based on product market changes, that HQ management sought to transfer to the
US plant. The big issue for plant management was then how it could lay off workers under the relatively new layoff provisions of the national contract without losing those workers upon reaching the end of the layoff period.

Further to this combination of labour market and institutional pressures were political factors driving local management to the creative solution eventually reached. While the UAW had appeared to concede some institutional job security for its members in 2007, doing so provided the union with political capital that became useful in 2008 when production was cut in the DT Plant. This ideological power crystallised as part of the more cooperative approach to management between Ford and the UAW described by Bob King, Vice President UAW-Ford, as “the problem-solving mode that we model at UAW and Ford” (King, 2009). Compounding this micro-political pressure was tacit pressure in the macro realm that Ford’s management perceived as coming from the US government to enter more competitive and creative arrangements with the UAW.

The solution to this puzzle, developed by plant management, was a rotating shift arrangement similar to that of Holden and born out of similar labour market and macro-political pressures. The key difference from Holden’s situation however was that in Ford’s DT Plant the arrangement sat more comfortably within institutional regulatory bounds. It was nonetheless a creative and unusual way to adjust labour to meet production demand in the plant and required further micro-political input of the UAW via negotiations between it and the company at national-level.

**Ford Australia’s BA Plant**

Ford Australia’s solution was developed entirely within the constraints of local institutions due mainly to the very narrow product market conditions in which the plant was already operating only one shift prior to the downturn. With such tight market constraints, absent, for example, any short term prospect of increasing sales or new production allocation to the BA Plant, there was no political inclination by any party to move beyond institutional guidelines for adjusting labour in the circumstances. Ford’s US HQ’s role was limited to the meso-political exercise of political power in its provision of funding for redundancies.
Summary

ER policies and practices relating to the adjustment of hourly labour were not successfully transferred directly from HQ to subsidiaries despite attempts to do so. However, within the complex patterns of influence shaping local solutions were found indirect input from HQ shaping outcomes. This was illustrated in Holden where labour was adjusted in a manner not contemplated by the EBA. Achieving this solution required agreement from the union, which may not have been attainable without the relatively strong and respectful relationship between management and union. This relationship, a vast improvement on the situation between the parties a few years prior, was itself the result of policies and practices transferred from HQ. These developments will be examined in more depth in Chapter Nine below.

The macro-political role of the state emerged as a clear factor impacting development of ER policies and practices in the plants. Beyond being viewed as institutions, the state in each country maintained an active role, influencing development and transfer of ER policies and practices within the companies. In this way, the state is better viewed as an actor in the macro-political realm with its own resources and interests.

Nonetheless, institutions remained important in shaping ER policies and practices but not to the extent of being determinative. The collective labour contracts in each country and the usual manner of conducting business continued to provide strong influence over policies and practices in the companies. However, actors within the plants were not constrained by the institutions even in the case of Holden’s legally enforceable EBA. Actors operated within the bounds of the institutions, sometimes drawing on them as resources providing sources economic power, or moved beyond them as required to achieve goals considered appropriate in the circumstances. Those circumstances were strongly influenced by product, financial and labour market conditions and macro-political pressure from the state.

Finally, the role of unions in determining the methods and the extent of labour adjustment was considerable. During a time of crisis when traditional bargaining power was low, the unions and the companies engaged to some degree in a participatory relationship. With both parties facing uncertain futures, they cooperated to determine solutions suitable in the circumstances. This altered bargaining relationship, together with macro-political influence both from and over government, allowed unions continued influence over outcomes within the MNCs.
7.3 Changes to Salaried Staffing in GM

In the cases just analysed of adjusting hourly labour in the four plants, attempts by the US HQ to transfer practices were found to be largely unsuccessful. In the case of termination of salaried employment in GM, directions from US HQ regarding adjustment of salaried labour in both the US LDT Plant and in Holden were stronger and more direct. Despite these attempts, specific ER policies and practices were not successfully transferred. Transfer of HR policies and practices, applying to salaried employees, was generally expected to meet fewer institutional barriers. Certainly, GM’s US HQ management expected smooth transfer. This example thus provided an opportunity to analyse the factors accounting for non-transfer in spite of specific and direct attempted transfer.

Chapter Four described directions given by GM’s US HQ to both the LDT Plant’s management and Holden’s management to cut salaried staff. Based on HQ’s ‘Zero Base Staffing’ policy that set standard guidelines for staffing levels grounded in factors such as a plant’s size and number of shifts, directives were given that the LDT Plant and Holden terminate the employment of a number of salaried workers. The LDT Plant’s management negotiated with HQ management over the exact number of salaried employees but this negotiation was conducted within the scope allowed by the Zero Base Staffing policy. Workers’ employment was terminated and termination payments were made according to company policy. That is, the termination of salaried workers in the LDT Plant was precipitated by the product market downturn and shaped by institutional forces. Transfer of policies and practices relating to the termination of salaried workers’ employment in Holden was less straightforward.

The policy developed in GM’s US HQ involving termination of salaried workers to remain in proportion with plant size and number of operating shifts was consistent with literature on the US NBS by which labour was adjusted to meet short term goals. Also consistent with the US NBS, US HQ sought to transfer the practices associated with this policy to Holden when its production output was cut. That attempted transfer met with meso-political resistance from the Australian subsidiary’s management that was shaped in turn by local institutions and market forces.

GM’s US HQ’s usual practice was to employ budgetary supervision, facilitated by the production system, to influence staffing practices at Holden through provision of staffing
guidelines and monitoring of each plant’s cost per vehicle produced. As described by a Holden production manager:

“Detroit doesn’t necessarily say, here’s your target. Detroit says, [in relation to] cost per vehicle they’ll say, alright for your size plant, here’s the range of costs you should be within. Then we try to make sure we meet that.

The head count targets, you’re really looking at cost per car. So every plant has a cost per car and labour’s 70 per cent of it. So there’s a lot of fixed costs as well. If [you need] your cost per car . . . to be $5 . . . seventy per cent of that $5, or $3.50, is actually labour. So you know you’re going to have so much in fixed costs. [We are] not getting rid of the building, we’ve got to maintain the building. Some of that’s fixed.” (Interview with EA Plant Area Manager, 13 August 209)

However, GM’s US HQ departed from this practice by directing Holden to terminate the employment of a specific number of salaried employees. Holden management’s immediate reaction to GM’s US HQ’s direction was resistance. Viewing the number of terminations “imposed” by Detroit as “a bit arbitrary” (Interview with Holden Senior ER Manager, 9 July 2009), Holden management considered that to cut the number of employees required by GM would have been too harmful to Holden’s business. This view related particularly to the direction to terminate half of Holden’s engineers. Holden had what it perceived to be a competitive advantage within GM in its product development capabilities, which had engineering at its core. To lose so much of its engineering resources could have led to loss of future allocation of work to Holden. As stated by the then Executive Director of HR, “if we had have gone through with them, would probably have killed the business” (Polglaze, 2010).

Drawing on what Holden’s senior managers viewed as ideal for Holden, they gained ideological power that fuelled their resistance of US HQ’s exercise of political power to exert transfer.

With the increased focus on GM’s finances concurrent with the company’s crisis, US HQ involved itself more directly in approving funding for the termination packages. That is, changes in the product and financial markets caused US HQ to take a more direct role in transfer of policies and practices than it had in the past. Thus, Holden’s management, wishing to avoid or amend the practice transferred, sought to negotiate with US HQ and resorted to avoidance tactics that had not been necessary in cases of transfer from US HQ prior to the crisis.
Conveniently for Holden’s management seeking to resist transfer, some institutional clash occurred in relation to termination packages for Holden’s employees. When Holden’s management requested funding from US HQ for termination packages, as was the usual practice, two institutional issues led to delay. First, GM was unable to fund Australian redundancies from bailout funds received from the US government. Compounding this institutional issue that took time to resolve, was macro-political pressure perceived by GM management from the US government’s intense observation of GM’s financial activities. Second, the quantum of the termination packages for non EBA-covered salaried employees, funding for which Holden requested from US HQ, calculated with reference to termination packages offered to EBA-covered employees, was tested more closely than in the past by US managers. When compared with the normal termination payments required in the ‘at will’ environment in which the US company operated, US HQ managers thought the proposed payments in Australia were “outrageously generous” (Interview with Holden Senior ER Manager, 9 July 2009).

The eventual partial failure of transfer was not due solely to these institutional reasons. Local HR management actors also drew on local institutions as a source of economic power to delay the terminations. Using their knowledge of local legal regulations and specifically drawing on the resource of legal advice received from Holden’s Australian lawyers, local management gained economic power to wield in the meso-political realm. These combined institutional and meso-political factors served to delay the terminations imposed by US HQ and to maintain Holden’s product development capacity until the worst of the crisis had passed.

Holden management’s meso-political resistance was also fuelled by a product market factor. Being acutely aware of the regular, high profile coverage in the media of Holden’s ER policies and practices, its management was keen avoid receiving poor publicity that could damage the Holden brand during a vulnerable time in the product market. While non EBA-covered employees had no strict legal entitlement to redundancy termination payments beyond the giving of notice required in their employment contracts (more akin to US practice), Holden’s management did not wish to be seen treating non EBA-covered employees differently from those whose terms and conditions of employment were set collectively. Holden also drew on regional HQ to mediate the negotiations with US HQ over this issue.

As well as contributing to meso-political resistance to transfer, Holden’s concerns about the product market crystallised in its ER department ‘selling’ the involuntary terminations as
voluntary redundancies. Holden’s management was also concerned about their ongoing ability to staff some departments adequately should the ‘wrong’ employees accept truly voluntary redundancies. These factors combined to form what was, in essence, micro-political manoeuvring by Holden’s management to put into effect the policies and practices transferred from US HQ.

Also in the micro-political realm, the salaried engineers helped their own cause at the time by voluntarily forgoing the pay rise to which they were legally entitled under their collective agreement.

“Then the final point there around our Award-covered engineers . . . basically retained most of their work throughout this period. There was very little we had to do to restructure in a sense that group, and that group voluntarily chose to give up a pay rise, which was contracted in our enterprise agreement. Now that's something that I couldn't imagine asking an industrialised group to do before last year, let alone having one agree to it, but the attitude of our workers were, ‘we're in this together, we recognise the sacrifices made across the board, we recognise that we want to be sustainable and viewed as sustainable by the corporation going forward’. A real tangible indicator of engagement of that group - as I say, for voting themselves out of a pay rise which is in an enterprise agreement and no-one was arguing that they wouldn't be entitled to - was actually a really good indicator of the faith amongst that group.” (Polglaze, 2010)

The engineers, influenced by dire product and financial market conditions faced by the company, elected not to exercise economic power through drawing upon the institutional resource that was the legally enforceable pay rise in the EBA. As evidenced in the quote above, the engineers’ micro-political action in turn strengthened the resolve of Holden’s senior management to continue its meso-political resistance to transfer of the full extent of the terminations.

7.4 Conclusion

Severe product market conditions impacting the US and Australian automotive manufacturing industries from late 2008 required Ford’s and GM’s US and Australian plants to cut production and to adjust their labour levels. However, the volume of labour reductions and
the methods used to adjust labour in the four US and Australian assembly plants, as well as the level of central HQ’s involvement in reaching those solutions, differed greatly. A complex, and predominantly localised, pattern of influences shaped the ways in which the plants adjusted their labour to meet product demand. The major shapers of outcomes in these cases were local product and labour markets, national institutions, and political actions at the micro, meso and macro levels.

Policies and practices relating to termination of salaried employees were developed in GM’s US HQ under the clear influence of the US NBS and related institutions. GM’s US HQ’s attempted transfer was met with strong meso-political resistance, informed and empowered by product and labour market conditions and local institutions. While Holden’s management drew upon local institutions as a source of economic power to resist transfer, in one example Holden’s engineers chose not to rely on local institutions. Their choice to operate outside local institutions in turn gave them micro-political power and strengthened the ideological power of Holden’s management operating in the meso-political realm. In short, actors at a number of levels were influenced strongly by market conditions and drew on institutions when it suited their political goals.
Chapter 8 - Remuneration

8.1 Introduction

Analysis of general remuneration arrangements in the two companies identified two main circumstances in which an employee in an Australian subsidiary was more likely to have remuneration policies and practices transferred from US HQ: Seniority; and employment in a global function. The more senior an employee’s position in an Australian subsidiary, the more likely that employee was to have remuneration arrangements globally standardised and transferred from US HQ. Further, if an employee worked in a global function, that employee was also more likely to have remuneration arrangements globally standardised and transferred from the US HQ. However, analysis of activities affecting more specific remuneration policies and practices revealed a more complex set of factors shaping their development and transfer.

The findings of broad trends suggested that general remuneration arrangements for subsidiary employees were most clearly shaped by institutional as well as strategic factors influenced by market conditions. Employees positioned lower in the hierarchy, in particular hourly workers in manufacturing plants, were more likely to be exposed to strong local institutions than were senior employees. Consistent with Rosenzweig and Nohria’s (1994) findings, exposure to local institutions such as Awards and EBAs clearly formed a barrier to transfer of remuneration policies and practices when compared to senior employees whose remuneration was more institutionally unfettered. Further, the more senior an employee, the more likely that employee was operating in the global labour market. That is, their remuneration was benchmarked more against employees in similar roles overseas within the company. Such roles were more likely to be filled by expatriate employees transferring internationally or at least to be the kind of roles considered for globally mobile employees and thus operating in the global labour market. While the companies did undertake global benchmarking of remuneration somewhat related to hourly workers’ remuneration, this was more limited to broad internal comparisons of manufacturing cost per vehicle.

Similarly, employees working in global functions in the companies were more likely to have their remuneration arrangements transferred from US HQ. Influenced by both product and labour market factors, employees working in the functions closely related to the global product architecture pursued by both companies, rather than in functions working solely on
orphan products, were more likely to have their remuneration globally benchmarked and therefore strongly influenced by US HQ.

However, while these broad findings held true, further findings in relation to specific remuneration policies and practices were more complex, involving multiple factors influencing transfer and non-transfer. Those findings related to transfer of policies and practices from US HQ in five aspects of the companies’ remuneration systems: First, changes in the locus of merit plan setting and performance management; second, a pay cut for senior managers and executive employees; third, a pay freeze for salaried employees; fourth, an entry wage system for hourly employees; and finally overtime arrangements. This chapter will analyse institutional, market and political factors affecting the transfer and non-transfer of each of these practices. First, however, this chapter will examine a key finding precipitating many of the changes affecting remuneration relating to recent, formal attempts by the companies to standardise ER policies and practices.

Shortly before the height of the crisis, Ford’s and GM’s HQ HR and IR functions set in place new means of standardising and controlling the development of ER policies and practices within their subsidiaries. The two companies settled upon similar means in relation to IR policies and practices (examined in the following Chapter Nine) but diverged in their means for developing and transferring HR policies and practices.

Ford and GM have for some time operated standardised production systems, based on the Toyota lean production system. Management of HR in Ford and GM was found to be increasingly modelled on their production systems. In GM, its newly developed GBoP (Global Bills of Process) policy, practice and procedure for standardising HR policies and practices in the US and overseas subsidiaries was modelled on the GM Production System (GMS) as well as being named after a process within that system. In Ford this was found in the One Ford strategy which was at the same time a business plan, a description of the global product architecture and a method for transferring a form of standardised ER policies and practices globally.

### 8.2 Global Bills of Process - Standardisation of HR in GM and Holden

In early 2009 GM sought to impose upon its global workforce a raft of HR policies. Holden’s salaried workforce, along with those in other GM locations around the world, was expected to
comply. The rollout of these policies, known as the GBoP, was the culmination of three years of development led by the Global HR team based in GM’s US HQ and represented the final stage of a process of standardisation, formalisation and centralisation of HR policies.

Prior to the introduction of the GBoP Holden’s HR policies and practices were determined by an ad hoc combination of locally developed and HQ imposed guidelines. One Holden ER manager said of the newly imposed GBoP,

“in the past, GM’s policies were half put into effect and half not. At the moment, GM’s policies are always put into effect.” (Interview with EA Plant ER Manager, 13 August 2009)

The GBoP, as both a title and a concept, was taken from GM’s globally standardised lean production process, the GMS, and applied to HR processes. Created with the aims of developing a repository of best practice HR practices and of standardising global HR policies and practices linked to business goals, the GBoP was intended to apply to the exclusion of local subsidiary policies or practices dealing with the same subject. As with production layout and processes in all of GM’s plants dictated by the GMS,

“the expectation is everyone globally will follow [the HR Bops and] we follow them exactly” (Interview with Holden Senior ER Manager, 9 July 2009)

In the meso-political realm, subsidiary management had initially acceded to HQ management’s exercise of a political form of power in imposing their expectation of compliance.

The GBoP comprised about 100 Bills of HR policies and practices contained in GM’s global intranet and grouped into nine categories: change management; compensation; security; workforce planning; HR information technology; recruitment and selection; talent management; training; and management of expatriate assignments. Each Bill served the triple function of policy document, practice guide and source of documentation for a particular HR issue. For example, an ER manager in Australia undertaking performance appraisals would access the ‘Talent Management’ section of the GBoP site to find the GM policy and detailed instructions regarding the procedure to follow as well as templates of the forms to use. The whole GBoP has been examined by the writer but, due to confidentiality obligations, further detail of its contents cannot be disclosed.
The GBoP was developed by US HQ, utilising a number of sources for identifying best practices including practices developed in GM’s US operations and overseas subsidiaries, and via industry benchmarking and external consultants. The US HQ manager in charge of developing the GBoP said of the purpose behind this development process:

“I think it’s probably going back to the general principles of change management. It’s always difficult if you try to press something into the organisation, centrally, and people are not convinced of the value of this thing, and they don’t understand why they should follow this certain way to do things where they have been doing this differently for many years and it was successful as well.

I guess the recipe for success is the involvement of the stakeholders, as in any change management initiative, so that people understand that it’s also their solution. Most importantly, that the whole thing adds value. It means you are offering something that is really best in class. That the expert sees, okay, if I do it that way, it’s better for me. It’s easier or it’s maybe system-based and I get some support out of – some kind of electronic system, or it’s faster. Something like this.” (Interview with GM US HQ Senior HR Manager, 15 June 2009)

With this purpose in mind, GM’s US HQ sought input from a global team of stakeholders, that included representatives from Holden’s ER management, who were invited to contribute to development of global best practices.

“we have a group of so-called Bill of Process stakeholders worldwide. It’s a group of, probably, 20, 30 people. . . . they have to give their opinion, whether it will work in their unit. We take this into account: all the feedback. Only then would we come out and communicate and try to train, or whatever is necessary to implement it afterwards.” (Interview with GM US HQ Senior HR Manager, 15 June 2009)

Through this process, HQ developed somewhat of an international compromise best practice, although the same US HQ manager said,

“When we initially started this – we have received a lot of feedback. I think now, the folks here understand a little bit better – the needs outside, and they’re - already during the development phase, the product is better, so we don’t have to change that much.” (Interview with GM US HQ Senior HR Manager, 15 June 2009)
Further, in the rollout phase, US HQ invited local adaptation of the GBoP. During this process, Holden’s ER management was asked to submit any suggested amendments to the Global HR team for consideration and, if accepted by GM, inclusion on the GM intranet as a Country Bill of Process (CBoP) specific to Holden only. HQ also made provision for development, subject to HQ approval, of CBoPs covering areas not included in the GBoP. Holden identified a small number of areas as being necessarily specific to Australia and not fitting into one of the nine GBoP categories. These included health and safety, leave provisions and diversity (Holden internal document, 2009). Localised HR policies and practices were developed in a formal manner, facilitated by HQ for the Asia Pacific region, subject to approval by US HQ and housed on the HQ-managed GBoP intranet site.

GM’s US HQ’s approach of including subsidiary managers in the process of identifying best practices to develop the GBoPs, and providing the mechanism for subsidiaries to argue a case for a CBoP were meso-political means of transfer. As suggested by the US HQ manager’s focus on change management principles, combining these two forms of personal involvement in the process was intended to increase HQ’s ideological power by gaining ‘buy in’ or ‘ownership’ from subsidiary management and thus reduce the likelihood of resistance to HQ’s use of political power when the GBoP was finally imposed.

Nonetheless, a plant ER manager described a response to the GBoP, indicating some informal localisation of the GBoP policies when put into practice in the EA Plant:

“Some of the frustrations around that is we can’t Ockerise [to make Australian] it, you know, so we can’t put our own stamp on it. However, in circumstances where there is legislative conflict, or there are some legal requirements for it, we can. So it’s not like we can’t… There is kind of like the global stuff, then there is the local national stuff and then there is the local side stuff. So whilst we do have quite a heavy influence from our central body, it doesn’t mean to say that we also can’t accommodate what our, you know, immediate needs are within the plant side. . . Now there is obviously a limit to what we can do to without authorisation and obviously a lot of that depends on how much something is going to cost. So it depends on, and that will just be in relation to getting approval to go ahead.” (Interview with Junior EA Plant ER Manager, 13 August 2009)

Further, as part of GM’s global restructure while under Chapter Eleven, GM made structural changes that altered the practical application of the GBoP. Prior to the restructure, Holden
reported to the Asia Pacific HQ and from mid 2009 it reported to the GMIO HQ. This change in reporting impacted the final rollout of the GBoP within Holden. HR staff within the GMIO HQ, located in Shanghai, China, were responsible for overseeing management of HR in Holden and in all other GMIO countries, including supervising the implementation of the GBoP. Additionally, the same regional HR managers had local responsibility for HR within China. Due to the size of their jobs and staffing levels in the HR function in regional HQ, they were not able to closely supervise the implementation of the GBoP in Holden.

Reduced direct supervision of the final rollout of the GBoP allowed for greater local adaptation of the global policies and practices and greater inclusion of CBoPs.

“So where we used to have someone in Asia Pacific who would be interested in these sorts of transactions, now the GMIO person, who’s responsible for 60 countries instead of 10, like just by virtue of there aren’t enough hours in the day, would find it difficult to be interested in those sorts of transactions.” (Interview with Holden Senior ER Manager, 10 March 2010)

Eloquently illustrating how Holden’s managers could avoid policies and practices transferred from GM’s HQ and specifically how the change to GM’s global structure impacted Holden’s reception of the globally standardised GBoP, this manager said,

“When my guys get anxious that they think someone in there is getting a bit too involved in their business, I say, ‘Look, give it a little while. They haven’t got enough hours in the day to be interested in your business for long.’” (Interview with Holden Senior ER Manager, 10 March 2010)

The same manager also noted a change in US HQ’s drive for global standardisation during the height of the crisis, with the company going through Chapter Eleven bankruptcy:

“I think the emphasis has now gone a little off being quite so globally driven to more of a country approach within the structure of the Global Bills of Process. So while we still will have global bills of process, there’s more of a recognition that each country needs to have things that suit themselves.

When we probably spoke to you last time, I think we were probably thinking, we were going to have very few country bills of process; it was all going to be the global bills, and we were going to be much more of a globally common approach to things. I think
there’s been a bit of a shift; there’s more of an emphasis on the country processes now. . . . It’s happened more by omission than by action, so instead of somebody in Detroit driving stuff out, it’s been more of silence and us getting our own policies and procedures in place, so translating into more country bills of process.” (Interview with Holden Senior ER Manager, 10 March 2010)

The end result for Holden of the GBoP standardisation process was fewer country-specific ER policies than it had prior to the GBoP process, but many more country-specific policies (and fewer global policies) than its ER managers were expecting at the beginning of the GBoP process.

This series of events significantly affected one of the major means used by GM of transferring HR policies and practices to Holden. The GBoP was a direct, impersonal means of transfer typical of institutions found in US MNCs (Harzing and Sorge, 2003) as it was a formal, prescriptive source of policies and practices communicated from the HQ. In this way, its enforcement at meso-level relied on the HQ’s exercise of political power. This power was also exercised in close supervision of the rollout stage of the GBoP. However, as Liu (2004) and Coller (1996) predicted, direct means of transfer were susceptible to subsidiary resistance. Indeed, when the global restructure was undertaken in response to the product and financial market crisis, this close supervision evaporated leaving more space for subsidiary management actors to develop and institutionalise CBoPs. While the development phase of the GBoPs included attempts by US HQ to gain ideological power through involving key stakeholders in a change management process, any such power gained was insufficient to continue full implementation of the GBoPs in the absence of more direct supervision.

8.3 One Ford - Standardisation of HR in Ford and Ford Australia

Ford also instituted new means of transferring HR policies and practices to its subsidiaries when it undertook its global restructure. Ford differed from GM in its chosen means of transfer, opting for a less prescriptive system than the GBoP, combined with formal, global standardisation of a small number of core policies and practices. In January 2008, Ford HQ introduced a new strategy, system and slogan, “One Ford”. One Ford operated at all levels throughout Ford globally, except in relation to hourly workers, and it provided a means of standardising Ford’s HR approach. Distinct from GM’s GBoP as a means of transferring HR
policies and practices, it was less prescriptive of specifics and less directly supervised by the US HQ’s HR function. It was described by a Ford HQ HR manager with global responsibilities as,

“our business plan as well as the behaviours we expect of all of our employees” (Interview with Ford US HQ HR Manager A, 16 June 2009)

One Ford was at once a company mission statement, a business plan, a statement of company principles and goals and a high-level statement of expected HR practices. Printed on plastic cards distributed to all salaried employees and carried daily by most, the One Ford principles (see Figure Four) were referred to, and shown to the writer numerous times, by informants interviewed for this research. A number of informants also spoke of the positive effect of Ford’s CEO, Alan Mulally displaying his One Ford card in meetings and being seen on television holding the card. The One Ford principles of ‘One Team, One Plan, One Goal’ were the starting point, or the top of the pyramid, for the ‘cascading’ of principles from which policies were developed and cascaded further into development of practices.

Figure 4 One Ford

The cascading process began with Ford’s CEO and its leadership team setting the company’s annual strategic direction which was then spread throughout the various divisions and
subsidiaries of the global organisation. The process was explained well by a senior ER manager from Ford Australia:

“So Alan Mulally, his priorities never change . . . but what then happens is, is that he will get his direct reports together and they will agree, on what are the priorities consistent with his four objectives for the subsequent year. They will develop that and then Joe Hinrichs, who is our regional leader, will go to Mulally's meeting. Joe will then come back and say, ‘well these are the global priorities’ and he would then define what that looks like for the region with all of his direct reports.

So all the Country Leaders would meet with him and the functional leaders would meet with him and they would thrash out what their objectives are. Marin [Burela, Ford Australia’s CEO and ‘Country Leader’] would then come back and then we would do the same for Ford of Australia.

When we do it for Ford of Australia, we would have in mind what has come from Joe Hinrichs [the Regional Leader], but then I would for example, would have in mind what [the Regional HR Leader’s] objectives would be specific to what has been set from Joe Hinrichs and Felicia Field [Ford’s Global head of HR]. So you have the two and they're overlaying. So it's about consistent application.” (Interview with Ford Australia Senior ER Manager, 25 March 2010)

Under this system, ER policies and practices were developed with greater scope for local adaptation, provided they were sufficiently consistent with the overarching plan or principle. That is, as a policy was cascaded, regional HQ and local subsidiaries could tailor policies to suit local conditions in a manner that was consistent with the common global principle.

A Ford Australia junior plant HR officer described how the cascading process made its way down to practices implemented at plant-level:

“So the behaviours - the One Ford obviously the goals for the organisation that HQ put out, [Marin Burela] who's our President will grab those and he'll say, ‘right, there are our objectives and this is what Ford Australia's going to do to achieve those objectives’. Then what he'll do is give it to his Vice President, who's [the Plant Manager’s] boss. They'll then go, ‘right, this is what manufacturing's going to do to achieve those goals’. Then he'll go and grab a copy of it and say, ‘right, this is what
the plant's going to do to achieve those goal’. Then he'll give it to his Area Managers and they'll go, ‘right, this is what Final Production are going to do to achieve the goals’ and it cascades all the way down.

Obviously at the top level they work with [Ford’s Australia’s CEO] to develop what the objectives are and the goals are. Like everyone else . . . the HR department has . . . what are we going to do to achieve those goals. Basically, it's cascaded down and everyone has a certain set of like - it would be as broad as our VP could have ‘reduce absenteeism’ and then the senior plant HR manger could have something like ‘reduce absenteeism through the following actions’. Then mine, one down from her, could be ‘implement the following actions’ - so it all ties up into the one sort of direction and goal.” (Interview with BA Plant Junior ER Manager, 11 March 2010)

At each level, achievement of goals developed under this cascading process was measured as part of employees’ individual performance appraisal.

Overlaid on the cascading, management by objectives, process were specific globally standardised HR policies and practices disseminated from US HQ. A Ford Australia HR manager noted the relationship between the cascading process and the more directive transfer of policies:

“Some of the policies will be cascaded down as an optional, ‘this is what’s being rolled out to apply in your market as you see fit’. Others are quite clearly, ‘this is what’s expected’, so if there’s any difference that you would kind of suggest you need to make or you would prefer to make we would need to go back up through. So dependent upon what it is, there are varying levels of flexibility.” (Interview with Ford Australia HR Manager, 25 March 2010)

From Ford’s US HQ’s perspective the amount of local flexibility in applying policies and practices transferred from US HQ was entirely calculated. This was explained by a senior US HQ manager responsible for global HR:

“ . . . where possible [we are] driving for standardisation but recognising that for it to be meaningful in a local market or [subsidiary] or region there may be some customisation that’s required. So we’ve actually developed a scale that we use. There are three levels of global. We call them G1, G2, G3.
G1 is where it is developed, implemented and communicated from the centre. So an example of that would be our 360 degree feedback process where the process owner is ITEA in HQ. They communicate it directly to the employees. So employees in Australia would receive the email communication from the centre. And there is no customisation. It is consistent look I believe.

G2, the next level down, is the content is largely the same but it’s communicated and there may be some minor customisation locally. So the local management team would put their business context in the messaging that then they send to the employee.

G3, the third level down, the tenets are common but we allow for customisation. And there’s regional and local kind of further delineation beneath that.” (Interview with Ford US HQ Senior HR Manager, 16 June 2009)

Distinct from GM’s prescriptive attempt to cover the field of HR policies and practices with its globally standardised GBoP, Ford’s US HQ took a calculated core-periphery approach to transferring HR policies and practices. Core policies and practices were globally standardised and transferred directly from HQ to all employees, exercising their political form of power to navigate the meso-political aspect of transfer. For the majority of its HR practices, Ford’s US HQ allowed development locally via its One Ford cascading approach. Allowing such involvement from subsidiary management, clearly linked to the company’s business plan and to individual managers’ performance objectives, diminished meso-political resistance. Allowing for local adaptation of many peripheral practices also reduced the likelihood of resistance from subsidiary management when core practices were imposed by HQ exercising political power. This navigation of the meso-political terrain was very much as intended by the US HQ’s senior HR managers responsible for developing and implementing the One Ford system:

“I think certainly for us a big piece of it is whether or not [subsidiary managers] feel it’s been thrown over the wall versus had the opportunity to co-create it. And that it meets a business need, there’s a value in whatever the process is, and if it’s replacing an existing process or product that they have, that the change is worth the trip. . . And the methodology of the approach that we typically take is very much one of change management. So we’re very deliberate in defining the methodology so that it aligns with kind of fundamental change management principles.” (Interview with Ford US HQ Senior HR Manager, 16 June 2009)
This new approach of the US HQ HR management was evidenced in the regular scheduled telephone meetings that took place between the global head of HR and regional heads of HR in which priorities and policies were set following the global head’s meetings with US HQ’s senior management and in which regional heads consulted regarding any localisation of policies transferred from US HQ that they wished to implement. The regional head of HR would then meet fortnightly with the head of HR from each subsidiary within the region with discussion including any further localisation of transferred policies. Standing items on the agenda for this meeting were feedback from senior management meetings in US HQ and a report on activity within each of the subsidiaries. Additional items were discussed depending on the cycle, such as compensation planning for the region. Further meetings took place at various levels within the HR function between subsidiary and regional HQ:

“My team have weekly or fortnightly meetings with their counterparts in the central office. I have a number of ad hoc calls a week with, whether it’s the regional manager or the HR business operations manager or one of the directors. So we are in regular contact.” (Interview with Ford Australia HR Manager, 25 March 2010)

Both Ford and GM had introduced systems for standardising HR policies and practices globally, reflecting the US NBS in which there existed a clean demarcation between the management of HR and IR in the US companies. How the transfer of specific policies and practices based on this clean separation translated to practice in Australia, where the separation between IR and HR is less clear, will now be analysed.

8.4 Merit Plan Setting and Performance Management

Chapter Five identified changes in each company’s global structure, transferred from their US HQ effecting considerable change in reporting lines and impacting the way the Australian subsidiaries’ employees’ remuneration merit plans were set and performance managed. These changes are now analysed through the theoretical framework.

At the meso-level, Holden’s management was clearly receptive to the new reporting structure as indicated by the senior Holden ER manager interviewed referring to existing arrangements as ‘pretty crazy’ and ‘just madness’ (Interview with Holden Senior ER Manager, 10 March 2010). In this way, transfer of practices associated with the restructure was assisted by Holden management’s view of the business efficacy of the change. As the transferred change
did not clash with local institutions, local management’s view of that change gave the HQ actors transferring it ideological power in the meso realm, assisting the change. While not a power actively wielded by US HQ, ideological acceptance by subsidiary management was arguably a more powerful facilitator of transfer.

In contrast, the change transferred from Ford’s US HQ to Ford Australia, through its global restructure, saw the Australian subsidiary move from having almost total autonomy to operating a reporting structure with offshore reporting lines running deep into middle management. In other words, Ford Australia changed to a structure similar to that found in Holden before its restructure. This transfer from US HQ was a partial success in that, while the new structure was instituted in whole, local ER managers struggled to deal with the implications that flowed from it. This was exhibited in two main ways: First, they struggled to manage remuneration levels and performance management consistently when comparable employees had managers in different countries. Second, they struggled to implement their own policies in time to deal with unintended consequences of the restructure. While still a work in progress, Ford Australia’s ER managers expressed discontent that could have fed future meso-political resistance to the changed remuneration arrangements.

The first of these issues could be linked to market forces. The restructure in Ford Australia was most pronounced in its global functions. Identification of global functions such as Product Development occurred in the context of product market forces. An increasingly competitive product market drove the company to seek efficiencies through its strategy of pursuing global product architecture. Offshore reporting for employees in Ford Australia’s global functions was increased due to differences in the maturity of product markets. The Australian product market was mature and the product markets of nearby Asian countries such as China and India were developing. Product Development talent from Ford Australia was thus used to grow those developing markets for Ford. Consequently, workers within Australia reported to managers overseas or they relocated overseas and kept reporting lines to Australian managers. In Chapter Five, a number of ER managers interviewed in Ford Australia identified concerns with issues arising from this situation. This situation was compounded by the crisis conditions in the product market causing Ford Australia to reduce staff. Smaller total staff caused blurring of job descriptions and thus further difficulty managing internal equity for remuneration.
The second issue, while arising from similar market factors as the first, also demonstrated a local institutional repercussion of the newly transferred structure. Ford’s engineers, central to the global Product Development function, found it increasingly finding it necessary to talk with their managers and direct reports overseas. The issue quickly arose of how to compensate them for work performed outside of normal hours. As noted by a Ford Australia ER Manager (Interview with Ford Australia ER Manager, 11 March 2010), Ford’s HR management was struggling to adapt to the rapidly transferred structure and had not yet introduced policies to deal with its implications and the unionised, EBA-covered engineers were seeking redress through their industrial agreement instead. That is, there was a micro-political response to the transferred structure by seeking to adapt local institutions to suit the new structure.

In both companies, performance management was the practice identified as the most globally standardised for the salaried workforces of Ford and GM. The globally standardised performance management systems in each company were even successfully transferred to the unionised, EBA-covered engineers. With the clear divide between US management of unionised hourly and non-unionised salaried workers, the US NBS set a clear course for standardisation of policies and practices applying to salaried workers. Policies and practices transferred on this basis could meet institutional inconsistency in Australia, thus providing a resource for local actors to draw upon for economic power in the micro or meso-political realms to resist or amend the transferred practice. Applying performance management to unionised salaried engineers in the Australian subsidiaries fell into this category. A purely institutional approach to examining the transferred policies and practices might have forecast resistance, based on union views on rewards being based on individual performance, but this did not occur and the engineers accepted the practices. Explanations for this differed slightly from Holden to Ford Australia. Holden’s ER managers exercised a level of force, using political power in the micro realm and, after minor resistance, the engineers submitted. In Ford’s Australia’s case, the view was posited that the union lacked sufficient micro-political power due to small membership to the point where management was able to introduce policy without much intervention by the union.

Thus, GM enjoyed slightly greater success than Ford in transferring to its Australian subsidiary a new structure affecting reporting lines, remuneration setting and performance management. The main distinguishing factors explaining this finding were the institutional receptiveness of the Australian subsidiaries and the subsidiary management actors’ views of
the business efficacy of the transferred structure itself. With Ford and GM pursuing changes in structure that were moving in opposite directions, some of the institutional and political resistance met in the transfer process was due to the direction of the changes transferred. In Ford Australia, HR policies and practices and IR institutions were not yet in place to meet the demands created by the transferred structures. While no resistance to transfer was found in Ford in the meso-political realm, subsidiary HR management did express concerns about some effects of the structure transferred. In contrast, the structure transferred to Holden moved the subsidiary away from its prior arrangements described as ‘crazy’ and ‘madness’. The meso-political receptiveness that this change created was based on local actors’ strong view of value to the business of the change. In the cases of unionised engineers in both Australian subsidiaries, where one might have expected micro-political resistance fuelled by local institutions, transfer of the performance management system was successful in both companies. Despite differences in institutions between the US and Australia applying to this class of EBA-covered salaried employees, micro-political resistance to transfer was overcome by subsidiary management actors exercising greater power.

8.5 Senior Management and Executive Global Pay Cut

GM’s US HQ’s ‘global mandate’ issued to all of GM’s global subsidiaries that all senior management and executive-level employees must take a pay cut provided an example of a practice formed in the US HQ and successfully transferred to an Australian subsidiary. This transfer occurred despite the practice being directly against the personal interests of individual actors in the host country to whom it applied and despite clear and direct inconsistency between the practice transferred and institutions of the host country.

It has been argued in VoC literature (Hall and Soskice, 2001; Thelen, 2001) that businesses in LMEs tend to focus on short-term financial goals. This was the case with GM’s directive impacting remuneration for a short term saving. The action was also consistent with employment laws of the home country as the US employment at-will doctrine effectively allowed this kind of unilateral alteration to employment contracts. However, in Australia, absent a specific (and most unusual) clause in the employment contract, an employer could not make such a change to a fundamental term of employment without agreement from each employee. Thus, to effect transfer of this practice from US HQ to Australian subsidiary in the face of institutional inconsistency required agreement at both the subsidiary management and
subsidiary employee levels. In other words in both meso-political and micro-political realms, transfer from US HQ (itself an attempted exercise of political power in the meso realm) could have been rejected by actors’ exercise of economic power, drawing upon the local institutions. At both meso and micro levels however this did not happen. What force could have been strong enough to override such clear institutional ammunition that must have been tempting to Holden’s managers or employees to use in the meso- or micro-political realms?

The same market context that shaped the proposed practice in US HQ softened the ground in the Australian subsidiary, making it more receptive to planting of the transferred practice. It was in the context of crisis for GM and Holden that Holden’s HR management agreed to ask its senior management and executive employees to accept the pay cut and in which those employees actually agreed to the cut. That is, the clear financial market issues associated with the GFC and the product market crisis created a pervasive perception in Holden in 2009 that either GM or Holden might soon cease to trade. Further, at the height of the GFC, there was limited mobility available for employees in the relatively small executive labour market in Australia, particularly within the very small automotive sector. Employees were consequently happy to hold onto their jobs.

Thus, the policy was formed within home country institutions as a strategic response to the product and financial market conditions affecting the company. Attempted transfer of the practice met institutional inconsistency in the host country, yet similarly dire market conditions shaped the micro- and meso-political landscape so drastically that local actors did not draw upon local institutions to resist transfer of the practice.

**8.6 Salaried Employee Global Pay Freeze**

At the same time that GM imposed the pay cut on its senior management and executive workforce, it also successfully transferred a pay freeze to all salaried employees in Holden. Also similar to the transferred pay cut, a sector of Holden’s salaried workforce could have rejected the pay freeze due to local institutions guaranteeing imminent pay increases. The key difference in this case was that the transferred practice applied to Holden’s salaried, unionised engineers, the nature of which was institutionally foreign to the US HQ. Salaried engineers in the Australian subsidiary agreed to forgo a future pay rise that was enshrined in their EBA in favour of accepting the pay freeze.
Formed in GM’s US HQ by market forces synonymous with the crisis and within the bounds of US institutions that also shaped the company’s decision to cut executive pay, the practice of freezing the pay of all salaried employees was transferred to all of Holden’s salaried employees. This blanket approach to transfer was also shaped by institutional force related to GM’s separate management of IR and HR:

“We are an American company, and the way General Motors has dealt with labour relations was always to have a big distinction between salaried and hourlies, and really have a separate organisation dealing with the labour relation issues that reports to the manufacturing organisation, not to HR, which sometimes leads to certain issues. This structure is not consistent in the rest of the world.” (Interview with GM US HQ Senior HR Manager, 15 June 2009)

Across most of the salaried workforce in the Australian subsidiary the practice was accepted without issue as it met with a broadly consistent institutional environment in the LME of Australia. However, unlike in the US company where all salaried employees have individual employment contracts, Holden’s engineers’ terms and conditions of employment were set by a collective EBA. A Holden ER Manager articulated frustration at the transfer of such IR practices caused by this inconsistency of management structure between the GM and Holden:

“I love them [US HQ management] dearly, but they’re a different race. They have no concept of unionised represented salaried staff. So everything they do on that side of the house – there’s a quite deep – and in the past it has been even deeper – divide between the HR side of the house and the labour side of the house.

So HR people in Detroit have no experience of dealing with an organised workforce, no experience of dealing with pay structures that are negotiated and are inflexible. To that end, they’re unable to give us anything that’s particularly useful. When they try, it’s often something we can’t apply because of the arrangements we have here.”

(Interview with Holden ER Manager B, 9 July 2009)

There were strong reasons for Holden’s engineers to resist the transferred pay freeze. Beyond the protection against cutting of remuneration without agreement provided by contract law to Holden’s senior management and executives in the previous example, the EBA provided a positive right to the engineers. Further, the EBA had been negotiated and agreed with Holden in only the year prior to the attempted transfer. Holden’s external lawyers had effectively
advised against even asking the engineers to give up their right. What factors could have convinced Holden’s engineers to forego their legally guaranteed pay rise and accept the practice transferred from US HQ?

The answer lies in micro politics and market factors. As with the previous example of successful transfer of a pay cut to Holden’s executives, Holden’s engineers, along with all of Holden’s employees, were acutely aware of the precarious situation of Holden and GM at the time. That precariousness, exhibited in the companies’ struggles in their product markets and dire troubles in their financial markets escalating to GM entering Chapter Eleven bankruptcy, provided licence for Holden’s management to first approach the engineers. The importance of the micro-political negotiations that management actors were entering directly with engineers was illustrated by a senior ER manager who observed that,

> “just having APESMA [the union representing the engineers] on board wasn’t good enough, we knew we had to sell it to employees at the end of the day.” (Interview with Holden ER Manager A, 10 March 2010)

Negotiating in the micro-political realm between subsidiary management and the engineers, Holden’s management exercised economic power drawn from the market crises in the depths of which the companies dwelled. This ER manager also observed that,

> “management did a good job of convincing people of how serious the situation was and how we had a red hot go of it” (Interview with Holden ER Manager A, 10 March 2010)

This exhibited the centrality of economic power to management’s micro-political approach, playing on the engineers’ knowledge of, and concerns about, the dire state of the companies and therefore the perilous nature of their jobs.

Supplementing Holden’s ER managers’ use of economic power in the micro-political realm was their exercise of ideological power. They pushed the engineers towards accepting the transferred practice by appealing to their sense of what was right in the circumstances. The ER manager observed that the fact of senior managers’ and executives’ pay cuts and the enforced pay freeze for other salaried employees assisted their position when asking engineers’ for a pay freeze was indicative of this approach. This was clear in management saying to engineers,
“look, you are very well paid people, you have parallel with our well paid award free groups . . . Our award free people have taken a salary freeze. It would be a magnanimous gesture, especially for the corporation in terms of determining our future as part of the new GM, if it was seen at least that you were willing to go down that track as well.” (Interview with Holden ER Manager A, 10 March 2010)

In summary, as with the pay cut for senior managers and executives, the pay freeze policy was formed within home country institutions as a strategic response to the product and financial market conditions affecting the company. Again, attempted transfer of the practice met direct institutional inconsistency in the host country, yet local HR management actors were able to draw on ideological and economic power in the micro-political realm to suppress resistance and facilitate the successful transfer of the practice.

8.7 Entry Wage System

The two previous cases were examples of policies and practices successfully transferred that, outside of very particular crisis market conditions, were very unlikely to have been accepted by those affected, yet transfer met relatively little micro-political resistance. In the case of an entry wage structure for hourly workers, micro-political resistance was strong, resulting in only partial transfer of the practice. Nonetheless, this particular practice is one that was also unlikely to have been transferred to any degree outside of the context of crisis.

The entry wage structures introduced for hourly workers in Ford and GM represented a significant departure from existing institutions in both their home and host countries. The practices were developed in all four locations in response to market and institutional conditions in order to improve competitiveness. However the practices were not transferred to Ford Australia and Holden in a deliberate, direct manner. In fact while GM’s US HQ did encourage transfer of the practice, Ford’s US HQ took the view that the decision on whether to implement or not was entirely a local one.

The two US companies received significant macro-political pressure from the US government to enter new, more competitive practices for their hourly, unionised workforces as a condition of the government providing funding. Holding in its hands the financial future of GM and, to an extent, Ford and drawing from the crises faced by the US automotive manufacturers and their wage disadvantage compared to the foreign-owned transplant manufacturers, the US
government wielded considerable economic and macro-political power over the companies. Responding to this pressure, both companies negotiated and agreed with the UAW entry wage structures for their national labour contracts. This allowed the companies to respond to the US government with a ‘blended’ or averaged wage for hourly workers that was considerably lower than previously and more competitive with the foreign transplant companies.

Considering the magnitude of the institutional change, micro-political resistance from the UAW was minimal. A key labour market factor combined with the product market situation to shape the union’s response. As the US companies’ hourly workers were union members but those of the competing foreign-owned automotive companies were not, success in the product market was mutually essential for companies and union, shaping the micro-political and institutional landscape. As indicated by the advisor to UAW leadership interviewed, the union saw potential for the companies to allocate production of small vehicles to US facilities if the main prohibiting factor for this happening, high wage levels, was alleviated. This factor, when added to the obviously uncertain future for the companies and their workers, created a situation in which serious concessions were required in bargaining.

The entry wage structures were introduced for hourly workers in the Australian subsidiaries in the two years following their introduction in the US. The practices were introduced for similar product market reasons and the change to existing institutions was no less significant that in the US. However, the Australian micro and macro-political environments differed considerably from those in the US and different entry wage systems were finally introduced.

Ford Australia’s and Holden’s interest in entry wage structures stemmed from similar sources to the US companies, as wage levels in the subsidiaries were also high. However, rather than this being an issue for competing in the product market with other companies, for Ford Australia and Holden the issue lay in their internal product market. In this way, Ford Australia and Holden were motivated similarly to the UAW. In order for the Australian subsidiaries to be considered by their US HQ as potential locations for future production of vehicles, they needed to be competitive on a production cost per vehicle basis of which wages comprised about 70%. Describing the process undertaken by US HQ when deciding which GM location should manufacture vehicles in future, a Holden production manager said:

“obviously the guy sitting in the office [US HQ] when he looks at the company’s cost and all these costs, Australia’s part of that cost, Thailand’s part of that cost. All of these organisations are part of that cost. When you looked at getting new product,
you’re running the business, you want to put the new product where you can make it for the least amount and still make a profit.” (Interview with EA Plant Area Manager, 13 August 2009)

Subsidiary production managers were acutely aware of their labour cost, its impact upon total cost per vehicle and that US HQ used the production system and this factor to measure one plant against another:

“Korea wants to keep manufacturing there as well, right? Australia wants to keep manufacturing right here in this country . . . and the competition is you’ve got to keep your costs competitive. You’ve got to keep them down.” (Interview with EA Plant Area Manager, 13 August 2009)

and

“We are almost paranoid about this kind of stuff, because we’re visible everywhere in the world” (Interview with EA Plant Assistant Area Manager, 13 August 2009)

With this market pressure on wage levels, Ford Australia’s and Holden’s ER managers chose to introduce entry wage systems in their 2009 and 2008 EBA bargaining rounds respectively. However, while the AMWU in Australia was in a less aggressive bargaining position due to market conditions, its micro-political power was not suppressed to the same extent as its US counterpart. The union was therefore the source of strong micro-political resistance to the practice. Further, compared to the US, there was no explicit macro-political pressure on the companies and unions to enter labour modifications. Consequently the form of entry wage structure finally introduced to the EBAs was limited in scope and time, applying to new employees only for a short fixed term before they automatically moved to the upper wage level.

It was important for the union in micro-political realm to maintain plausible deniability regarding the existence of any form of two-tier wage structure. Union leadership calling the system ‘cross skilling’ and denying in interviews that any two-tier arrangement had been entered hinted at the significance of the change made to institutions in the crisis climate. For Australian subsidiary management, the inclusion of any form of two-tier arrangement provided a foot in the door allowing for further gains in future bargaining rounds, already planning the micro-political negotiations for three years hence.
Significantly, in neither company did the US HQ actively and directly seek to transfer the practice to its Australian subsidiary. GM’s HQ management expressed a desire to transfer the practice but did not attempt to do so. Ford’s US HQ IR management was happy to leave the management of wage structures for hourly workers to subsidiaries. Nonetheless, despite the absence of direct exercise of political power in the meso-political realm, informal meso-political transfer mechanisms operated to effect successful, if partial, transfer of the practice. Indirect personal means were fundamental to the successful transfer of forms of entry wage structures to the Australian subsidiaries. Informal global networks of ER managers within Ford and a formal global network of ER managers established by a PCN ER manager in Holden were factors that brought the practice to local managers’ attention. Combined with their own research into new practices in their parent companies, in local competing companies and in suppliers, these networks provided important personal means of transfer. With actors exercising their own autonomy within established bounds and shaped by market conditions, this provided a most effective means of transfer in the meso-political realm.

Thus, partial transfer of entry wage systems to the Australian subsidiaries was effected through a labyrinth of factors at multiple levels. Representing a potentially significant institutional change in Australia, the systems finally implemented were facilitated by the crisis market conditions yet varied considerably through micro-political resistance from the union. Variation was allowed by considerably less macro-political pressure from the Australian government compared to the US government. In the meso realm, in the absence of direct attempted transfer of the practice, informal operations of management actors provided effective personal means of transfer.

8.8 Overtime

During the crisis, availability of overtime for hourly workers in the four assembly plants came under close scrutiny by management. In neither company was any specific practice relating to overtime directly transferred. Processes were, however, shaped by the combined forces of labour and product markets, institutions and macro politics.

The two US companies achieved institutional change, allowing greater managerial prerogative. Changes to the national labour contracts provided management with the right to alter shift patterns without consulting the union. As with other labour modifications this
change to the national labour agreements was brought about by macro-political pressure from the US government via means including the congressional review and by using economic power that it derived from providing funding and line of credit to the companies.

 Already operating under a directive from US HQ to offer no overtime to its hourly workers, GM’s LDT Plant moved quickly to change its shift pattern once given institutional licence. The move to four ten-hour shifts made it more difficult for workers to access overtime as well as providing savings on fixed overheads. As noted by one of the plant managers interviewed, while this decision was made in the plant it was overseen closely in the meso and macro realms by US HQ and by the US government.

 Such close oversight from GM’s US HQ did not extend to Holden, yet tight control of overtime allocation was still maintained by local management. Under pressure to minimise cost of production in order to maximise Holden’s ongoing viability and attractiveness to its US HQ as a location for future production, meso politics played a role in Holden’s tight monitoring of overtime. Further, while there was no direct transfer from the US HQ, the product and financial market contexts in which Holden and GM were operating shaped the close focus on labour costs in the EA Plant.

 Treatment of overtime was similar in Ford’s DT Plant with a general prohibition issued from US HQ to the plant. As noted by a plant ER manager there was, “kind of direction from the company to say, try to minimise or reduce or eliminate all overtime” (Interview with Ford DT Plant ER Manager, 17 June 2009). As in GM, this direction was not extended directly to the Australian subsidiary. However, demands of labour and product market conditions kept plant management’s focus on balancing staff levels and hours. The US company’s practice of requiring 40 hours of work each week before overtime was payable was noticed by Ford Australia’s plant ER managers via informal networks in the meso realm but transfer did not occur due to local institutional constraints. Absent changes to the EBA akin to those in the national labour contracts in the US company, transfer of the overtime practices could not occur.

 Thus, while labour and product market conditions in the Australian subsidiaries provided the strategic imperative for transferring overtime practices from the US company, local institutional barriers could not be overcome. Absent greater economic power in the meso realm and absent the same macro-political pressure that was exerted by the US government, Australian subsidiary management were not able, or inclined, to introduce similar changes.
Further, local management found sufficient ability to minimise payment of overtime given the reduced production output in the plants.

### 8.9 Conclusion

Transfer of ER policies and practices impacting remuneration followed mixed patterns. Shaped by their NBS, the US HQ were more likely to seek to directly transfer policies and practices affecting salaried employees than hourly workers. While the US HQ anticipated local institutional barriers for transfer of practices affecting unionised, EBA-covered hourly workers, they were surprised by institutional barriers applying to salaried workers. Nonetheless, product, financial and labour market factors associated with the crisis, allowed local actors room to move beyond institutional constraints. Informal meso-level networks of ER managers within each company aided transfer of remuneration policies and practices affecting hourly workers even where US HQ did not seek to transfer them directly. Despite this, local resistance from unions in the micro-political realm resulted in quite limited, partial transfer.
Chapter 9 - Management-Union Relations and Bargaining

9.1 Introduction

Remuneration arrangements analysed in the previous chapter illustrated that the US HQ were less likely to seek to directly transfer to the Australian subsidiaries ER policies and practices applying to hourly workers in the manufacturing plants than those for salaried workers. Transfer of IR policies and practices has received relatively little attention in the transfer literature. Those empirical studies to examine the issue have offered mixed findings. Some studies found localisation of practices affecting rank-and-file workers, attributed to pressures faced by MNCs to conform with practices having 'precise or mandated local norms most closely resemble[ing] local practices’, whereas practices having more to do with executives or internal decision-making of firms were more likely to resemble the parent company’s practices (Rosenzweig and Nohria, 1994: 241; see also DiMaggio and Powell, 1983; Meyer and Rowan, 1977). Conversely, but rarely, other studies have found strong central control in US MNCs over classic IR matters such as union recognition and collective bargaining (Bomers and Peterson, 1977; Gunnigle, 1995).

This chapter commences by examining the US HQ’s strategies for global standardisation of IR policies and practices, analysing findings regarding the extent to which the two US HQ sought to exert control over IR policies and practices in the subsidiaries. It then delves deeper into findings regarding transfer of policies and practices relating to management-union relations and bargaining.

9.2 Ford and GM Strategy and IR Standardisation

Quite distinct from the approaches of each company’s US HQ to standardisation of HR policies and practices in overseas subsidiaries, they sought to exert considerably less direct control over IR policies and practices abroad. Recognising strong host country institutions pertaining to IR, neither company attempted to standardise IR polices and practices worldwide to nearly the extent they did with those for HR. Motivated by desires to become more efficient, and therefore competitive in product markets, both companies did, however,
grapple with the issue of to what extent they could standardise IR policies and practices globally. Ford’s and GM’s US HQ each disseminated to their overseas subsidiaries a set of standard principles stating the broad approach expected towards the companies’ unionised workforces. Within Ford this was known as ‘Global Labour Principles’ and within GM was called ‘Global Labour Absolutes’. Indicating their geographical relationship with the US HQ, Holden management referred to the document as ‘True North’. Both documents were succinct, bullet-point directives, expected to shape subsidiaries’ policies and practices so far as possible within their local legal and contractual institutional constraints. Both documents have been examined by the writer but their detailed content cannot be disclosed due to confidentiality obligations. HQ management expected each subsidiary to institute its own policies and practices consistent with the guiding principles to the extent possible.

In GM, the Global Labour Absolutes originated from more structured standardisation of IR policies and practices in its US operations. Applying to its US manufacturing facilities, GM’s US HQ developed a ‘Competitive Operating Agreement’. GM’s HQ IR management built a template of expectations against which it rated each part of its US plants. These ratings were based on HQ’s assessment of best practice in all of the work practices that it considered would allow each manufacturing facility to work at its full potential, for example, methods of scheduling work and teamworking arrangements. The template of the Competitive Operating Agreement was then included in each local labour contract by negotiation with union representatives. This arrangement allowed for benchmarking of labour practices within GM’s US plants, similar to how management had benchmarked within the manufacturing function for some time. This was explained by a senior IR manager in GM’s HQ:

“On that template, we rate every one of our assembly, power train, service parts, warehouse facilities, stamping facilities. We rate them all on that template. They all get a score. We rate them based on where they are to 100 per cent of that score, and we push those that don’t. . . . So you have this template you work from. We expect everybody in the US to work towards that.” (Interview with GM US HQ Senior IR Manager, 15 June 2009)

After rolling out the Competitive Operating Agreement assessment process through its US operations, GM’s HQ extended it to Canada, adapting it slightly to suit local laws.

“Now Canada is trying to use it too. They’ve got to change it a little bit because sometimes laws are different. For instance, we might be looking for major gains in
healthcare, and in a different country it may have a different role. It leads into an area that we still haven’t fully developed, . . . known as globally.” (Interview with GM US HQ Senior IR Manager, 15 June 2009)

While GM’s HQ IR managers decided to transfer the specific practices and assessment process to Canada, they considered that beyond North America, institutional differences were too great to transfer such a prescriptive system globally. Faced with this issue, but still wishing to standardise best practice globally as much as possible, HQ management recognised that there still existed many similarities they could leverage.

“Globally, we are really struggling.”

“Trying to come up with a template that works in North America and paste it over to the rest of the world isn’t going to work. There are different laws, different locals, and different philosophies on how governments get run and where they participate in: capitalistic, communistic, socialistic, and so on.”

“What we’re finding is we’ve got to come up with these things called ‘absolutes’ that are common no matter where you’re at. And then we try to work through – then we get our commonality and we can share around the world”

“What are the things that are common in whatever country you go to? . . . we’re more alike than different in a lot of ways. But even in union relations, the things that motivate the unions are, in many times, the same things around the world. Once you get past that, you start to say okay, well there are probably some things that are just common no matter what country you’re in.” (Interview with GM US HQ Senior IR Manager, 15 June 2009)

Considering these general commonalities, but recognising the many specific institutional differences, GM’s HQ IR management decided to transfer a standard set of broad principles instead of prescriptive policies or practices.

“We think we’re finally coming out with what we think might be the right answer. It’s sort of – some people might call them guiding principles. We call them our Global Labour Absolutes. There are probably – we’re trying to keep it to minimal - like maybe five. So Australia Holden would be part of that, and anybody in [Asia Pacific] or Korea.” (Interview with GM US HQ Senior IR Manager, 15 June 2009)
Rather than a prescriptive list of practices with which subsidiaries had to comply, US HQ’s IR management took the view that it would set a benchmark to which each subsidiary could aspire. HQ’s expectation was explained by the manager:

“within your country are you implementing it to the fullest degree possible?”

(Interview with GM US HQ Senior IR Manager, 15 June 2009)

GM’s US HQ anticipated that the Global Labour Absolutes would be transferred via regional HQ, involving subsidiary management in consultation.

“We have regional labour, regional leads. We will work with the regional leads to make sure they get feedback, so that it’s something that really does help them.

[The Australian ER manager] would probably work with the person in Korea . . . so that the Asia Pacific can say ‘hey, we can sign on for this because in Korea, India, Thailand, China and Australia these things, these absolutes, are at this level’.”

(Interview with GM US HQ Senior IR Manager, 15 June 2009)

GM’s US HQ then expected the Australian subsidiary to undertake local benchmarking within the automotive manufacturing industry as well as beyond it to other large employers within Australia.

“Then we would expect Holden, for instance, to be able to go up against Ford and Toyota there and say, you know, here’s what we’re doing. Then we might go a step further and say okay, what are you doing at Rio Tinto or what are you doing at Telstra, and are you really doing the best you can? Don’t just compare yourselves. If nobody is making progress, what else can you do?”

(Interview with GM US HQ Senior IR Manager, 15 June 2009)

A senior Holden ER manager, interviewed later in 2009, described the Global Labour Absolutes as “the closest thing on the labour side” (Interview with Holden Senior ER Manager, 9 July 2009) to the HR Global Bills of Process as a method for US HQ to standardise ER policies and practices in the Australian subsidiary. Describing it further as US HQ’s “ultimate expectation around particular provisions for practice in a country”, and something against which they, along with plants around the world, rated themselves, the example of job rotation was given:
“So an example would be the ability to rotate people through jobs on the line, and the True North definition is that the company at any time can tell anyone to do any job on the line, like within their area of expertise. In the States they have a huge problem in getting people to rotate around teams, and some plants do it better in their local agreement provisions or national agreement provisions, so it’s a big deal. Here it’s never been a terribly big deal and so there’s a whole list of that stuff which kind of says these are the desired level of flexibility and a range to these practices that these people should have, and so there’s been some efforts for everybody to grade themselves on that sort of stuff.” (Interview with Holden Senior ER Manager, 9 July 2009)

Describing Ford’s approach to IR globally, a senior US HQ IR manager made it clear that it was not something that the US HQ sought to control:

“Even if . . . the senior labour guy at the company wanted to put strict controls on [overseas subsidiaries] I don’t have the resources to do anything like that. Not only that but I wouldn’t be inclined to do it. . . . I’ve been [in an overseas subsidiary] in charge who does not want to waste the time on the HR VP being on the phone 24/7 and checking up on them.” (Interview with Ford US HQ Senior IR Manager, 11 July 2009)

Instead, Ford developed an approach similar to GM’s for standardising IR policies and practices that involved disseminating a standard set of IR principles.

“Well we've . . . developed labour principles, which we adhere to and those labour principles are both formally and informally conveyed to our people. Those labour principles, I think if you go . . . around the Ford world I think you'll find that we, our DNA, our labour DNA is basically the same.” (Interview with Ford US HQ Senior IR Manager, 24 August 2010)

Reflecting this approach to global IR standardisation, a Ford Australia ER manager noted a blurring of informal and formal transfer of IR principle:

“I don't know if that's what they're formally called but I'm aware that there are some principles, for want of a better word. I don't know if they're published anywhere and I
don't know how I'm aware of them but they may have been cascaded at some time but I think that's what they are.

So I think you've got the One Ford principles and those sort of labour philosophies or principles. Then because labour industrial relations is governed by the market and the local laws and they're all different. Then the [local subsidiaries] develop their own policies and procedures, consistent with the One Ford and the strategy but to then deal with the local laws, if you like.

Prior to [the introduction of One Ford] I wasn't aware of any and those labour principles I talked about have probably been around the same time, the last three years or so. I think One Ford has forced us to probably do that. One Ford hasn't got the same policies for all that, having the same platform of vehicles, like Toyota. I think that's their best sort of alignment, that One Ford pulled all that stuff together, I think. When before it would have been more ad hoc. So I think that's been one of the good things about One Ford.” (Interview with Ford Australia ER Manager, 11 March 2010)

Thus, Ford Australia managed its IR policies and practices without prescriptive control from US HQ but in a manner consistent with the general global labour principles. While this arrangement did not result in, nor was it intended by US HQ to create, management of IR in Ford Australia identical to Ford, it did contribute to greater internal consistency in management of IR within Ford Australia. Taking the message of efficiencies gained from standardisation, Ford Australia’s HQ ER managers identified a number of inefficiencies in the management of IR in their engine plant in Geelong and their BA Plant. Using means that departed in nature from those of its US HQ, Ford Australia’s HQ management used detailed, prescriptive, standardised policy and practice guidelines to bring the two Australian plants into alignment and to gain efficiencies. A Ford Australia ER Manager described the previous situation in the two Australian plants:

“Geelong and Broadmeadows, they used to operate almost as separate companies. They'd have separate plant managers, they had separate HR managers, they had different steward groups, they had different union organisers. There really was no consistency in how Geelong and Broadmeadows might handle a labour issue, whether it was a termination or it was transfer or whatever it might have been . . . and there was no consistency in the application of policies and procedures and so, in some cases,
we didn't have policies and procedures to deal with these things.” (Interview with Ford Australia ER Manager, 11 March 2010)

Ford Australia’s HQ ER managers developed centralised guidelines on IR practices to be followed in both the Geelong plant and BA Plant.

“The management of those plants has become more centralised through [Ford Australia’s HQ ER managers]. We now have over 50, we've developed independently of anything else, it's over 50 now, what we call ‘single point lessons’, that just step out on a one page document, even a flow chart of steps to take.” (Interview with Ford Australia ER Manager, 11 March 2010)

Ford Australia’s IR ‘single point lesson plans’, were copied in concept and a practice from the manufacturing process under the Ford Production System (and similar to GM’s GBoP). They covered practices such as,

“How you terminate an employee, who you've got to notify, interpretations of the industrial agreements and how they work. So there's no confusion, we're very consistent and standard about how we apply those policies in the workplace now.” (Interview with Ford Australia ER Manager, 11 March 2010)

Therefore, while transfer of broad IR principles resulted in development of IR practices in Ford Australia that were generally consistent with the guidelines of the US HQ, there was not specific global standardisation of IR practices. However, influence from Ford’s US HQ and the general push for standardisation led to increased standardisation of IR policies and practices within Ford Australia. This served as an example of successful transfer of a principle through One Ford’s cascading process that created, in the meso-political realm, ideological acceptance of the merit of the principle and development of consistent practices locally. In this way it was a sign of acceptance of Ford’s US HQ’s message regarding the utility of standardisation creating efficiencies. It also indicated the need to gain efficiencies caused by the crisis and consequent tightening of HR/IR staffing.

Supplementing the broad IR principles transferred to their Australian subsidiaries, the US HQ of Ford and GM expected to be kept informed regarding industrial action occurring in the Australian subsidiaries. In Ford’s US HQ this expectation was clear, although not contained in any direct, formal policy. Ford Australia’s IR management was motivated to report
industrial action by fear that news of any industrial action would reach the US HQ via media reports before they had reported it directly. Such fear was based on prior personal experience of dealing with the fallout after not reporting industrial action in time and managing the message and the expectations of HQ leadership. Such dealings, being exercises of US HQ’s political power in the meso-political realm, served as indirect, personal means to transfer the practice of reporting.

IR leaders in GM’s US HQ also desired to be informed of any industrial action occurring in any overseas subsidiary, motivated by labour, financial and product market implications of industrial action. While senior HQ IR management had set up a formal, standardised system by which all North American operations reported any industrial action, they perceived difficulties in transferring a standardised system to overseas subsidiaries. Identifying institutional, definitional issues around what qualifies as industrial action as the main obstacle to transferring a standardised system, the senior HQ IR manager interviewed nonetheless expected to be informed of any time lost. Certainly Holden’s management followed a formal system of reporting on a monthly basis whether or not any time was lost to industrial action as well as reporting contemporaneously any time lost.

A key moment of US HQ involvement in the regular cycle of IR in the Australian subsidiaries was at EBA bargaining time. It was in the leadup to bargaining that the US HQ became more acutely engaged in local issues. In Ford this was a very formal process while in GM/Holden it was more informal. While Ford’s US HQ IR management professed no desire to control IR in Ford Australia, no bargaining could occur in the Australian subsidiary without formal approval of the ‘Mandate’. The Mandate, which was essentially a briefing paper prepared by Ford Australia on local labour, financial and product market issues, stood front and centre in the meso-political landscape. Reinforcing US HQ’s political power, without their approval of budget, local management could not proceed with EBA negotiations.

GM had no such formal process for approval of bargaining budget. Even so, Holden’s HR management kept the US HQ informed at all stages of bargaining, wishing to avoid being ‘second-guessed’ by them at a later stage. As with the reporting of industrial action, Holden’s management was motivated by perceived, informal pressure from its US HQ to involve them in IR matters, a subtle form of maintaining control via meso-level exercise of political power.

In summary, the two companies were driven by desires to be more competitive in product markets and they sought to develop and transfer efficient labour practices. The approaches
taken by the companies’ US HQ relating to standardising IR practices were similar to each other but limited in their ambition for truly globally common practices. Perceptions held by US HQ actors of institutional incompatibility in overseas subsidiaries, as well as reticence regarding the merits of expending resources to supervise standardisation, led them to transfer broad principles rather than prescriptive IR policies and practices. Allowing local adaptation, consistent with broad principles, was in essence a political manoeuvre in the meso realm, achieving perhaps the most practical form of transfer in the circumstances.

Using a mix of formal and informal requirements, US HQ in both companies maintained a level of control over IR policies and practices. Combined with the broad Global Labour Absolutes and Global Labour Principles published by the companies, oversight of industrial action and bargaining provided regular reminders to subsidiary management actors of HQ’s interest in local operations that, as will now be examined, contributed to the successful transfer of specific practices via indirect means.

9.3 Management-Union Relations and Bargaining

Both Ford and GM developed in their US HQ and sought to transfer to their Australian subsidiaries a principle to underlie management practices dealing with unions. The principle, at its most basic level, of treating unions with respect was successfully transferred from GM’s US HQ to Holden and partially transferred from Ford to Ford Australia.

The principle that each company sought to transfer was born out of adversity in both cases. That adversity, crystallised in industrial action with implications extending beyond the labour market to the product market in the form of lost market share, spurred management in both US HQ to seek different ways to deal with unions. Ford had, according to the senior US HQ IR manager interviewed, learned this lesson in its early years. While this may have been a simplified version of events, it was a view that nonetheless shaped company policy. Certainly in recent years, Ford and the UAW pursued a more cooperative relationship. In GM, more recent, very costly industrial action clearly spurred development of new policy.

In the US companies, changed management attitudes towards unions built into new institutions. The Ford senior IR manager interviewed spoke of Ford’s ‘Corporate DNA’, indicating that the approach to management-union relations had moved far enough to become a new norm.
How the principle was transferred to the Australian subsidiaries varied in each case. Ford used indirect, personal means to transfer the principle to their Australian subsidiaries while GM used direct, personal means. The personal means used to transfer the principle relied more on ideological power in the meso realm than the NBS-predicted direct, impersonal means, which would have relied on the HQ’s political power over its subsidiary.

The main actor effecting this change in Holden was a senior ER manager who was a PCN from US HQ. This individual took charge of disassembling the micro-political barrier between management and the AMWU that had been built on an adversarial institutional history. Holden and the AMWU presented fertile ground to receive the transferred principle of cooperative, or at least respectful, relations between management and union. The parties’ adversarial experience in the 2001 EBA negotiations had included industrial action that cost the company some of its share of the product market. It was also clear that the relationship between management and union caused a poor bargaining process, frustrated the parties and led to unsatisfactory outcomes. This market context, and the micro-political barriers, shaped the parties’ positive response to the new approach. Interestingly, the origins of the new approach to management-union relations, transferred from US HQ to Holden, can be traced to the institutions of Germany’s more cooperative management-union relations via another personal transfer by another PCN senior manager.

While this was an example of successful transfer of a general principle rather than a specific practice, its effect can be followed through to concrete results in subsequent negotiations. The creative solution to labour adjustment in the EA Plant, where the parties operated outside institutional norms, and wage restraint agreed in the 2008 EBA bargaining can be traced directly to the much improved relations between Holden and the AMWU. A concurrent market-based explanation of these events suggests that these creative, positive, cooperative outcomes might have been limited to occur in the very specific set of circumstances of crisis. As noted by the AMWU leader interviewed, “in good times put your hand out and in bad times pull your head in.” (Interview with AMWU National Leader, 9 July 2009) Certainly, one AMWU leader interviewed who attended meetings with members at the time of the 2008 EBA bargaining colourfully described a change in attitude of the members since the previous round of bargaining due response to changing market conditions:

“We went to our members in the past with 17 and a half per cent agreement for three years and the workers say, ‘f___ing hell, you f___ing useless c___s. . . We want
f___ing more.’ And we go to them this time round, when it’s only two per cent plus two per cent plus four per cent, . . . 82 per cent of the people accepted it. . . whole world’s collapsing.” (Interview with AMWU State Leader, 12 August 2009)

Perhaps it was solely the unusual product, financial and labour market conditions of 2008/2009 that caused these outcomes and, when business improves, adversarial relations will return.

The principle of respectful, cooperative management-union relations was partially transferred from Ford’s US HQ to Ford Australia. In the US, Ford involved union leadership in cooperative ventures and together they pursued improved management-union relations at various levels, involving change agents with a view to increasing the already good relationship that they considered a ‘competitive advantage’. This ongoing pursuit of better management-union relations was also informed by the lean Ford Production System, with a Ford plant ER manager seeing it as a pursuit of reduced waste. (Interview with Ford DT Plant ER Manager, 17 June 2009)

However, what was transferred to Australia, through behaviour modelling, was a good relationship with unions, but not to the same extent as in the US operations. Achievement of a better relationship was observed by one Ford Australia ER manager interviewed to be hampered by the practice of using the most senior HR role in Ford Australia as a development position for global expatriate managers every few years. The partial transfer to Ford Australia reinforced the view that the success of management-union relations depends on personal relationships. Despite what the senior US HQ IR manager interviewed said about Ford’s ‘cultural DNA’ transcending personal relationships, it seems that success at the level aspired to in Ford’s US operations required quite special relationships and ongoing attention.

In contrast to the situation in Holden, Ford Australia’s solution to labour reduction involved the company and union operating entirely within institutional boundaries. Of course other important factors have been identified as shaping this outcome, the most notable of which was the very narrow product market conditions. Further, however, while some cooperation and wage restraint was evident in Holden’s 2008 EBA, bargaining on Ford’s 2009 EBA become protracted and came close to industrial action.

Thus, the key to achieving complete transfer of this principle was in the micro-political realm. In Holden, the senior ER manager’s position was consistently filled by a local employee, with
the exception being the PCN so acutely involved in changing the local institutions. This allowed more consistency in the personal union-management relationship since its rescue from the adversarial vortex. In contrast, Ford Australia’s senior ER manager’s role was held by an Australian only once in the past decade or more. New relationships between senior leaders therefore had to be built every few years.

Extant literature suggested that US MNCs would rely more on impersonal than on personal transfer mechanisms (Clark and Almond, 2006), for example using formal policy directives, and that they may supplement this direct, impersonal control with some indirect, personal control (Harzing et al, 2002) such as through socialisation, informal communication or management training. This pattern was evidenced in earlier examples such as GM’s use of its GBoP. The current example of GM’s successful transfer demonstrates use of different transfer mechanisms to good effect. Utilising direct, personal means of transfer through the PCN ER manager working in Holden, transfer of the principle was achieved. One explanation of this apparent inconsistency with the literature is that those studies focussed on transfer of specific HR policies and practices. When one digs deeper, to more fundamental matters affecting IR such as the attitude brought by management to relations with unions that underlies union recognition, quite different patterns emerged. Here, transfer of fundamental principle affecting behaviours was achieved in a more personal way than for specific practices. In the case of GM and Holden, personal means of transfer were not successful for the specific practice of bargaining preparation. This transfer failed in the meso-political realm when local managers did not perceive utility in the proposed change in practice.

Of further interest, the transferred principle itself is out of step with existing literature on the kind of practices likely to be transferred by US MNCs. Based on literature on the US NBS, one would not have expected a US MNC to transfer a practice or principle recognising a significant role for unions (Ferner et al, 2004). Beyond that, and partially as a result of the transferred principle, the Australian subsidiaries resisted macro-political pressure from the Australian government and rejected the opportunity to de-unionise the workplace by entering AWAs.
9.4 Conclusion

Transfer of policies and practices affecting management-union relations and bargaining was shaped by a range of factors and was effected through means not expected of a US MNC. Desire for increased product market competitiveness through gaining efficiencies associated with standardisation, each US HQ sought to develop and transfer a series of best practices. However, strongly influenced by their perceptions of Australia’s institutions, US HQ managers did not seek to transfer IR practices directly. Instead, in both companies HQ IR management attempted to transfer broad principles within which local management would be allowed some autonomy to manage IR practices. The examples of most successful transfer of policies and practices relied on informal, personal, indirect means of transfer. Best evidenced in the transfer of GM’s new approach to management-union relations to Holden, the meso-political distance between subsidiary and HQ management was crossed by one individual manager delivering the new principle and practice in person. For such a personal area of practice, personal relationships were at the core of successful transfer.

The answer to the first of the two research questions, to what extent do MNCs transfer ER policies and practices from HQ to foreign subsidiaries, was not clear-cut and was strongly dependent on particular circumstances. The answer to the second research question uncovered in this Part Three, while complex, is more clear. What factors account for transfer and non-transfer? The clear answer establishes that institutional, market-driven strategic and political factors account for transfer and non-transfer. The complex side of the answer relates to the occurrence and strength of those factors and how they interrelate in particular circumstances. Key features are the context in which transfer takes place, the nature of the practice, policy or principle transferred and the means used to undertake transfer.

The dire product and financial market conditions affecting the US and Australian automotive manufacturing industries from late 2008 tipped Ford and GM and their Australian subsidiaries into crisis from which their recovery was uncertain. These unusual and powerful forces strongly shaped strategies in the two companies and their decisions to transfer associated policies and practices. Further, the crisis had a great impact on the way actors in the Australian subsidiaries responded to transfer. Such was the nature of the product, financial and labour markets at the time, transfer of some policies and practices was successful when it might not have been in normal operating conditions.
Despite the severe market conditions, institutions retained importance in shaping transfer outcomes. While examples were found of actors operating outside institutional bounds in the host country, home country institutions were a significant factor, shaping MNCs HQ’s development of policies and practices and decisions to transfer. US HQ managers’ decisions regarding whether or not to transfer policies and practices were also shaped by their perceptions of compatibility of host country institutions. However, while institutions remained influential, they did not determine outcomes, but were often in the nature of resources upon which actors drew in to achieve their desired outcomes.

The roles played by actors in a variety of political realms presented as a significant factor accounting for transfer and non-transfer of ER policies and practices. This was not a factor that stood alone, however. The roles that actors were able to play were dependent upon the stage set by the market conditions and institutions. Actors were able to operate outside of institutional bounds on occasion, but only when market forces were significant enough to push actors in that direction. This was evidenced in successful transfer of the pay cut and freeze to salaried employees in Holden as well as in the unsuccessful transfer of employment termination practices to hourly employees in Holden’s EA Plant.

Beyond meso-level politics, that have received some attention in transfer literature, macro and micro-level politics were found to be important factors in shaping transfer. In both the US and Australian examples, the state played a key role as a macro-political actor. Earning significant power as the provider of billions of dollars to the automotive companies, the US and Australian governments were able to influence ER policies and practices within the companies. At the micro-political level, unions maintained a strong influence on transfer outcomes. During a time of crisis when traditional bargaining power was low, the unions and the companies engaged to some degree in a participatory relationship. With both parties facing uncertain futures, they cooperated to determine solutions suitable in the circumstances. This altered bargaining relationship, together with macro-political influence both from and over government, allowed unions continued influence over outcomes within the MNCs.

Finally, for the MNCs seeking to navigate the complex landscape of market, institutional and political factors pushing and pulling attempted transfers towards success or failure (or mixes of the two), the means used by HQ to transfer emerged as significant. Transfer was most likely to be successful when a form of personal means was utilised. This was not, however a simple recipe for success as institutional and market factors could still stymie attempted
transfer. Further, personal forms of transfer not widely recognised in literature on transfer were found in a number of examples including GM meeting with the AMWU leader in Detroit and GM’s PCN manager building relations with the union. In a similar way, Ford’s One Ford means of cascading practices, allowing for some local adaption, recognised the importance of autonomy to local managers and succeeded in transferring practices consistent with a broad principle. In contrast, the relatively prescriptive, impersonal means of transfer of the GBoP met resistance in Holden.
PART FOUR
Conclusions and Implications
of the Study

Chapter 10 - Summary and Findings

10.1 Introduction

MNCs operate in a favourable position, potentially able to transfer employment policies and practices across international borders and to influence local patterns of ER. This thesis asked and answered two main research questions that are central to understanding this unique nature, and the impact, of MNCs: To what extent do MNCs transfer ER policies and practices from HQ to foreign subsidiaries; and what factors account for transfer and non-transfer? This thesis demonstrated that transfer of ER policies and practices from MNCs’ HQ to foreign subsidiaries was not clear-cut, but was determined by the interactions of numerous factors. These factors were found at multiple levels internal and external to the companies; from a variety of sources ranging from workers and their union representatives to the strategy-makers in MNC HQ to the governments of Australia and the US; and across a range of different ER policies and practices.

This thesis focused on two MNCs operating in the US and Australian automotive manufacturing industries during the height of the GFC. Ford, GM and their Australian subsidiaries were found in their own serious crises, close to financial collapse, undertaking major global restructures and introducing much change to ER policies and practices. This dynamism provided rich data from which to answer the research questions.

In order to answer the research questions, a modified integrated theoretical framework was proposed, and research methods utilised, that allowed deep exploration of the complex transactions involving multiple parties and influences. This thesis explained how numerous factors impacted upon the transfer of ER policies and practices by focusing on three types of influence on transfer and in three broad realms of influence.

In answering the first research question, broad patterns were identified of ER policies and practices transferred and not transferred from US HQ to Australian subsidiary in the areas of
work organisation and staffing; remuneration; and management-union relations and bargaining. Most notably, though, a series of unexpected transactions was discovered. No definitive pattern emerged regarding which policies and practices were transferred and which were not. These findings, being clearly contingent on context, invited exploration of the second research question.

The answer to the second research question was complex. Nonetheless, it illuminated the essence of how ER policies and practices were developed and transferred across national borders within MNCs. Institutional, market-driven strategic and micro, meso and macro-political factors accounted for transfer and non-transfer. The extent of influence of each factor, how each interacted with the others, the nature of the policy or practice transferred and the means chosen to transfer the practice were the ingredients mixing in complex and dynamic patterns to determine outcomes.

The remainder of this chapter briefly summarises each of the preceding chapters before discussing the main findings drawn from the answers to the research questions, the implications for each of the main parties and directions for future research.

10.2 Overview of the Thesis

Part One provided an overview of the main themes and the context of the research. Chapter One introduced the concept of transfer of ER policies and practices within MNCs from home country HQ to host country subsidiary, posed the two research questions and justified the importance of this research. It also introduced the methodology used, namely a comparative case study involving interviews within the two companies in multiple locations as well as with unions and government.

Chapter Two reviewed extant literature, noting the range of theoretical approaches, and their limitations, brought by researchers to the issue of transfer of ER policies and practices within MNCs. The chapter argued that an integrated theoretical framework was the most appropriate to answer the research questions and proposed a modified framework, building upon the political economy approach of Edwards et al (2007). The Edwards et al political economy framework, considering how ER policies and practices are developed and transferred by organisational actors operating within the ‘range of indeterminacy’ set by institutions and market-based strategy, was expanded, demonstrating that there are three ‘realms’ of influence.
on the transfer of ER policies and practices at micro, meso and macro levels and distinguishing between three ‘forms’ of power exercised by actors, namely: economic, political and ideological power (Bélanger and Edwards, 2006).

Chapter Three positioned the research in the two case study companies, Ford and GM, and their two Australian subsidiaries, Ford Australia and Holden during a time of crisis. A confluence of market forces had brought all companies near to collapse. Undertaking restructures of their global operations and refinancing (Ford just prior to the depths of the crisis and GM through Chapter Eleven bankruptcy and bailout from the US government) the companies also dramatically cut their production output during the time of research. Transfer of ER policies and practices from the US HQ to their Australian subsidiaries was thus examined during a time of change. The crisis nature of the companies’ operations at the time created a dynamism that granted the research richness as well as focus due to a number of strong influences operating almost uniformly across the case study companies allowing isolation of other influences on transfer of ER policies and practices.

Part Two presented the key findings of the research answering the first of the two research questions: To what extent do MNCs transfer ER policies and practices from HQ to foreign subsidiaries? Chapter Four detailed the findings in the field of work organisation and staffing. The research found that Ford’s and GM’s US HQ sought to control ER policies and practices affecting salaried employees more than for hourly employees. The US HQ gave local actors a large degree of autonomy and practices relating to adjustment of hourly labour levels in the manufacturing plants were developed and implemented within the subsidiaries. GM’s US HQ attempted to transfer to Holden practices dictating the extent and manner of adjusting salaried labour in Holden. Holden’s senior management used tactics of negotiation, avoidance and delay to deflect HQ’s direction to terminate a specified number of salaried employees.

Chapter Five identified broad patterns of US HQ involvement in the remuneration of subsidiary employees. These patterns suggested that policies and practices relating to the setting of remuneration were more likely to be transferred from the US HQ if they applied to salaried employees over hourly; to more senior employees; and to employees working in global functions. Consistent with this, policies relating to the availability of overtime to hourly workers in the US plants were not transferred to the Australian subsidiaries, with such policies being developed locally. The research also uncovered unexpected examples of
practices successfully transferred despite local institutions that were inconsistent with the practices transferred. These were pay cuts for Holden’s senior management and executive employees successfully transferred despite those employees having a legal right to refuse the cuts; and the pay freeze successfully transferred to Holden’s salaried employees despite its salaried engineers having a pay rise guaranteed in their collective agreement. In a further surprise, the research found examples of remuneration policies and practices successfully transferred despite no attempt to do so by US HQ. These were the entry wage systems, under which newly hired hourly employees would be paid less than current employees in the plants, introduced in both Ford Australia and Holden.

Chapter Six examined transactions affecting ER policies and practices in the field of management-union relations and bargaining, finding a backdrop of globally standardised production systems against which the US HQ had, until recently, taken a largely laissez faire approach to practices in the subsidiaries. The research found, however, evidence of increasing US HQ involvement, for example, Holden’s improved management-union relations, transferred from its US HQ, which had profound implications for subsequent cooperation with local unions over hourly labour adjustment and wage restraint.

It became apparent through descriptive analysis in Part Two that the answer to the first research question depended on many interacting factors, strongly suggesting a number of key findings: First, using an integrated theoretical framework was important to account for the complexity of influences from multiple levels impacting transfer; and second, that the second research question was of greatest importance for truly understanding which ER policies and practices were transferred within MNCs and why.

Part Three answered the second research question: *What factors account for transfer and non-transfer?* It did so by analysing the findings of the research described in Part Three. The modified theoretical framework, proposed earlier in Chapter Two, proved most useful for this analysis, not only by allowing a wide view of the influences on transfer in the macro, meso and micro realms, but also by facilitating nuanced observation of interactions between influences from various institutional, market and strategic sources and of actors with differing interests exercising agency in a range of circumstances.

Chapter Seven analysed the transfer and non-transfer of ER policies and practices relating to work organisation and staffing, finding a strongly local flavour to particular practices despite attempted transfer from US HQ. Agency exercised by actors at a number of levels was
shaped by market conditions and those actors drew on institutions as sources of power when it suited their political goals.

Chapter Eight attributed the mixed pattern of transfer and non-transfer of remuneration policies and practices to politics in the micro and meso realms, shaped by interactions between institutions and strong market forces. Notable was the successful transfer by GM’s HQ of an executive pay cut and salaried pay freeze despite direct inconsistency with local institutions. In these cases, market forces informed local actors’ elections not to draw on the institutional resources for power to resist transfer. Further, despite neither US HQ directly attempting to transfer its entry wage system, the research found that informal, personal means of transfer, combined with budgetary pressures linked to production allocation decisions applied by US HQ, facilitated transfer nonetheless.

Chapter Nine, showed that perception of institutional differences shaped the US HQ’s decisions not to transfer some practices relating to management-union relations and bargaining. However, significant transfer was effected via informal, personal means of transfer that were quite unexpected in a US MNC. The practices transferred were found, in Holden, to have a profound impact on the development, cooperatively with unions, of other practices affecting labour adjustment and wage restraint for hourly workers.

Part Three concluded by answering the second research question in two parts, one simple and one complex. First, institutional, market-driven strategic and political factors accounted for transfer and non-transfer of ER policies and practices. The second, and more complex, answer was that transfer of ER policies and practices depended on the occurrence and strength of those factors and how they related to each other in particular circumstances. Key features were the context in which transfer took place, the nature of the practice, policy or principle transferred and the means used to undertake transfer. Significantly, despite literature (Clark and Almond, 2006; Harzing et al, 2002) suggesting that US MNCs were more likely to use direct, impersonal means to transfer ER policies and practices, this research found that transfer of ER policies and practices was a personal transaction and it could be effected or resisted successfully via personal means.

The remainder of this Part Four will now outline the key findings drawn from the research, followed by notable implications for each of the main parties involved in cross border transfer of ER policies and practices within MNCs: MNC HQ management; MNC subsidiary
management; unions representing subsidiary workers; and government. Finally, this Part will conclude by considering future areas of research highlighted by this research.

10.3 Key Findings

The central finding, answering the research questions, was that ER policies and practices are developed, transferred and implemented within institutional and market contexts, influenced by a variety of actors utilising a range of powers. None of those factors was, on its own, determinative of outcomes. Rather, interactions among factors in particular circumstances were the primary determinants. Such complex influences naturally resulted in complex and highly context-specific outcomes. The following key findings are drawn from the research and expand upon this central finding. These key findings have important implications for the transfer of ER policies and practices from HQ to subsidiaries and for academic research in the field of MNCs’ management of their overseas workforces.

First, production systems were a driving force behind development and transfer of ER policies and practices. The automotive companies were at their core production companies, with successes and failures closely linked to product strategy and product market performance. Development and transfer of ER policies and practices in the MNCs was shaped by the imperatives of the production core of the business: First, in decisions made in the US HQ regarding allocation of production; second, in the desire for ER policies and practices to support the already globally standardised production system; and third, in the natural consequences for ER of controls applied to production.

Decisions made in an MNC’s HQ regarding allocation of production to subsidiaries can have a number of impacts on transfer of ER policies and practices. As decisions regarding production allocation directly impact staffing levels and the ongoing viability of a subsidiary, political power held by HQ management can impact transfer of ER policies and practices at the meso and micro-political levels, potentially reducing subsidiary management resistance to transferred ER policies and practices and gaining concessions from unions.

ER policies and practices were being developed in increasingly close alignment with production imperatives. The global product architecture strategy, together with globally standardised production systems pursued in both companies, drove standardisation of ER policies and practices. In GM, the strategy of spreading best practices via the GBoP was
copied in both name and form from the GMS production system. Manual processes used by workers on the production line were developed, recorded and communicated via Bills of Process. The GBoP was an attempt to do the same for HR policies and practices. Similarly in Ford Australia the concept of single point less plans was taken directly from the Ford Production System. Further, the One Ford approach incorporated a number of strategies including global product architecture and a means of transferring HR policies and practices. The link between HR policies and practices and Ford’s business plan was significant.

A main implication of these findings is support for the model developed by Purcell (1989) in which ‘third order’ strategies and ‘second order’ structures are formed to achieve the first order goals. In this way, Ford’s and GM’s first order production strategies shaped their second order structures which in turn formed their third order HR strategies.

Second, institutions were enduringly important to the development and transfer of ER policies and practices. The research showed the significance of institutions such as collective agreements and laws of employment contract, in a manner consistent with recent thinking about the dynamic role that institutions play in shaping economic and social outcomes (Deeg and Jackson, 2007). Given the market, institutional and macro-political contexts of the time, MNC actors operated within institutions where prudent; but they were not constrained by those institutions and moved beyond them to achieve their preferred ends in the circumstances. While institutions were influential, they did not determine of outcomes, but were more in the nature of resources upon which actors drew in order to achieve their desired outcomes.

Institutions were found to be dynamic in a way that influenced development of ER policies and practices in the MNCs. Influenced by the crisis market conditions and macro-political pressure from the US government demanding more competitive practices, Ford and GM dismantled the Jobs Bank provisions from their national labour contracts. The UAW agreed to remove this longstanding form of job security for its members as its leaders knew the practice was uncompetitive and long-term health of the companies was vital for its members. As evidenced by GM’s LDT Plant and Ford’s DT Plant pursuing quite different paths to adjust labour, the institutions did not determine outcomes. The change to layoff provisions in the national agreement did, however impact Ford management’s thinking when it introduced the creative solution of rotating shifts to the DT Plant to adjust labour. This is consistent with recent thinking about the more fluid nature of institutions.
The similar outcome in Holden’s EA Plant provided a further example of a transfer outcome contrary to local institutions. Along with the examples of GM’s pay freeze transferred to Holden, the local development by Holden and the AMWU of the rotating shifts solution to labour adjustment exemplified how host country actors can operate beyond clear institutional bounds given the right circumstances. Holden management’s development of the solution, contrary to US HQ direction and the local EBA, as well as the union’s agreement to management’s labour-saving plan, despite it being inconsistent with the EBA, were exercises of agency by meso and micro-political actors, acting in their own interests in the circumstances.

Third, product, labour and financial markets were significant shapers of transfer and non-transfer of ER policies and practices. Markets provided the context in which the businesses operated. Strategies and ER policies and practices were developed within those contexts as were decisions made to transfer, to not transfer, to accept and to resist transferred policies and practices. The research demonstrated significant product and financial market influence on the case study companies during the GFC. Interacting with these two major influences during the crisis were labour markets which also shaped strategy and transfer outcomes.

The dominant market forces that shaped much of the companies’ strategy and decisions impacting transfer of ER policies and practices were clearly product and financial. The companies were examined in a time of acute crisis when they were struggling in both markets. Hence, many of their policy decisions reacted to those market influences. Beyond the contextual influence of product markets, they provided a strong force shaping decision-making within the firms. This effect was exhibited in decisions made in Holden to resist transfer of practices relating to termination packages for salaried employees. In this case, resistance was fuelled by concerns about the effect of internal ER decisions on Holden’s brand.

Labour markets also provided context within which transfer outcomes were reached. Labour adjustment practices, developed by management in Ford’s DT Plant and in Holden’s EA Plant, provided examples of decisions made within labour market contexts. Further, much of the micro and macro-political landscape was shaped by labour markets. Decisions by local actors were affected in a number of instances by employees’ desire to preserve their employment, leading them to make concessions that were often contrary to institutions.
Pressures applied by government actors to the companies were also shaped by their own interests in maintaining employment levels in key industries.

Fourth, macro politics was an important factor affecting transfer of ER policies and practices. Despite having received little attention in the literature, the state was an influential actor affecting transfer outcomes. In order to consider the major influences on outcomes within the case study companies, it was crucial to allow for a more dynamic state, consistent with contemporary views about the more fluid nature of institutions and the importance of political processes. However, beyond viewing it as an institution, casting the state in the role of an exogenous actor allowed it a proper place as an active player with interests, resources and goals of its own, intrinsically involved in the development of outcomes within MNCs.

In both the home and host countries, the state influenced development and transfer of ER policies and practices within the companies. By providing either direct finance or making available a line of credit to the case study companies, the US and Australian governments gained considerable political power that they used to change ER institutions and influence intra-firm ER policies and practices. Development and transfer of policies and practices were influenced directly in examples such as the US government demanding labour modifications as a condition of providing funding and credit in the height of the crises. Indirect influence was also found in examples such as Holden and Ford perceiving tacit pressure from their respective governments to retain hourly employees, causing them both to find creative solutions to labour adjustment when they cut production in their plants.

Discovering the state playing such an active role in the macro-political arena was a significant finding. This was particularly so in the case of the US government which has historically not played such a role in the development of ER policies and practices within firms outside of direct regulatory institutions. The context of crisis in which these findings were made was a factor in the extent of state involvement in internal affairs of the companies. Whether this finding signals the beginning of a new chapter of state involvement in Australia and the US, or it is isolated to times of crisis, points to possible future research.

Fifth, activities in the meso-political realm were crucial to the transfer of ER policies and practices. Means of transferring HR policies and practices utilised by Ford and GM demonstrated the importance of how the parties navigated the meso-political realm. Both Ford’s and GM’s HQ management pursued means of transferring HR policies and practices that were grounded in change management techniques. In this way, they sought to facilitate
acceptance of transferred policies and practices by gaining involvement of key stakeholders in their subsidiaries: GM involved Holden’s management in developing best practices that would become their GBoP; and the cascading method of transfer central to One Ford involved local managers by allowing them some autonomy in developing policies and practices consistent with central principles. These two different approaches were, at their cores, calculated meso-political manoeuvres by US HQ management seeking to maximise global standardisation of HR policies and practices.

However, Ford’s approach succeeded in key areas where GM’s failed. Two central differences between the approaches led to the divergent outcomes. The first difference related to how subsidiary actors regarded the business efficacy of the transferred policy or practice. One Ford was more successful than GBoP as a means of transfer in the meso-political realm as it was seen to be more than just related to HR practice. It was itself part of a global business plan. In this way it facilitated more effective transfer of HR ‘principle’, if not actual ‘policies’ or ‘practices’. GM’s GBoP, on the other hand, was perceived as lacking obvious rationale linked to business goals other than the pursuit of the notion of global best HR practice. In this way, the One Ford means of transfer did not achieve globally standardised policies and practices but had a better chance of achieving a form of global consistency. This was mainly achieved through the cascading, management by objectives, process and was also evidenced in Ford Australia’s internal standardisation of practices consistent with the global principle. In a further example, Holden management’s resistance to GM’s direction to terminate half of Holden’s engineering workforce arose from its perception that a good business case was absent. From this perception, Holden’s management drew ideological power, resisting GM’s attempted exercise of political power in the meso realm. Thus, while change management techniques play a role in crossing the meso-political divide between HQ and subsidiary management, more important is the perception in the receiver of real value in the change; that is, the business case for change.

The second difference that accounted for One Ford’s success relative to that of the GBoP was the level of direct supervision required to sustain the means of transfer. This was a critical factor in the context of reduced staffing during the crisis. GBoP was a prescriptive form of direct impersonal transfer, typical of the US NBS, found to require considerable personal oversight throughout its rollout to ensure successful transfer. When that oversight of Holden’s implementation of the GBoP evaporated after GM’s global restructure, the GBoP did not work as GM’s HQ had planned. On the other hand, the management by objectives
method at the core of One Ford’s cascading processes was more self-sustaining. The perceived business case and practical sustainability of Ford’s means of transfer thus illustrated the importance of navigating the meso-political realm to successful transfer of ER policies and practices.

A notable factor contributing to subsidiary management’s view of the business case for transferred policies and practices was the difference between US HQ’s and subsidiary management’s outlook for the future. A central feature of the VoC literature’s view of LMEs is the short-term focus of its businesses (Hall and Soskice, 2001). Many decisions made by the US HQ of Ford and GM were found to be consistent with this view. One might also have expected the research to find similar forces operating in the subsidiaries located in Australia, another LME. However, counterbalancing this approach of the US companies was the longer-term focus of the host country subsidiary management. Supporting this was the concurrent longer-term focus maintained by Australian unions and government.

Two examples of host country longer-term view illustrated how counterbalancing the shorter-term home country focus could impact transfer of ER policies and practices in the meso-political realm. Holden’s management, AMWU leadership and the Australian government shared a desire to maintain the viability of GM’s Australian operations. Central to this goal was securing GM HQ’s decision to allocate production of the new Cruze small vehicle to Holden’s EA Plant. With the Cruze’s future production secured, local managers were able to successfully resist the US HQ’s preferred option of terminating hourly workers to adjust labour in response to the product market downturn. Further, when GM’s US HQ directed Holden’s management to terminate the employment of half of its engineers, a short-term view to saving on labour cost, Holden management’s longer-term focus informed their resistance to the transferred practice. Their view, that accepting the transferred practice would ruin Holden’s engineering capacity, a position from which the company might not recover, shaped the local resistance.

Sixth, in the micro-political realm, unions continued to be influential in the Australian subsidiaries. The role of unions in affecting development and transfer of ER policies and practices applying to hourly employees was found to be considerable. During a time of crisis when traditional bargaining power was low, the unions and the companies engaged to a degree in a participatory relationship. With both parties facing uncertain futures, they cooperated to determine solutions that were suitable in the circumstances. This altered
bargaining relationship, together with macro-political influence both from and over government, allowed unions continuing influence over outcomes within the MNCs.

The examples of how each of the four plants adjusted labour to meet new production levels were instructive of union influence. In Ford and Holden, where the unions maintained good relations with management, they were able to influence the final practices instituted. In GM and Ford Australia, the unions were not involved to the same extent in cooperative relationships with management and labour adjustment was shaped more strongly by local institutions. Hence, when management-union relations were particularly good, local institutions were less determinative and the parties were more able to reach flexible, creative solutions. This research showed that management and unions could negotiate outcomes quite contrary to longstanding institutions given the right circumstances.

Further, the AMWU’s leadership maintained close relations with the Minister for Industry in the Australian government. This influence was a factor leading to the government providing training to workers at Holden’s EA Plant during time off in the rotating shift arrangement. As well as providing a useful resource to the union’s members, this helped Holden management to resist the practice transferred from US HQ that would have been less palatable to the union and its members.

Nonetheless, it remains to be seen whether this applies to all situations faced by unions or is limited to similar cases where union membership is close to 100 per cent. In this context, it is worth noting the example of the Australian engineers’ union, APESMA which lacked power due to lower membership and was less effective at avoiding transferred performance management systems in Holden and Ford Australia.

Also in the micro-political realm, the research found a significant role for individual actors in the development and transfer of ER policies and practices. Behaviour modelled by leaders in Ford and the UAW contributed to development of management-union relations that departed from that suggested in institutional literature of a US MNC. The strong working relationship developed between Ford’s global head of labour and the UAW’s leader responsible for Ford led to development of cooperative practices between management and union. These leaders were found to be in the process of leveraging the relationship to bring about institutional change in the US operations. In Holden, an individual HR leader was credited with being the catalyst for vastly improved relations with the AMWU. The consequently improved management-union relations enabled development of creative labour adjustment practices in
the EA Plant. Had the relationship between the parties not been as cooperative, local management was unlikely to have been able to resist transfer of the US HQ’s proposal to terminate workers’ employment that was consistent with local institutions.

Seventh, IR policies and practices were more likely to be transferred than suggested in extant literature. The literature review argued that much of the literature relating to transfer of ER policies and practices within MNCs was narrowly focused on HR to the exclusion of IR. That is, it examined transfer of policies and practices applying to salaried, non-unionised employees whose terms and conditions of employment were set individually. Little research has examined closely the transfer of policies and practices affecting hourly, unionised employees and salaried employees covered by collective agreements. The research in this thesis contributes to this largely neglected field, analysing both HR and IR policies and practices transferred from the US HQ to the Australian subsidiaries.

This research identified greater control sought by the US HQ over policies and practices applying to salaried employees than over hourly employees. GM’s GBoP was an effort to limit the room available for individual actors to impact HR policies and practices. One Ford allowed more room for individual actors to affect HR practices via its cascading process while Ford’s US HQ sought to control the HR principles. However, accentuating the complex, sometimes inconsistent, pattern global restructures undertaken in each company illustrated divergent responses to the crisis, leading to increased direct US HQ control over HR practices in Ford Australia and less within Holden through changed reporting structures. Conversely, both US HQ attempted relatively little control over policies and practices applying to hourly employees in the Australian subsidiaries apart from via their production systems. However, evidence was observed of an increasing desire, at least in GM HQ, to control IR activities where possible.

The research did find considerable successful transfer of ER policies and practices affecting both salaried and hourly employees covered by collective agreements. Notable examples included the pay freeze transferred by GM to Holden’s engineers and a new approach to management-union relations also transferred from GM to Holden. The key to this finding was host country actors exercising agency and choosing not to draw power from institutional resources to resist transfer of policies and practices. Movement by these actors beyond institutional confines was in turn facilitated by crisis market conditions and by HQ actors employing personal means of transfer. For example, improved management-union relations,
the transfer of which was facilitated by an expatriate ER manager, made possible the local development of the rotating shifts solution to labour adjustment in Holden’s EA Plant.

Further, while there was relatively little active ‘push’ of control and transfer of IR policies and practices by US HQ, the research did find evidence of ‘pull’ from subsidiary management. This ‘pull’ occurred in the meso-political realm in the form of voluntary reporting of IR information to US HQ and in initiating transfer of practices such as the entry wage systems by Ford Australia and Holden management.

Eighth, this research makes a variation to the literature. Extant comparative institutional literature paints a clear picture of how US MNCs, strongly influenced by the institutional environment of the home country in which they are embedded, are expected to act in relation their overseas subsidiaries. NBS literature (Ferner, 1997) suggests that US MNCs exert strong central control over subsidiary ER. Empirical studies relying on NBS theory assert that US MNCs rely on impersonal more than on personal means of transfer (Clark and Almond, 2006) and that they may supplement direct impersonal means (typically via standardised, formal policies) with some indirect personal control (generally in the form of socialisation through informal communication and training of key managers) (Harzing, Sorge and Paauwe, 2002). To the contrary, this research found that, while the US HQ of the case study companies often sought to exert control over subsidiary ER policies and practices, the Australian subsidiaries retained significant autonomy. Further, a wider range of means than expected was used by Ford’s and GM’s US HQ, including all four aspects of control identified by Harzing and Sorge (2003). Notably, the extensive use of personal means of transfer stood out in the case study companies. The PCN manager effecting transfer of management-union relations to Holden and the cascading means of transfer central to One Ford illustrated the point. This research showed that MNCs are developing complex and multi-layered means by which to transfer ER policies and practices to their foreign subsidiaries to match the complexity of institutional, market and political forces at play in cross border management.

10.4 Implications for Key Parties

This research has illustrated the influential roles of a variety of actors. Building on this finding, this research has implications for those parties most involved in the development and
transfer of ER policies and practices within MNCs. The following implications arising from this research are relevant to MNCs’ HQ management; to subsidiary management; to unions and to government. They deal with how each party can best relate with the others generally, and specifically in relation to transfer of ER policies and practices from HQ to foreign subsidiaries.

The research has four implications for management of MNC HQ seeking to transfer ER policies and practices to foreign subsidiaries. MNC HQ managers were found to be well versed in the concept of institutional barriers to transfer of ER policies and practices. Therefore, these implications concentrate on other aspects affecting transfer.

First, is the importance of recognising that transferring ER policies and practices involves many actors, each with its own interests, ideals and resources. Hence, personal relationships are important. Establishing, building and maintaining personal relationships in all political realms can increase the likelihood of successfully developing and transferring ER policies or practices. Supporting this were the examples of good relationships established between Holden and local union leadership, supplemented by a union leader visiting GM’s senior management in its US HQ, which assisted subsequent agreements between Holden management and the union on wage restraint and creative labour adjustment methods.

Related to this is the second implication for HQ management, that transfer is a change management process and it is thus vital to involve the key stakeholders to build acceptance of the transferred practice. However, change management is more than a recipe to be applied by HQ management in every case. A policy or practice transferred from HQ to subsidiary can potentially affect local management, workers, their unions and the state. Any of these parties may possess the power to derail transfer of an ER policy or practice. Transfer is more likely to succeed if there is a strong business case for the particular change as perceived by its recipients. The research showed a number of examples of considerable change achieved when each of these parties recognised the business case for change such as Holden employees accepting the pay cut and pay freeze, Holden’s hourly workers and their union accepting wage restraint and the operation of cascading under One Ford. A vital component to the success of One Ford in this way was the prominent support for the principles associated with One Ford from senior management outside of the HR function, most notably from Ford’s CEO.

Third, HQ management should recognise that context impacts the likelihood of successful transfer of policies and practices. Changes in context can present either barriers to, or
opportunities for transfer. The research showed the importance of market factors on transfer outcomes, with the product and financial market crisis a clear factor. The entry wage system, a practice partially transferred to both Ford Australia and Holden, is unlikely to have been accepted by the AMWU in any form absent the crisis context. More specific contextual factors such as the state of the local labour market for Holden’s EA Plant also impacted whether or not GM HQ’s recommended method of labour adjustment was transferred successfully or resisted, as it was, by local management.

The fourth implication is that MNC HQ management should consider the management resources required to oversee transfer, based on the means of transfer used. The research found that policies and practices transferred via direct, impersonal means, such as the GBoP, were more susceptible to resistance from local management in the absence of adequate HQ supervision. In this way the means of transfer associated with One Ford were more resilient in the time of crisis when the size of the HQ HR management function was shrinking.

Subsidiary management is the ‘meat in the sandwich’ between HQ, the source of transfer, and the local workforce, to whom transferred policies and practices apply, and their union representatives. There are thus implications for subsidiary management in both the micro and meso realms.

First, as with HQ management, subsidiary managers should be aware of the power of the business case when introducing a new ER policy or practice to its workforce. Local workers and their unions are more likely to be receptive to a new practice if they understand the business case for change. This necessarily links with market context as illustrated in two examples in the Australian subsidiaries. For example, local unions and subsidiary workers recognised the business case, in the environment of crisis, for the form of entry wage systems introduced in Ford Australia and Holden as well as the case for the wage freeze in Holden.

A second implication, similar to that applicable to HQ management, relates to the value of personal relationships. It is unsurprising that common implications present in this way given the similar imposition of change, downward in the reporting hierarchy. Subsidiary management should recognise the value of personal relationships to successful implementation of policies and practices transferred from HQ. The clearest example of this was in Holden where the improved relationship between management and union formed the foundation for discussions that led to creative labour adjustment practices being implemented contrary to strong local institutions.
A third implication for subsidiary management is that it is possible to avoid, deflect, resist or amend ER policies and practices transferred from HQ. While an MNC’s HQ may wield the political form of power, subsidiary management can draw power from a number of sources for use in the meso-political realm. Clear among these resources is subsidiary management’s knowledge of local institutions. Less well established, yet found in this research, was subsidiary management’s use of delaying tactics utilising time difference and geographical distance from HQ.

The key implication for unions is that they can remain influential over outcomes within businesses despite loss of traditional forms of power by acquiring various other forms of political power from different sources. Unions have traditionally gained economic power over businesses via their potential to withhold labour through strike. In the crisis context of the research, when unions were unwilling or unable to exercise this type of power, the research showed the utility for unions of positive relations with management and with government.

Finally, the implications for government relate to influence it can exercise over outcomes within businesses and are drawn from this research’s modified theoretical view of the role of the state in transfer of ER policies and practices. First, institutional means to influence activities within companies are blunt instruments, not guaranteed of success. The Australian government’s WorkChoices legislation provided for AWAs and other means to encourage companies like Holden and Ford Australia to reduce union influence over their businesses by introducing individual agreements instead of the existing collective arrangements with their workforces. In these examples, even in US-owned MNCs with recent history of difficult union relationships, AWAs were not pursued by management. Despite significant legislative opportunity, the government could not change ER policies and practices within the companies.

Second, governments can exercise strong influence on activities within companies via political means. The US government achieved this through its direct funding, with explicit conditions, as well as through applying tacit pressure to both GM’s and Ford’s management. This pressure was credited for management pursuing alternative labour adjustment solutions in Ford’s DT Plant. The Australian government was likewise able to exercise both explicit and tacit influence over internal decision-making in the companies, linked to the government providing funding.
10.5 Limitations and Future Research

This research was undertaken at an important time in global economic history. The GFC created circumstances for the case study companies that, while not unique or unrepeatable, were exceptional. This allowed the research to capture rare insight into operations of the companies during crisis as well as untypical actions of governments.

Nonetheless, a potential limitation of the research is that its empirical findings cannot be generalised beyond the crisis context in which the research was undertaken. This is only a potential limitation as no business works in a vacuum. That is, all businesses operate in institutional, market and political contexts that influence transfer outcomes. Hence, the potential limitation presents an opportunity for future research, applying the research question to MNCs in different industries and operating in different contexts. For instance, will the findings of this research be consistent with those in a foreign bank operating a subsidiary in Australia? Further research within the same case study companies operating in different market contexts could also test the potential limitation. The relatively undeveloped area of research into the transfer of ER policies and practices by MNCs to their Australian subsidiaries also leaves much room for such future research.

In future research of this kind, issues that may be explored include the role of institutions and politics in determining transfer outcomes. Will local institutions prove to be impregnable to transfer of ER policies and practices where this research found them to be porous during crisis? Further, will the micro-political realm be more difficult for management to navigate if workers and their unions gain greater power during more favourable market conditions? Will the state be found to maintain a prominent a role in the macro-political realm or will it be sufficient to regard the state from an institutional perspective outside of the crisis? This research challenged aspects of the NBS literature’s views of practices typical of US MNCs, in relation to both means of transfer and actual policies and practices transferred. Will this challenge hold up in different market conditions or will US MNCs revert to the NBS type?

Transfer of ER policies and practices has potential to influence local patterns of ER. This research is limited to the, albeit significant, aspect of transfer of ER policies and practices within MNCs. Future research could follow any spill over to other Australian businesses of transferred ER policies and practices. There is certainly potential for this to happen given the
high profiles that Ford Australia and Holden enjoy in Australia. The research has already shown evidence of ‘reverse spillover’ to Ford Australia from its supplier, Venture of the entry wage system. Will the case study companies’ suppliers adopt transferred policies and practices and will spillover extend beyond them?

This research found a significant recent increase in US government involvement in internal business policy in the automotive manufacturing industry. Future research could examine whether this finding is isolated to the context of crisis or suggestive of a new, more interventionalist, role for the state in ER in the US.

Finally, this research found new levels of union-management cooperation in Ford and Holden. Further longitudinal research in the same case study companies could track any ongoing influence that this change has on future transfer of policies and practices. Additionally, future research could ask whether this finding heralds a new era of industrial democracy or does this research witness a unique and brief period in the history of these companies?

10.6 Conclusion

This thesis presented a comparative case study of two large MNCs, Ford and GM and their two Australian subsidiaries, Ford Australia and Holden. The case study was undertaken during a time of crisis in which the GFC presented a serious challenge to the US and Australian automotive manufacturing industries, bringing the companies close to collapse.

Two research questions provided the focus for the research: To what extent do MNCs transfer ER policies and practices from HQ to foreign subsidiaries; and what factors account for transfer and non-transfer? These research questions were addressed through examination of three key areas of ER within the case study companies, incorporating both HR and IR policies and practices: work organisation and staffing; remuneration; and management-union relations and bargaining.

The research found policies and practices transferred and not transferred in each of the three areas of ER. ER polices and practices were developed, transferred and implemented within institutional and market contexts, influenced by a variety of actors utilising a range of powers. None of those factors was, by itself, determinative of outcomes. Rather, interaction of factors
in particular circumstances was the primary determinant. Such complex influences naturally resulted in complex outcomes, dependent to a great degree on context.

The modified theoretical framework, proposed in this thesis, allowed an appropriate place for actors operating at various levels, both endogenous and exogenous to the firm, as well as taking into account both institutional and market forces which helped shape the way in which ER practices were developed, transferred and adapted by MNCs from their home country HQ to foreign subsidiaries.
Appendix 1  Interview Question Schedules

Interview Questions - HQ HR and IR Management

Background
• Name?
• Position title?
• What are your work responsibilities?
• Who do you report to?
• Who reports to you?
• Time in role?
• Previous role?

General
• What is your overall plan/strategy regarding subsidiary ER practices? E.g. all subsidiaries following uniform policies; or all subsidiaries allowed autonomy; or somewhere in between?
• How was this approach decided upon? I.e. what influences shaped the policy? Inside and outside the company
• How do you seek to control ER in subs? Transfer of policies/practices? Other means?
• What do you see as the main issues affecting whether ER policies/practices are transferred from HQ to subsidiary/assembly plant?
• In general, how much autonomy does the company allow: Its US assembly operations to determine ER policies/practices? Its Australian subs to determine ER policies/practices?
• Has this level of HQ control/subsidiary autonomy changed in recent years? If so, how? Why?
• Which policies are more influenced by HQ and which are more likely to be locally determined?
• Do you alter any policies/practices for transfer to particular locations? If so, why? If not, why not?

Communication with subsidiaries
• How are new ER policies/practices communicated to the nearest local assembly plant?
• How are new ER policies/practices communicated to the Australian subsidiary?
• What happens when US assembly plant management disagrees with an ER policy/practice from HQ? Examples?
• What happens when Australian subsidiary management disagrees with an ER policy/practice from HQ? Examples?
• Can you give examples of new ER policies/practices introduced by HQ in the last few years? How were they communicated to the US and Australian operations? What happened when the new policy/practice was introduced? Has it always been followed by all?
Current Crisis (product, financial)

• How has the current crisis (product market downturn, financial crisis etc) impacted on how the company manages ER?
  o Specific causes?
  o Change in formal policy?
  o Change in practices?
  o Change in the level of autonomy of subsidiary management re ER?
  o Change in amount of communication between HQ and subsidiary?
• Has the effect on ER practices been different in the US and Australia?
• Has each of the key areas been affected the same or differently? I.e. work organisation and staffing; remuneration; management-union relations and bargaining.

Work Organisation and Staffing

Job security and labour market adjustment

• Are jobs more secure in the nearest US plant or the Australian plant?
  o Why?
  o Has this changed in recent years? If so, how? Why?
• What has been the company’s goal in terms of retaining workers (or not)? Long-term security or otherwise? Why?
  o Aust and US?
  o What has the company done to create this level of security?
  o What has the company done to communicate re security?
  o Has this changed in recent years?
• Do employees consider that they have a secure job?
  o Has that changed? How?
  o What has the company done in response to any such change?

Labour adjustment

• To what extent does HQ get involved in labour adjustment in the US subsidiary? Examples?
• To what extent does HQ get involved in labour adjustment in the Australian subsidiary? Examples?
• What is the plan for labour adjustment in the US plant and in the Australian subsidiary? How was this approach decided upon? I.e. what influences played into the decision-making?
• To what extent does management of each plant/subsidiary influence each of these factors? How?
• How are employees chosen for termination/layoff?
  o Number of employees
  o Type of employees
Remuneration

How pay is determined
• Does HQ have a preference for the components of pay? (e.g. base, bonus, incentive pay)
• Does HQ have a preference for how pay is decided? (e.g. employer imposed; negotiated individually/collectively?)
• How are these preferences reflected in the US operations?
• How are these preferences reflected in the Australian subsidiary?

Pay for performance
• To what extent does HQ get involved in performance appraisals of plant/subsidiary workers?
• Does assessment of plant/subsidiary workers’ performance impact their remuneration? If so, how?
• Does this differ between the US and Australian subsidiaries?

How pay differentials have been changing
• Do you keep track of differences in pay between different types of workers?
• How has this been changing over time (if at all)?
• How does HQ involve itself in pay differentials?

Management-Union Relations and Bargaining

Level of unionisation and union influence
• What is the company’s attitude to union involvement in ER?
• How was this approach decided upon? I.e. what influences played into the decision-making?
• What efforts have there been (if any) to specifically exclude/include unions
  ○ in the US
  ○ in the Australian subsidiary
• What proportion of the workforce are union members in the US? And in the Australian subsidiary?
• Does HQ have any direct dealings with any unions?
• If so, what type of dealings for HQ and what type are left to plants/subsidiaries?
• Does this differ between US and the Australian subsidiary?
Nature of bargaining between management and workforce

• Does the company consider that wages/conditions are currently set at an appropriate level in the US subsidiary? What is the company’s strategy in relation to this?

• Does the company consider that wages/conditions are currently set at an appropriate level in the Australian subsidiary? What is the company’s strategy in relation to this?

• How are pay and conditions determined in the US subsidiary? Collective? Individual?
  o What was HQ’s involvement in the last round of bargaining affecting the US plant?
  o What is HQ’s involvement in individually determined pay/conditions in the US subsidiary

• How are pay and conditions determined in the Australian subsidiary? Collective? Individual?
  o What was HQ’s involvement in the last round of bargaining in the Australian subsidiary?
  o What is HQ’s involvement in individually determined pay/conditions in the Australian subsidiary?

Forms of participation by employees in decisions which affect them at workplace level

• Other than through a union, how do employees in US plants communicate with management regarding issues affecting them in the workplace? Examples?

• Other than through a union, how do employees in the Australian subsidiary communicate with management regarding issues affecting them in the workplace? Examples?
Interview Questions - Subsidiary HQ Management

- Name?
- Position title?
- What are your work responsibilities?
- Who do you report to?
- Who reports to you?
- Time in role?
- Previous role?

General

- Briefly describe the background of the nearest assembly plant
- How many different models on how many platforms are manufactured in Australia?
- How many other plants also make these models and platforms?
- Where are these vehicles sold?
- What is the strategic role for this subsidiary within the company?
- How are ER policies formed: Imposed by US HQ or local discretion? Combination? Examples?
- What is the role of the regional HR/IR function?
- Does the HR function handle IR issues or is there a divide between HR/IR? If so, what are the implications of this?
- How are new workplace policies/practices communicated to you and to workers?
- Has there ever been a time when you have disagreed with an ER policy or practice introduced by HQ? Why? What did you do?
- Are you aware of any occasions on which anyone else disagreed with an ER policy or practice introduced by HQ? Why? What did they do?
- Have there been any ER policies/practices rolled out in recent years? How were they communicated/received? Were they implemented as communicated?

Current Crisis

- How has the current crisis (product market downturn etc.) impacted on each of the areas of ER practice?
  o Change in formal policies?
  o Change in practices?
  o Change in amount of communication b/w sub and HQ?
**Work Organisation and Staffing**

**Recruitment and selection**

- How do people come to work for the plant/HQ?
  - Recruitment agency?
  - Tests?
  - Procedures?

**Workforce structure**

- What is the company’s preferred terms for engaging workers - FT/PT/casual/contract? Why? In what circumstances is the company flexible?
- What proportion of the workforce is FT/PT - permanent/casual - contractors?
- What is the difference (if any) in the work performed by FT, PT, permanent, casual and contractors?
- Do many employees change between FT, PT and permanent/casual and contractor? If so, in what circumstances do they change?
- What are hours of work?
  - Do hours vary? Why?
  - Is overtime paid? To whom – everyone?

**Career structure**

- What is the usual career trajectory for workers? Examples?
- What is the scope for promotion for workers? Examples?
  - Promotion into management?
  - Sideways movement for workers? Examples?
  - Movement to another plant?

**Job security and labour market adjustment**

- What has been the company’s goal in terms of retaining workers? Long-term security or otherwise? What has the company done to create/communicate security?
- How do you adjust levels of labour with different production demands?
- Have there been recent terminations? Why?
- How are employees chosen for termination? Number of employees. Type of employees. Individual employees.
- What are the severance arrangements (notice, pay, benefits etc) for termination?
- What was US HQ’s involvement?

**How jobs are defined/structured**

- How is work organised in the plant? (jobs defined and structured)
  - Who does what work
Who reports to whom
• Hours of work
• Whether overtime is performed

How work is allocated
• Who decides what work will be performed by which workers?
• Do workers do much the same work day to day or change?
• How is it decided who will do what work on a given day?

Whether work is undertaken in groups or teams
• Is any work performed in groups or teams?
  • What work?
  • How are the teams formed?
  • Who is in the teams?
  • How long are teams together?
  • How are teams managed?
  • How are team leaders chosen?

The degree to which workers have control over the organisation of their work
• How much flexibility is there for workers to choose what work to do or how to do it?
• How much flexibility is there for line managers to choose what work to do or how to do it?

Work system in place
• Tell me about the production system used at the assembly plant. Has this changed in recent years?
  • Has this impacted any particular ER practices? Examples
  • To what extent is this adapted specific to Australia? Why? How?
• Can you describe the company’s culture?
  • Does this affect ER practices?

Recent changes to plant
• Briefly describe the recent changes to equipment in the plant
  • How has this affected the way work is done?

Remuneration

How pay is determined
• How is pay determined for employees? (hourly and salaried)
• What are the components of workers’ pay? (base, bonus, incentive pay)
• How was this decided?
• To what degree is pay determined by performance?
• How is this measured?
• Formal assessment?
• How often?
• Describe the process?

Management-Union Relations and Bargaining

Level of unionisation and union influence
• What proportion (and sectors) of the workforce are union members?
• Describe the relationship between the workers, union and management.
• How involved in workplace issues is/are the union/s? Examples?
• What is the union’s involvement when a new labour practice is introduced? Examples?
• Has there been any industrial action in recent years? If so, what was the issue? What industrial action was taken? Who did it involve? What was the company’s response? What was the outcome?

Nature of bargaining between management and workforce
• Does the company consider that wages/conditions are currently set at an appropriate level? What is the company’s strategy in relation to this? How has this changed recently?
• How are pay and work conditions determined?
• What is the bargaining process?
• What is US HQ’s involvement in bargaining?

Forms of participation by employees in decisions affecting them at workplace level
• Other than through a union, how do employees communicate with management re issues affecting them in the workplace? Examples?
• Are workers involved in decision-making? If so, how?
Interview Questions - Plant Management

Background

• Name?
• Position title?
• What are your work responsibilities?
• Who do you report to?
• Who reports to you?
• Time in role?
• Previous role?

General

• Briefly describe the background of this assembly plant
• How many different models on how many platforms are manufactured in the plant?
• How many other plants also make these models and platforms?
• Where are these vehicles sold?
• What is the strategic role for this plant within the company?
• How are ER policies formed: Imposed by HQ or Local discretion? Combination?
Examples?
• How has the current crisis (product market downturn etc) impacted each of the areas of
ER practice?
  o Change in formal policies?
  o Change in practices?
  o Change in amount of communication b/w plant and HQ?
• How are new workplace policies/practices communicated to you and to workers?
• Has there ever been a time when you have disagreed with a workplace policy or practice
introduced by HQ? Why? What did you do?
• Are you aware of any occasions on which anyone else disagreed with a workplace policy
or practice introduced by HQ? Why? What did they do? (What type of employee?)
• Have there been any specific policies/practices in the key practice areas that were rolled
out in recent years? How were they communicated/received? Were they implemented as
communicated?

Work Organisation and Staffing

Recruitment and selection

• How do people come to work for the plant?
  o Recruitment agency?
  o Tests?
  o Procedures?
Workforce structure

- What is the company’s preferred terms for engaging workers - FT/PT/casual/contract? Why? In what circumstances is the company flexible?
- What proportion of the workforce is FT/PT - permanent/casual - contractors?
- What is the difference (if any) in the work performed by FT, PT, permanent, casual and contractors?
- Do many employees change between FT, PT and permanent/casual and contractor? If so, in what circumstances do they change?
- What are hours of work?
  - Do hours vary? Why?
  - Is overtime paid? To whom – everyone?

Career structure

- What is the usual career trajectory for workers? Examples?
- What is the scope for promotion for workers? Examples?
  - Promotion into management?
  - Sideways movement for workers? Examples?
  - Movement to another plant?

Job security and labour market adjustment

- What has been the company’s goal in terms of retaining workers? Long-term security or otherwise? What has the company done to create/communicate security?
- How do you adjust levels of labour with different production demands?
- Have there been recent terminations? Why?
- How are employees chosen for termination?
  - Number of employees
  - Type of employees
  - Individual employees
- What are the severance arrangements (notice, pay, benefits etc) for termination?
- What was HQ’s involvement?

How jobs are defined/structured

- How is work organised in the plant? (jobs defined and structured)
  - Who does what work
  - Who reports to whom
  - Hours of work
  - Whether overtime is performed

How work is allocated

- Who decides what work will be performed by which workers?
- Do workers do much the same work day to day or change?
- How is it decided who will do what work on a given day?
Whether work is undertaken in groups or teams
- Is any work performed in groups or teams?
  - What work?
  - How are the teams formed?
  - Who is in the teams?
  - How long are teams together?
  - How are teams managed?
  - How are team leaders chosen?

The degree to which workers have control over the organisation of their work
- How much flexibility is there for workers to choose what work to do or how to do it?
- How much flexibility is there for line managers to choose what work to do or how to do it?

Work system in place
- Tell me about the production system used at this plant. Has this changed in recent years?
  - Has this impacted any particular ER practices? Examples
- Can you describe the company’s culture?
  - Does this affect ER practices?

Recent changes to plant
- Briefly describe the recent changes to equipment in the plant
  - How has this affected the way work is done?

Remuneration
How pay is determined
- How is pay determined for employees? (hourly and salaried)
- What are the components of workers’ pay? (base, bonus, incentive pay) How was this decided?
- To what degree is pay determined by performance? How is this measured? Formal assessment? How often? Describe the process?

Management-Union Relations and Bargaining
Level of unionisation and union influence
- What proportion (and sectors) of the workforce are union members?
- Describe the relationship between the workers, union and management?
- How involved in workplace issues is/are the union/s? Examples?
- What is the union’s involvement when a new labour practice is introduced? Examples?
• Has there been any industrial action in recent years? If so, what was the issue? What industrial action was taken? Who did it involve? What was the company’s response? What was the outcome?

Nature of bargaining between management and workforce
• Does the company consider that wages/conditions are currently set at an appropriate level? What is the company’s strategy in relation to this? How has this changed recently?
• How are pay and work conditions determined?
• What is the bargaining process?
• What is HQ’s involvement in bargaining?

Forms of participation by employees in decisions which affect them at workplace level
• Other than through a union, how do employees communicate with management re issues affecting them in the workplace? Examples?
• Are workers involved in decision-making? If so, how?
Interview Questions - Production Workers

Background
- Name?
- Position title?

General
- How are new workplace policies/practices communicated to you?
- Who would you speak to if you disagreed with a workplace policy/practice? Immediate manager? HR? HQ? Union?
- Has there ever been a time when you have disagreed with a workplace policy or practice introduced by management? Why? What did you do?
- Are you aware of any occasions on which anyone else disagreed with a workplace policy or practice introduced by management? Why? What did they do? (Who was it?)
- How has the current crisis (product, financial) impacted on your employment? Change in formal policies? Change in practices?
- Can you describe the company’s culture? Examples?
- Would you consider leaving the company to take a similar job elsewhere?
- What keeps you working at the company?
- Has any new equipment been introduced to your workplace during your employment?
- How did it affect the way you do your work?

Work Organisation and Staffing

Recruitment and selection
- How did you come to work for the company? Recruitment agency? Tests? Procedures?

Workforce structure
- What is the difference (if any) in the work performed by FT, PT, permanent, casual and contractors?
- Do many employees change between FT, PT and permanent/casual and contractor? If so, why do they change?
- What are your hours of work? Do hours vary? Why?

Job security and labour market adjustment
- Would you say that working in the company gives you a secure job? Has that changed?

Career structure
- Would you consider moving into another job within this part of the company? Why (not)?
- Would you consider moving into another part of the company? Why (not)?
- Do you think you will have a chance to move into a more senior position, or into management? Why?
- Do you think you will have a chance to move to another location within the company (e.g. overseas)?
• Is there a usual career path for someone in your position?

**Separation**
• In what circumstances do employees leave the company?
• Have there been any communications to you regarding your ongoing employment? If so, who from, what was said, what did you do?

**How jobs are defined/structured**
• What is your job title?
• Who do you report to?
• Who reports to you?
• How is your work performance monitored?
• What are your work duties?
• What are your hours of work?
• Do you ever perform overtime? Paid or unpaid?
• Time in role?
• Previous role?

**How work is allocated**
• Does your work change from day to day or do you do much the same tasks?
• How is it decided what work you perform on a given day?
• Would you describe your job as hard work? How so?

**Whether work is undertaken in groups or teams**
• Is any work performed in groups or teams?
  o What work?
  o How are the teams formed?
  o Who is in the teams?
  o How long are teams together?
  o How are teams managed?
  o How are team leaders decided?

**The degree to which workers have control over the organisation of their work**
• How do you decide what work to perform day-to-day?
• How much flexibility is there for you to choose what work to do or how to do it?

**Remuneration**

**How pay is determined**
• What are the components of your pay? E.g. – base, bonus, incentive pay, superannuation (pension plan), health insurance?
• How was your pay decided? Employer imposed? Negotiated individually/collectively?
• To what extent is your pay dependent on seniority/performance?
• How is your work performance measured? Do you have a formal assessment? How often? Describe the process? Does the assessment of your performance impact your remuneration? If so, how?

Management-Union Relations and Bargaining

Level of unionisation and union influence
• Are you a member of a union? Which one?
• Are many of your work mates in the union?
• How involved in workplace issues is the union? Examples?
• How are workers’ relations with management (and union)?
• Are you a member of a staff association or committee re work issues? Which one?
• Are many of your work mates in a staff association?
• How involved in workplace issues is the association? Examples?
• What is the company’s attitude to the association’s involvement in ER?

Nature of bargaining between management and workforce
• How are pay and work conditions determined?
• What is the bargaining process? Collective? Individual?

Forms of participation by employees in decisions which affect them at workplace level
• Other than through a union, how do employees communicate with management re issues affecting them in the workplace? Examples?
Interview questions - Plant Union Representatives

**Background**
- Name?
- Position title?
- Who do you report to?
- Who reports to you?
- Time in role?
- Previous role?

- What are your roles and responsibilities? And other union reps in the plant?
- What is the role of the union in the plant? (generally and on shop floor)
- What proportion of workers are union members?
- Can you describe the relationship between workers, union and management? Change in recent years? Why?
- What is workers’ attitude to management? And vice versa?
- When management wants to introduce a new work practice or policy, what is the union’s role? Examples?
- What are the main reasons why a new practice introduced by management would (or would not) be introduced? Examples?
- How has the union dealt with the company cutting jobs? Has this changed in recent times? Why?
- How has the recent downturn in markets (product and financial) impacted upon the union’s role with the company re management of labour in the plant?
- Would you like to make any other comments regarding transfer of ER policies from HQ to plants?
- What have been the biggest changes in ER policies and practices in recent years? What was the union's role in these?
- How involved is the union in company decision-making?
- Can you describe the company’s culture? Examples?
- Would you be just as happy working for another company? Why?
- What is the union’s role in the following:
  - Recruitment of new workers (how and who)
  - How the workforce is structured (FT/PT/perm/casual/contractors)
  - Hours of work
  - Job security
  - Promotion and other changes in positions
  - Restructure and termination of employment
  - Pay and benefits
  - How work is organised (jobs done, team formation, reporting, allocation, how much autonomy workers have)
- How are new labour policies/practices communicated to you?
- Who would you speak to if you disagreed with a workplace policy/practice? Examples?
Interview questions - Union Leadership

Background
• Name?
• Position title?
• Who do you report to?
• Who reports to you?
• Time in role?
• Previous role?

- What are your roles and responsibilities?
- What is the union’s main role in relation to its membership employed in the auto companies?
  1.1. Has this changed over time? How? Why?
- How would you describe GM’s and Ford’s attitudes towards their relationships with the union?
  o Has this changed in recent years? Examples? Why?
  o Is this different for each company? Why?
- To what extent is the union involved in problem solving with management?
  o Has this changed over time? How? Why?
  o Different for GM and Ford and Toyota?
  o Does management share private information about the company with the union?
    Has this changed over time? How? Why?
- How much are the US HQ involved in labour relations in Australia? (Australian union only)
  o Examples?
  o Has this changed over recent years? How? Why?
- What do you see as the main factors influencing which ER policies and practices are (and which aren’t) put into practice in plants in the Australia?
  o Has this changed over time? How? Why?
- How has the recent downturn in markets (product and financial) impacted upon the union’s role/aims re management of labour in the plants?
- What has been the effect on the union’s position with the company of the recent increase in government involvement in the auto industry? Any go’s involvement in closures, redundancies, shift cuts?
- How has the union dealt with the threat job cuts?
  o Has this changed in recent times? How? Why?
- Does the union have any involvement with the unions in other countries who are also dealing with Ford or GM? E.g. information sharing?
- Did the unions’ aims/demands differ in the most recent bargaining compared to the previous round of bargaining? How? Why?
- What do you see as the main future issues that will face the union, its membership and the auto companies in Australia?
Interview Questions - Australian Government

Background

- Name?
- Position title?
- What are your work responsibilities?
- Who do you report to?
- Who reports to you?
- Time in role?
- Previous role?

Policy issues regarding the importance of the auto industry to the government

- What is the importance of the automotive manufacturing sector in Australia?
  - What importance to Australia and to the labour govt?
  - What future does it have?
- What would be the implications of losing one of Ford, Holden or Toyota?
  - Is one more important to Australia than the others?
- Govt (both Fed and State) provide a lot of support to Ford, Holden and Toyota. Why is it important to do so?
- What kind of assistance is provided by the Fed Govt to the auto companies?
- Why is direct support given to the auto companies rather than tariffs or local content requirements, etc?

The government’s direct involvement in the automotive companies’ decision-making

- How does the Fed Govt impact decisions made within the 3 companies (e.g. production allocation; employee retention/redundancies)?
  - By providing policy incentives? What impact?
  - By tacit pressure (flowing from financial incentives)?
  - Through direct discussions? Detail content/type?
- What was the Govt’s involvement in:
  - GM’s decision to allocate production of the Cruze to Australia?
  - Ford’s decision to allocate production of the Focus to Australia and later to reverse this decision and build an engine instead?
  - Holden’s decision to maintain 2 crews working one shift when Holden cut its second shift (and Govt pay for training)?
  - EBA bargaining
- How does the Govt ensure that the companies keep their end of the bargain? E.g. expenditure on new technology and investment in new plant/equipment/new models etc?

The automotive companies’ and unions’ contributions to government policy.

- How many times has Senator Carr visited the US auto companies?
- What was the purpose of the visits?
- What did Senator Carr learn from visiting the auto companies’ HQ?
- What kinds of communications take place between Senator Carr and senior management of the auto companies? Local management or US HQ management?
• The auto companies have government relations managers and their CEOs have direct conversations with the minister - to what extent have they been able to influence govt policy and specific outcomes? Examples?
• What role does the Union play in development of Govt policy for the auto industry?

Government involvement in shaping product markets
• What steps have been taken in since the financial crisis to assist each of the auto manufacturers sell their products?
### Appendix 2  Table of Interviews

#### Table of Interviews (Chronological)

<table>
<thead>
<tr>
<th>Date</th>
<th>Organisation</th>
<th>Role</th>
<th>Interview Location</th>
</tr>
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<tbody>
<tr>
<td>11 June 2009</td>
<td>Ford (US HQ)</td>
<td>Senior IR manager (global responsibility)</td>
<td>Washington, DC</td>
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<tr>
<td>15 June 2009</td>
<td>GM (US HQ)</td>
<td>Senior HR manager (global responsibility)</td>
<td>Detroit, MI</td>
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<td>16 June 2009</td>
<td>Ford (US HQ)</td>
<td>Senior HR manager (global responsibility)</td>
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<td>17 June 2009</td>
<td>Ford (DT Plant)</td>
<td>ER Manager (DT Plant)</td>
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<td>AMWU (National Office)</td>
<td>Senior Leader</td>
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<td>Holden (Aust. HQ)</td>
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<tr>
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<td>ER Manager</td>
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<td>28 May 2010</td>
<td>Australian Government</td>
<td>Senior Advisor to Federal Minister for Industry, Melbourne, Victoria</td>
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<td>24 August 2010</td>
<td>Ford (US HQ)</td>
<td>Senior IR Manager (global responsibility), By telephone</td>
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<tr>
<td>11 November 2011</td>
<td>UAW (National Office)</td>
<td>Advisor to UAW President, By Skype</td>
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</table>
Appendix 3  NVivo Coding Framework (Tree Nodes)
### Appendix 4  Australian Empirical Research

#### Empirical Studies Examining Transfer of ER Policies and Practices to Australian Subsidiaries of Overseas-Based MNCs

<table>
<thead>
<tr>
<th>Author (Year)</th>
<th>Issue and Method</th>
<th>Selected Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dedoussis (1987)</td>
<td>Examined to what extent and why the management systems and practices of Australian subsidiaries of Japanese MNCs differed from the Japanese management model. Case study of nine Australian subsidiaries of Japanese MNCs in the manufacturing sector.</td>
<td>Lifetime employment, seniority system and enterprise unionism were not transferred to Australian subsidiaries. However, other practices from the Japanese model related to recruitment, training, promotion and employee participation were transferred. Argued that convergence to the Japanese model is likely in Australian companies.</td>
</tr>
<tr>
<td>Bamber et al (1992)</td>
<td>Considered the transferability of Japanese management practices to Australia. Case study of one Japanese MNC operating a subsidiary in Australia in the property development, hospitality and tourism industries.</td>
<td>Found that strategic decisions were made by HQ for the subsidiary but local management made operating decisions and managed its own staffing policy including recruitment, promotion, performance evaluation and training. Transfer of specific ER practices not identified in empirical findings.</td>
</tr>
<tr>
<td>Rodwell and Teo (1999)</td>
<td>Compared the practices of Australian companies with those of foreign-owned companies. Based on data from the 1990 Australian Workplace Industrial Relations Survey (AWIRS).</td>
<td>Found minimal differences between Australian owned and foreign owned companies. Slight differences were found in relation to “style” and only as necessary to be globally competitive.</td>
</tr>
<tr>
<td>Purcell et al (1999)</td>
<td>Examined transferability of Japanese HRM practices to the Australian host country. Based on survey data from 69 Australian subsidiaries of Japanese MNCs operating in the manufacturing and service sectors in 1994.</td>
<td>Found that Australian subsidiaries adopted many of the Japanese HRM practices including formal on the job training, flexible work groups and quality control circles. Reasons given for the HQ’s decisions were to transfer the “parent’s ownership advantages and as a control and monitoring device” (1999:84). Those practices not transferred such as remuneration systems were explained on host-country cultural and institutional grounds. No explanation was provided for the non-transfer of traditional Japanese anti-union stance. While quality control circles were transferred to Australian subsidiaries their operation in those subsidiaries was judged less favourably than in Japanese subsidiaries. The main reason given for this was lower motivation among the Australian workers, suggesting a political aspect that was not examined in the study.</td>
</tr>
<tr>
<td>Allan et al</td>
<td>Study of ER practices in MNC fast</td>
<td>Found that strong HQ control of</td>
</tr>
<tr>
<td>Author(s)</td>
<td>Year</td>
<td>Methodology</td>
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<tr>
<td>2000</td>
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<td>Based on focus groups with fast food workers, interviews with managers, direct observation, company documents and literature review.</td>
</tr>
<tr>
<td>Walsh</td>
<td>2001</td>
<td>Examination of the character of HRM practices in MNCs operating in Australia. In particular, whether foreign-owned workplaces pursued similar or different HR policies and practices from their locally-owned counterparts; and whether there were national variations between MNCs in the nature and character of HR practices. Based on data from the 1995 AWIRS survey.</td>
</tr>
<tr>
<td>McGraw</td>
<td>2002</td>
<td>Comparison of the nature of the HRM function in local and overseas-based firms operating in Australia. Based on data from the 1999 Cranfield-PricewaterhouseCoopers Survey on International Strategic HRM (Kramar, 2000) in local and foreign-based firms operating in Australia.</td>
</tr>
<tr>
<td>McGraw and Harley</td>
<td>2003</td>
<td>Considered issues of convergence and divergence through examining ER practices in Australian-owned and overseas-owned workplaces and whether the practices of the two groups have converged or diverged in recent years. Based on data from AWIRS surveys of 1990 and 1995.</td>
</tr>
<tr>
<td>McGraw</td>
<td>2004</td>
<td>A critical examination of the analytical utility of factors (industry sector, strategic role of the subsidiary, administrative heritage and formal organisational structure) used in the IHRM literature to explain decisions</td>
</tr>
<tr>
<td>Authors and Year</td>
<td>Study Description</td>
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<tr>
<td>Timo and Davidson (2005)</td>
<td>Considered ER practices of MNCs and domestic companies operating in Australia and the implications of price and quality competition on employment, wages and training. Based on data collected in 2000-2001 via survey of 14 luxury MNC and domestic hotels in Queensland.</td>
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<tr>
<td>Harzing and Noorderhaven (2006)</td>
<td>Considered the effect of geographical distance on subsidiaries’ roles in MNC networks and the way they are managed. Based on survey data from 169 subsidiaries (of which 46 were Australian) of MNCs headquartered in the USA, Japan, the UK, Germany, France and the Netherlands.</td>
<td></td>
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<tr>
<td>McDonnell et al (2011)</td>
<td>A report on HRM policies and practices in MNCs operating in Australia, both foreign and Australian-owned. Based on a survey of the most senior HR managers of 211 Australian subsidiaries. Data analysed only in relation to country of origin and industry sector.</td>
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</table>

Related to MNCs’ balance of centralization and localization in HRM. Based on data from interviews with 15 HR managers of the Australian subsidiaries of overseas-based MNCs. Coordinated locally, global coordination or monitoring by HQ is more likely. Based on their finding of considerable use by both local firms and MNCs in Australia of individual performance appraisal, individual rewards system and monitoring training effectiveness, the authors concluded that Australia’s legislative changes in the 1990s created “a very favourable setting for the application of calculative HRM practices” (2006:1507). Found support for the country of origin effect as use of these ‘calculative HRM practices’ was higher in US MNCs than in locally owned firms. This study did not specifically investigate transfer of ER practices but did find that HQ control mechanisms were affected by the geographical distance between HQ and subsidiaries with Australian subsidiaries being allowed greater autonomy than other subsidiaries closer to HQ. Found continued discrepancy between Australian-owned and foreign-owned businesses in the use of ‘sophisticated’ HR practices but with a “directional, but not final, convergence” (2011:1). Found strong use of performance management systems in all subsidiaries, most prominent in US-owned MNCs.
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