

Inter-Cultural and other Forces in the Transfer of Human Resource Management and Industrial Relations Practices under Globalization

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Abstract

The paper highlights major forces promoting the transfer and convergence of management philosophy and techniques in a globalising world, namely increased international competition, technological innovations and the transfer of HRM principles by Multinational Enterprises to their subsidiaries. The paper also identifies factors which are responsible for resistance against convergence, which are largely cultural in nature. The diverging forces lead to structural and technological convergence of organisations internationally and culturally-bound national work related practices and worker preferences. Special attention is given to one major source of inter-cultural difference between countries, in particular between the USA and the EU, i.e., collective bargaining and unionism. Further, the paper focusses on cultural differences between EU-Member States, spanning from tax laws over social welfare philosophy and practices, to priorities of protection against risks and sources of funding. The paper suggests that the forces of globalisation, in the EU epitomized by the pressure of the monetary and fiscal discipline of a common currency, may tilt the balance of European social market economies away from the social towards the market with trade and migration paving the way. The paper is largely based on a review of pertinent literature.

Introduction

Globalisation is a new word for an old phenomenon. At the end of the 19th Century, goods and services, money in the form of silver and gold, ideas, practices and people moved across state boundaries freely throughout most of the world. In recent years we have come something close to that world, except that the move-

¹ Because of my advanced age and physical disabilities, I have not been in a position to write a new paper for inclusion in this Festschrift. However, I am pleased to have been allowed to include in this volume an abridged version of a Working Paper published by the Austrian Institute of Economic Research (Isaac 2003) as an expression of my great admiration for Gudrun's academic standing and my long association with her. I am indebted to Gudrun Biffel, Bill Harley, Anne-Wil Harzing, Willem Noe and Graham Sewell for helpful advice on this paper.

ment of people is now restricted, and that technology, especially in the speed of travel and communications, has created a completely new dimension to the economic, social and cultural integration of the modern world we now term 'globalisation'. On a regional basis, the EU is perhaps the closest replica of the circumstances prevailing at the close of the 19th Century, like an extended version of the Habsburg Empire but with greater complications, especially with EU enlargement.²

Many aspects of globalisation have attracted the attention of scholars apart from economic issues such as trade, labour practices, the emergent dominance of the service sector, migration, and the reduction of state authority in economic and social policy. Barriers have been lowered and blinds have been raised on fashions in art, music, films, clothing, cuisine, which have spread globally at an astonishing speed on the wings of media advertising, multinational enterprises and mass marketing techniques induced by the economies of scale. In this process, considerable convergence and even homogenisation of these various elements have taken place. Driving these developments is the greatly increased pressure of competition, forcing efficiency on organisations. And it is in this context that management plays a critical role.

The management of people is one of the most complex and, at the same time, the most important task of any organization. Complex, because managing people is to manage a factor of production with embedded attitudes and values – a culture – which may or may not respond to particular managerial practices; important, because the growth or survival of an organization depends on effective management. This is not a new problem. It goes back to the industrial revolution; but the philosophical, ideological and economic underpinnings of management principles have evolved over time under the pressure of competition in a changing environment of products, materials and technology.

My task is to review recent ideas on management philosophy and techniques in the context of globalisation, and to consider the forces leading to the transfer and convergence of these ideas and practices globally, as well as to the persistence of differences through cultural and other forces. Although the paper will focus on the EU as at present constituted, it will also try to consider the implications of EU enlargement on the convergence issue.

In recent years, the efficiency of Taylorism³ with its emphasis on de-skilled operations and narrow job classifications, a management concept in vogue for most of the 20th Century to deal with mass production, has been questioned in the face of two reinforcing pressures – on the one hand, the emergent post-industrial information and knowledge-based society, affected by fundamental changes in technology brought about particularly by the electronic revolution; and, on the other

² Visions of a united Europe go back to Roman times with the crowning of Charlemagne as Emperor of the Holy Roman Empire in 800. For a brief historical background, see Noe, 2002.

³ Named after the American Frederick Taylor whose writings on management issues were very influential in the first half of the 20th Century.

hand, increased international competition arising from greater global economic integration involving the dismantling of trade protection and liberalisation of capital movements. In this competitive environment, productivity growth and other elements of economic efficiency such as reliability of quality and delivery, are critical factors in the survival of enterprises and the prosperity of countries. To meet this challenge, attention has been focused on a more effective use of labour, and it is in this context that the human resource management (HRM) concept has been widely promoted as a basis for more efficient management.

Meaning and significance of HRM and IR

First, a brief explanation of the meaning and significance of HRM and industrial relations (IR). Perhaps it is easier to start with the older concept, IR.

Broadly, IR refers to the relationship between employers and workers, the issues that arise in the employment relationship – pay, working conditions and other terms of employment – and the processes for resolving these issues. The determination of these issues may take place on an individual worker basis, as they were in the early days of industrialization, or, more commonly these days, on a collective basis with workers being represented by unions – a process providing a better balance of power between employer and employee. The right to collective bargaining and its associated right to strike, are social rights enshrined in two of the ILO's Labour Standards under Conventions 87 and 98⁴, and many countries have enacted laws to give effect to these Conventions. Resort to collective bargaining obviously encroaches on the employer's right to manage; and the extent of encroachment depends on the interests of the parties and the price they are prepared to pay as to where the line is drawn

HRM is a comparative newcomer in the lexicon of management, sometimes referred to as a 'new way of managing employees' (Storey, 2001: 4), developed in the US in the 1960s and 1970s. Obviously, any organisation where people are employed, involves the management of 'human resources', a somewhat pretentious term for 'labour'. But there are explicit and implicit overtones to the meaning and practice attached to HRM on which there is still a lively debate (Storey, 2001). Its immediate antecedent is personnel management (PM), also a US inspired development, which, it is said, lacks the analytical sophistication and strategic approach of HRM and is largely prescriptive. Others have argued that the downgrading of PM, largely by business consultants and academics, is unjustified and that the essential elements of HRM are inherent in a proper application of PM and that coherence with the overall strategy of the organization is not necessarily excluded in such application. *'HRM is not a magic recipe making everything that preceded*

⁴ Forming part of the 1998 ILO Declaration on Fundamental Rights which are also set out in United Nations International Bill on Human Rights.

its announcement redundant' (Torrington, 1998: 36; Grant, and Oswick, 1998; see also Sisson, 2001).

It is not fruitful for our purposes to engage in a 'largely abstract debate on definition' (Torrington, 1998: 27). HRM is the new name of the game. Storey's (p. 6) broad definition is useful.

"Human resource management is a distinctive approach to employment management which seeks to achieve competitive advantage through strategic deployment of a highly committed and capable workforce using an array of cultural, structural and personnel techniques."

Elaborating on this definition and drawing out certain generic principles from it, the widely accepted view of HRM is that it places primary emphasis on human resources as the most important factor in efficient enterprise performance. This emphasis must be seen in the context of technological developments which have displaced the de-skilled processes assumed by Taylorism and call for the application of the scarcer higher skills. Importantly, HRM seeks to develop a culture of 'high commitment' to the organization from employees. It applies a strategic, proactive and integrated approach consistent with the strategy of the organization in its various sectional functions – finance, investment, production, marketing etc⁵. Further, it puts responsibility for the formulation and evaluation of the HRM policy on line management and not, as in PM, on the personnel department.

Drawing on the teachings of organizational behaviour and psychology, the processes associated with such policy are in the method of selection, training, career development, communication, performance appraisal, and reward systems. To give workers a sense of participation and empowerment, responsibility is devolved lower down the line. The management structure is less hierarchical, jobs are designed and workers are trained to facilitate semi-autonomous work groups, multi-skilling and flexibility in the use of labour⁶. This is of course an idealized academic constructed picture of HRM, based on the beliefs and assumptions of 'leading edge' practitioners, which has been presented by John Storey (2001: 7) in a classified form.

Studies of applied HRM (or something substantially like it) in the US and UK appear to indicate that they have generally produced positive profit and productivity outcomes not only short term but also long term (Huselid, et al., 1997; Guest, 1997: 263; Collins, and Porras, 1998) although the reliability of such conclusions are not without doubters (Storey, 2001: 14). Moreover, the effect on the well-being of employees may be negative. There is evidence of increased stress

⁵ 'Strategy' more simply means the plan by which certain integrated objectives of the organisation are to be achieved. For a fuller treatment of the meaning of 'strategy', see Purcell, (2001: 65-66).

⁶ A convenient classification of the main elements of HRM is provided by Storey (2001: 7, Figure 1.1) Another classification – commitment, flexibility, quality and strategic integration – is suggested by Guest (1991).

among workers (Woodall and Winstanley, 2001: 39) but it is not clear that this is necessarily due to the application of HRM techniques as such.

Transfers and the forces of convergence

The acceptance internationally of the main HRM practices, if not its philosophy, as a tool of efficient use of labour, is reflected in their promotion and application world-wide, but with significant variations. The transfer from the US of the concept and their application in part or in whole, was propelled by a number of inter-linked forces.

First, increased international competition unleashed by globalisation in the last two decades, made improved organisational efficiency a condition for the survival of business enterprises, the economic growth of countries and rising living standards. In these circumstances, not surprisingly, managerial efficiency became a prime target for review, and HRM became the focus of special interest. It is to be expected also that international mobility of capital may provide pressure on workers and unions, threatened with closure or shrinkage of employment opportunities, to accede to HRM practices seen by their employers as providing them with a competitive edge.

Second, the application of technological innovations is an essential means of securing competitive advantage. In recent years, the innovations which have spread internationally in manufacturing and service industries, have generated new products and new forms of work and work patterns, heralding a '*new industrial revolution ... and the fragmentation of mass markets*' (Piore and Sabel, 1984). This called for new approaches to management and industrial relations (Morley et al, 2000: 202), providing the impetus for the application of HRM principles.

Third and perhaps the most explicit manifestation of HRM transfer mechanism, has come from MNEs (Multi-National Enterprises) which, partly because of their size and managerial resources, have the incentive to carry their HRM principles and their senior personnel to their subsidiaries in other countries, subject, of course, to any legal requirements in the host country. Some of these practices of the MNEs could be expected to spread to local organisations in the host country.

Finally, a veritable explosion of academic and professional publications, HRM courses in business schools, international conferences, management consultants, improved communications and publicity mechanisms generally – all of these, bearing the message of increased efficiency, have assisted the spread of HRM processes. The EC (European Commission 2001) and OECD (1998) have added to the flow of advice on efficient management of labour practices.

Persistence of differences

However, the persistent differences and resistance, at least in part, to the forces of convergence, come from several sources.

First, it should not be assumed that, even in the US where the concept was developed, the HRM principles are widely adopted – *'where rhetoric has so far outstrip[ped] reality'* (Kochan and Dyer, 2001: 273). Writing of the UK, Guest (2001) contends that perhaps in the majority of organizations in the private sector, there is a low level of HRM and no union presence, where managers 'may behave as tyrants or may display benevolent paternalism' (p. 111).

Second, because American literature dominates the subject and many of the early applications of HRM were in non-union firms, it should not be assumed that there is a 'universal' or 'best practice' HRM model, often assumed to be the US model, which can be applied everywhere. While general or generic principles may be drawn from the text book exposition of HRM for application in an organization, they should obviously be tailored to the features and requirements of the particular workplace or industry under consideration, as well as to the level of economic development in the country concerned, to the availability of managerial capacity, the type of ownership, the resources of the organization, and to the supply of appropriate skills⁷. Recent UK surveys show a low but increasing level of application of HRM practices (Guest, 2001: 110).

Moreover, the relevance of many of the practices prescribed by HRM principles may be questioned for SMEs, which form the substantial majority of enterprises. A distinction needs to be made between policy and practice, rhetoric and reality (Legge, 1995). Not every element of HRM policy is capable of application even if so desired by management. Nor does it follow that wherever HRM policy is in place, workers do become fully committed to the organization (Storey, 2001: 6). Thus, more commonly, the application of a number of parts of the total range of HRM practices, with modifications whenever necessary or expedient, may be a more common feature of its manifestation (Sisson, 2001: 86). Or, as it has been put in other words (Adler et al, 1986), organisations are becoming more similar internationally in terms of their structure and technology while existing work related practices and worker preferences continue to be culturally-bound nationally⁸.

Third, cultural differences provide the most important source of resistance to HRM models drawn from other countries⁹. Thus one authority (Communal and Brewster, 2003: 5) has said:

⁷ For a fuller list, see Salamon (1997).

⁸ This view has been criticised by McGaughey and De Cieri (1999) on the (theoretical) grounds that it unduly simplifies the complex dynamics of the convergence process.

⁹ While we are concerned in this paper largely with transference matters in US and Europe, it is interesting to note that traditional culture in shaping HRM practices is particularly important in developing countries. Jackson, (2003). Zhu and Warner (2003), point out that despite the pressure for greater managerial flexibility following the Asian financial crisis, tradi-

“People cannot be managed in a vacuum; they are managed within a context (e.g., cultural, social, educational, religious, geographical, legal, historical) The process of HRM is therefore not neutral; it is surrounded by cultural, social and other norms characteristic of human behaviour.”

Culture is of course an imprecise term embodying a number of elements reflecting the attitude and values of people on particular issues. One suggested broad definition (Tylor, 1913, quoted in Petit, et al, 1994: 169) is in the following terms:

“Culture is a complex ensemble which includes the knowledge, beliefs, art, morals, laws, customs, and all of the other capacities and habits acquired by man as a member of society.”

Others may prefer to specify some of the elements separately, for example, legal requirements, for particular emphasis.

Industrial Relations

In the area of management, the role of industrial relations and in particular, of collective bargaining and unionism is perhaps the most important source of intercultural difference especially between the US and EU countries. US management generally has had a longstanding philosophical objection to unionism and collective bargaining as an unwarranted encroachment on its 'right to manage'¹⁰; and in the years after the 1970s, it reverted to the pre-1930s anti-union stance (Barbash, 1985; Phelps Brown, 1983). Despite the 'New Deal' inspired legislation providing for collective bargaining and the right to strike, procedural tactics possible under the legislation, have tended to marginalize union power.

HRM developed in the US, and it came from personnel managers and consultants who were anti-union or ignored the relevance of unions in the design of HRM (Beaumont, 1991: 300; Kochan et al, 1986: 62). The early studies of HRM were generally conducted in non-union workplaces, for example, Hewlett Packard and IBM. The US Department of Labor (1993) lists HRM characteristics suggestive of a kind of 'best practice' statement, which does not include unions in the various management processes (Brewster, 2002: 257).

The 'high commitment' concept which is at the heart of US HRM doctrine, assumes that the inherent interests of the worker and the employer are in complete harmony or can be made to be so – the 'unitarist' view (Storey, 2001: 12); whereas IR assumes that, despite a wide degree of common interest and cooperation between them, there is a residual conflict on pay and conditions to be resolved from

tional cultural characteristics (such as collectivism, harmony, loyalty, hierarchy, paternalism) are still a strong force in HRM in Japan and Taiwan.

¹⁰ The advice of the international firm of management consultants, Arthur Anderson included: 'Managers must be free to manage' (Brewster, 2002).

time to time as a natural rather than a pathological feature of employment relations – the 'pluralist' view.

Consistent with the unitarist assumption, HRM work practices are designed to strengthen the identification of the worker with the organisation and improve their performance in the interest of both sides¹¹. Cases can be quoted of the success of such an approach¹². On the other hand, there are US cases which show that workers and unions can be involved in strategic decision making, thereby increasing mutual trust with benefit to economic performance (Kochan et al, 1986: 145). Thus, in such matters of training, performance evaluation, and reward systems, it is arguable that the participation of union officials may be an effective way of ensuring trust in these practices. There is also evidence that increased commitment to the organisation need not necessarily mean reduced commitment to the union and to collective bargaining (Deery et al., 1994). Nor does it follow that union participation is inconsistent with higher productivity performance, (Alterburg et al., 1998; Katz, 1986; Krueger, and Summers, 1988). A plea for bringing unions and public policy makers in the US into HRM processes as a means of raising productivity growth has been made by American academic writers (Kochan and Dyer, 2001: 273).

Thus, it is arguable that conceptually and on practical efficiency grounds, there is no reason to suppose that HRM is incompatible with collective bargaining. It could even be said that HRM and IR may be '*different perspectives on the same process*' (Morley et al, 2000: 207). Moreover, even the Harvard HRM model (Beer et al., 1984) includes unions among the stakeholders in the production process¹³.

All this may sound strange to EU ears, for whom it will be evident that the task of management goes beyond finding efficient methods of production. The stakeholders¹⁴ in business activity are not only the owners of capital – the shareholders – but also those who supply labour services to the enterprise – the employees – as well as those who buy the products, and, where health, safety, welfare and environmental concerns are involved, the community at large. On this view, the task of management is to strive for a balance between economic efficiency, equity

¹¹ Guest (1990) goes as far as to say that the philosophy of HRM is either to deny the existence of separate worker interests, or to subordinate them to the employer's interest.

¹² In Australia, a large mining firm with a long tradition of collective bargaining, recently decided to embrace HRM philosophy by persuading most of its workers, under the inducement of better pay, to accept individual contracts, a form encouraged by a change in Australian labour law. The company was subsequently able to rationalise its workforce by downsizing and so increase productivity (Mackinnon Hearn, 2003).

¹³ A useful reconciliation of HRM and IR is suggested by Gospel, (1992) by incorporating effectively within HRM, three elements - work relations, employment relations and industrial relations. Such an approach is also reflected in the European Commission's approach (European Commission, Final Report, 2002).

¹⁴ The stakeholder approach was first advanced by Freeman (1984). It is essentially a normative concept connected to the 'property rights' of labour. It may also be considered to have an instrumental element for greater efficiency (Donaldson and Preston, 1995).

and the public interest. It follows that all three – HRM, IR and legislation – are relevant considerations (see Kochan and Dyer, 2001: 274). This stakeholder approach is still well embedded in the EU social culture and provides a sharp contrast to that of the US. And it is increasingly argued that '*long term, sustained, competitive advantage is only feasible*' (Storey, 2001: 12) when the needs of the various stakeholders are taken into account.

The contrast between US attitude to unions and that of the EU countries (excluding the UK) has an important bearing on how HRM processes may be expected to work in the EU countries. This can best be appreciated against the backdrop of the effects of globalisation on the EU states. Global competition has affected member states differently. The EU itself is a more complete form of economic integration on a regional basis than it is with the rest of the world, inter-member trade making up close to 90% of its GDP. In the circumstances, there is strong incentive, through pressure for harmonising economic and social policies as far as possible, to ensure that the openness of trade and labour mobility does not result in social dumping. To give effect to such a policy and to avoid undesirable social outcomes, corporatist and neo-corporatist processes, calling for dialogue and collaboration between governments, employers and unions, has been necessary; something far from any contemplation in the US.

Thus, subject to the adjustment problems which may emerge from EU Enlargement, it is reasonable to suppose that in the foreseeable future, industrial relations in the EU countries will continue to embody the concept of 'social partnership' involving social dialogue on economic and social issues and 'collective rights'¹⁵. In this process, national trade union bodies have remained powerful institutions and have maintained their authority to speak for workers and to be listened to by the employers and governments. Further, there is no challenge to the right of collective bargaining and its associated right to strike.

Moreover, it is important to note that the standing of unions and the commitment to social partnership at the national level, is reinforced at the EU level. The EU Charter on Fundamental Rights issued following the Nice Summit of December 2000 (European Union, 2001) committed member states to observe a whole range of rights – civil, social, political and economic. A number of social rights, including equal opportunity, have been incorporated into the laws of the member states and are enforceable in the European Court of Justice and the Court of Human Rights. Although the right of collective bargaining and to strike have so far not been incorporated and are subject solely to the rights of the states under the principle of subsidiarity, there is reason to believe that breach of such rights by a member state could invite a legal threat to its membership of the EU (Biffel and Isaac, 2002). Thus the ethos of the EU, backed by the law, imposes obligations on member states to ensure that union bargaining rights are respected.

¹⁵ The European Union (2001), while advocating the HRM approach to work practices, goes out of its way to emphasise the importance of maintaining the role of unions and social partnership.

But more than this. The institutional framework at the European level has been greatly strengthened by the 1997 Amsterdam Treaty (Sisson, 2003: fig. 1) which requires, *inter alia*, for the Commission to consult the social partners on socio-economic policy matters before bringing down legislation. Further, this point is reinforced by the EC social model (Szyszczak, 2000: 164), based on a set of social values – including individual rights, democracy, free collective bargaining, social welfare, social solidarity and market economies – as stated in the White Paper on Social Policy (European Union, 1994). In addition, the mechanism for ensuring dialogue between the social partners on this issue is sustained by the requirement under the EC Treaty (Art. 138(1)) that the Commission '*shall take any relevant measure*' to facilitate social dialogue between the partners '*by ensuring balanced support for the parties*'. The importance of such dialogue should not be underestimated as a device to bring recalcitrant States into line (Mosely, Keller & Speckesser, 1998). Furthermore, by an EU directive, successively smaller organisations are required to establish works councils across Europe (Communal and Brewster, 2003: 8).

A further important development has been the establishment of European Works Councils covering some 650 MNCs (Multi-National Corporations) agreeing to establish a transnational machinery for information and consultation (Sisson, 2003: 6). While this does not mean that the concept of a 'European industrial relations system' is a likely prospect in the foreseeable future, a platform exists at the European level for the European Trade Union Confederation to engage in dialogue with employers on industrial relations issues, providing the opportunity of at least resisting any dilution of the existing social rights principles¹⁶. But there are sceptics who regard the social dialogue at this level as a time-wasting, ritualistic process, a '*matter of form rather than substance*' (Hyman, 2001: 290). Differences in industrial relations practices between EU states may be expected to persist, but the commitment to union collective bargaining and associated rights, sharply distinguishes the operation of HRM in EU states, from that in the US and a number of Anglo-Saxon countries (Biffel and Isaac, 2002) where the social partnership ethos is lacking¹⁷. Moreover, the States coming in under the European enlargement process will be expected to abide by the Copenhagen conditions which require the newly admitted States to adopt *inter alia* 'the common rules, standards and policies that make up the body of EU law'.

¹⁶ The European Commission (2002b: 32) has argued that, to cope with a more competitive knowledge economy, the role of industrial relations at local, regional or national level can be enhanced by developments at the European level particularly on those issues with a European dimension. The Report envisages substantial changes in work practices but insists that such changes should be brought about with the '*strong involvement of the social partners at all levels*'.

¹⁷ The dependence of Ireland on US private direct investment in developing the electronic industry, has led the Government to allow these companies to be absolved from honouring the social partnership concept, thus excluding the unions from their HRM policies (Green, 2003).

Summing up the main differences between US and EU

Significant differences between US and EU HRM concepts have been highlighted in which cultural differences, reflected especially in the legal framework, both national and supra-national, the role of trade unions and social partnership concept provide the distinguishing features between them. It has also been suggested that the '*common philosophies, structures and practices*' in Europe, establish certain identifiable traits of management: EU is focussed on people, whereas in the US people are considered a '*resource*' (Calori et al., 1994: 32); EU takes a stakeholder rather than a shareholder approach (p. 35) and a willingness to negotiate with its internal management at different levels and employees, as well as external stakeholders (p. 36); EU appears to be more capable of managing international diversity because of greater familiarity and respect for cultural diversity (p. 38), and is less '*imperialistic*' in the export of their management models (p. 39). This is not to say that European enterprises ignore profitability, rather they believe that '*you cannot have profit without fulfilling social responsibility*' (p. 84).

Convergence within EU?

The question now arises whether the forces of economic integration and competition within the EU and the Charter on Fundamental Social Rights and various harmonising provisions of the EU, provide grounds for expecting convergence of HRM/IR practices within the EU; or whether here, as in relation to the US, cultural forces offer resistance to convergence. The answer appears to be that there is considerable diversity within the substantially common character of EU HRM, even before EU enlargement (Communal and Brewster, 2003: 4). This is despite the fact that MNEs operate with fewer restrictions within the EU and can bring about greater convergence of HRM and IR practices. Thus, some MNEs take a highly decentralised approach allowing subsidiaries to apply practices believed to be more compatible with national context for example, retail banking and electricity (Edwards, T. 2003). Even in the automotive industry, there is a significant degree of diversity in processes for determining changes in work practices within Europe¹⁸ (Baldry, 1994). It should be noted that the OECD, ILO and the United Nations have issued guidelines for application by MNEs on labour, human rights

¹⁸ In Germany and Austria, the process is separated from wage bargaining, and entirely by national negotiation, while workers are consulted continuously on design and implementation via the works council. In the UK, the process is part of wage bargaining on a quid-pro-quo basis. In Spain, the changes are treated as a matter of management prerogative in which unions have no input at all.

and environmental standards (Murray, 2001) which are substantially consistent with related elements of the EU Charter¹⁹.

In this connection it is worth considering inter-cultural differences. The famous 1980 study by Hofstede (1980) provides an illustration. The work has been criticised as being rather broad-brush but it is nonetheless of interest in reviewing management issues – what the objectives of an organization should be, what motivates people, how they should relate to their colleagues and supervisors, and how people should be trained. Another attempt at identifying national differences in culture and institutions, affecting the philosophy and style of management in different EU countries may be cited. (Calori *et al.*, 1994) The difference between the UK and Continental EU countries, especially on the place of unions, was mentioned earlier. It is submitted that, in broad terms, in Southern Europe (covering the Latin countries), compared to Northern Europe (which includes the Nordic and Germanic countries), management is more hierarchical and less formalized, there is more state intervention, and there are more family businesses, especially in Italy. Sub-dividing the broad Northern grouping, in Germany, business has strong links with banks and a system of co-determination with workers' representation on Boards. The Nordic countries differ from the Germanic countries and Benelux in having a larger public sector. Nordic management is said to be more concerned with the quality of working life while Germanic management is more concerned with performance and status. Benelux and Switzerland have developed a blend of European and Anglo-Saxon models. And so it goes on.

Another differentiating factor: the education and training systems of managers may have a bearing on differences in management practices. (Tyson, and Wikander, 1994) It appears from a survey that 24% of German managers had a worker employment background, compared to 1% of their French counterparts. While 50% of French senior managers came from the middle and upper class, 33% did so in Germany; while 46% of French managers graduated from the prestigious 'Grandes Ecoles', only 16% of German managers graduated from the equivalent schools (Calori and Seidel, 1994: 64).

The influence of HRM managers at Board of Directors level varies between EU countries, reflecting the importance placed by the Board on the HRM function. It is more prevalent in France (88%), Sweden (79%) and Spain (77%) than in the UK (49%) and Germany (46%); although in Germany, the presence of an employee director (by law) makes up to some extent for the difference. In Sweden and the Netherlands, worker representation on Boards also occurs.

There are differences in Member State labour laws²⁰, in the forms, structure, power and density of unions, in union ideologies and links with political parties,

¹⁹ I have found no record on how closely the specified standards have been observed. For a detailed study of control mechanisms of MNEs towards their subsidiaries in other countries and the processes involved, see Harzing, A.-W. K, 1999.

²⁰ For example, contrary to most other EU countries, under Austrian, Belgium and UK laws, the right to strike is not explicitly allowed or restricted. Whereas in France, Italy, Spain and Portugal, the right to strike is written into the constitution. Most Member States, except

religious bodies, and collective bargaining coverage²¹. In addition important differences in tax laws, in social welfare philosophy and practices have persisted, varying in their priorities of protection against risks, composition of social expenditure, sources of funding, and the administration of welfare services. Four models have been distinguished: Anglo-Saxon (Ireland, UK), Continental European (Austria, Belgium, Germany, France, Luxembourg, Netherlands), Scandinavian (Denmark, Finland, Sweden), and Southern European (Spain, Greece, Italy, Portugal; Biffi, 2003b).

The considerable diversity in the level of training of the workforce has been analysed by the OECD (1999). Formal and continuing training is relatively low in Southern European countries (Greece, Italy, Portugal and Spain), while it is relatively high in the UK, France and most of the Nordic countries. There is also considerable variation between EU countries in the age of the trainees. In the Nordic countries (except Finland), older workers receive as much training as younger ones, while they receive less training in France, Greece, Portugal and Spain. A strong link has also been found between national levels of educational attainment and achievement on the one hand, and workforce training on the other, underlining the importance of schooling in later training.

Finally, evidence of diversity is shown in an extensive survey covering over 800 organisations, both private and public, employing more than 50 persons in 10 EU countries and 50 case studies²². The purpose of the study was to discover the extent to which, what it calls, '*new forms of work organisation*' are being applied and what the obstacles and its underlying causes to this form of organisation are. In substance, the study defines '*new forms of organisation*' with a strategic approach in which the various sections of an organisation are integrated and operate consistently to meet the objectives of the organisation²³. This is referred to as the '*system*' approach.

Although the Report maintains that there is no single 'right' organisation or 'right' combination of new forms of work practices, it does argue for a 'system' approach as most likely to yield efficiency outcomes. And it refers to studies in Germany and the US to support this contention (p. 17). However, while it sees the scheme as promoting a closer relationship between management and employees, it is aware of the risk of '*potential intensification of work, and an erosion of traditional relationships between unions, workers and managers*' (p. 6). It claims that

UK/Ireland, draw a distinction between conflict of interest and conflict of rights disputes. On the latter, disputes are resolved by arbitration or by labour courts. The considerable divergence is regarded as a major barrier to harmonization and convergence (Szyszczak, 2000: 33).

²¹ Collective bargaining coverage varies from almost 100% in Austria and Belgium, to, at the lower end, the UK at 36 percent (Carley, 2002: 6).

²² Entitled 'New forms of work organisation: the obstacles to wider diffusion', final report, October 2002, the study was sponsored by the European Commission and carried out by Business Decisions Limited with an advisory group mainly of academics

²³ A group of inter-related and internally consistent work practices and human resource management policies' (p. 2).

there is no evidence from its study to show that it is more difficult to implement changes where employees are represented by trade unions. However, this conclusion seems to contradict the survey finding that the second most important source of resistance is from employees and their representatives (p. 45).

All in all, despite a central core of commitment, particularly on the place of unions and collective bargaining in management activity, there are significant differences in management practices among the EU countries²⁴. Many of these differences have a historical basis, the lapse of time consolidating them into a cultural force. But are most of them critical to efficient management or simply alternative methods of management, a matter of 'taste'? The answer is not clear and deserves to be investigated further. It may turn out that they work reasonably well in their particular settings.

Will any of these differences persist? One view on EU convergence is that *'The idiosyncratic national institutional settings are so variable that no common model is likely to emerge for the foreseeable future'* (Brewster, 2001: 268). Another view is that *'while transfer will lead to change, it will not necessarily lead to convergence because transferred practices often go through a process of transmutation, in that they operate differently in the recipient unit from the way they had operated in the donor unit'* (Edwards, 2003). Yet another view is that there will be a slow convergence as countries take from each other what is seen as the *'best characteristics of each culture ... there will be a slow osmosis': 'The French won't change, the Germans won't change, but they will adopt good practices from their neighbours.'* And there will be a slow convergence of management systems world-wide *'especially between Europe and the United States'* (Calori and de Woot, 1994: 70-71).

Concluding observations: the challenge to inter-cultural differences from economic and technological forces

While cultural differences can apply a brake on imported management philosophies and techniques, 'culture' is not static even if it changes slowly²⁵. In this connection, while it is interesting to consider whether there will be greater convergence in such HRM practices as performance evaluation, reward systems, communications methods, etc., perhaps the most important question to ask concerns the character of industrial relations in EU countries. In particular, to what extent

²⁴ The roots of what has been called the 'European paradox' reflecting the tension arising from the co-existence of unity and diversity ('diverse but not adverse') is discussed in Noe, 2002.

²⁵ The experience of a number of Anglo-Saxon countries, including Australia, New Zealand, the UK and Canada, all countries with a long tradition of unionism, shows that changes in the political climate can bring down legislation less sympathetic to unionism on the pretext of the competitive pressures of globalisation.

the role of unions will be compromised by the challenges facing them in the changing environment in which they operate – declining union density and power in most countries, growing unemployment and employment insecurity in the face of downsizing, outsourcing, relocation, sub-contracting and other segmentation devices facilitated by technology and the intimidating force of capital mobility internationally.

Further, pressure on the unions to conform has come from the spread of flexible work arrangements such as casual and part-time employment, fixed-term appointments, core and peripheral employees, home-based work, teleworking and other such arrangements for which union membership appears to have little appeal (Mayne, Brewster and Morley, 2000). Many of these practices have been associated with the adoption of HRM and new technology under global competition. In the circumstances, what is the future role of European unions in dealing with HRM practices? Are they simply likely to accede passively to management demands for flexibilisation, being realistic about their loss of power *vis-à-vis* management in the competitive international economic environment? Will such 'nominal' union power result in a loss of appeal of unionism and lead to a further decline in union membership?

The spectre of the 'Americanisation' of European industrial relations, at least towards it, under the pressure of the monetary and fiscal discipline of a common currency, cannot be discounted. In this connection, one writer (Hyman, 2001: 288-89) has argued that competitive market forces *'are tilting the balance of European social market economies away from the social'*; and that the present diversity of industrial relations and the associated management practices, is the result of many decades of protectionism in which nation states had substantial power to determine economic policy. Globalisation has altered this context. And especially within EU, now with monetary union, Member States have effectively little room to manoeuvre on monetary and fiscal policy without violating the rules to which they are bound. These disciplines are *'inherently antagonistic to the principles of social protection and social partnership which underlie most European industrial relations systems'* (Hyman, 2001: 289). Can it be argued that even in the EU, the acceptance of unionism by management may be a thin veneer, held down by legislation and the present political forces which sustain it?

A further pertinent question: how will the present EU states be affected by EU Enlargement? Although productivity is generally lower in the Accession States, wages are also appreciably lower and hours longer than in the EU States. Will there be *'One Europe or Several'*²⁶? The answer to these questions must be in the nature of inferences drawn from the meagre factual material, with some inconsis-

²⁶ The title of a research project sponsored by the European Foundation for the Improvement of Living and Working Condition.

encies, currently available about accession states²⁷. (Biffi, 2002; European Commission, 2002)²⁸.

However, on the information available²⁹, the following points produce a picture of contrast with the EU:

- A high proportion of people of working age appear to be either self-employed or in the informal economy which has grown following the collapse of the command economies, some of the sharp increase in unemployment having been absorbed into the informal economy. It is estimated that between 30 and 50% of GDP is derived from this sector compared to 10 to 20% in the present EU members (Biffi, 2003a: 1). On the reasonable assumption that productivity in this sector is lower than productivity in the formal economy, the proportion of persons involved in the former is higher than is indicated by GDP measures. This means that a large proportion of the working population have no legal or social protection.
- Unionism is weak, affected by political rivalry in some states, and weaker than is suggested by density figures³⁰ - at the upper end, Slovenia and Slovakia (40%), and at the lower end, Hungary (20%), Poland³¹ and Lithuania (15%) (Carley, 2002: 2). The average rate of unemployment is twice that of EU member countries (Carley, 2002: 8). Although the right to strike (except political strikes in some states) is protected under their constitutions (Nagy, 1996: 16), many workers prefer to take multiple jobs, some in the informal economy, rather than strive to improve their positions through collective bargaining (European Commission, 2002: 98).
- In the formal economy, 50 to 60% of employees work in enterprises with less than 50 workers. In Slovakia, 97% are units with less than 50, of which 80% employ less than 10 persons. In these small establishments, management practices must be assumed to be basic with nothing like the sophistication expected of HRM. The relative low pay of Personnel Managers reflects the low status of HRM/IR. Worker training from employers is not common although compared to the EU members, a higher proportion of the population have been educated beyond lower secondary level (Carley, 2002: 8).
- Collective bargaining is generally at the enterprise level. Most SMEs do not engage in collective bargaining.

²⁷ For purposes of convenience we will refer solely to the CEECs.

²⁸ There are no systematic studies of trade unionism, strikes, collective agreements and other industrial relations matters (European Commission, 2000: 118).

²⁹ Unless otherwise indicated, the data on the accession countries presented below are drawn from European Commission, 2002a.

³⁰ Comparative figures should be treated with caution because of different definitions adopted, many of the unemployment figures are estimates, and the size of the informal sector would have affected the estimate of the size of the workforce.

³¹ In Poland, unions have become increasingly marginalized by channels of non-union representation such as workers' councils and employee representation on supervisory boards. European Industrial Relations Observatory, on line, August 2002.

- Many foreign investors are not in favour of collective bargaining.
- Except in Slovenia and Slovakia, (Carley, 2002: 3) collective bargaining is also impaired by union rivalry while there is no tradition of employers joining associations.
- Although there are legal provisions on labour standards and collective bargaining in line with ILO Conventions, enforcement is poor (Musiolek, 2002). In Hungary, the minimum wage is determined by regular tripartite agreements; and in the Czech Republic and Slovakia, wider issues are covered (Carley, 2002: 3).

These are still early days. With the pressure of EU social principles, in time, greater convergence in the CEECs towards EU practices may be expected. However, this could take a long time. Meanwhile, the impact of trade and migration between EU and CEECs will produce changes in the structure of industry on both sides (Biffi, 2003). The relative abundance of unskilled labour in the CEECs, the relatively lower wages generally in these countries, and the opportunity afforded by technology for the export of services without emigration, will draw certain industries away from the EU and produce unemployment there, unless those affected are re-skilled and/or are relocated – often easier said than done. In addition, the flow of unskilled migrant workers into the Member States, will compound the unemployment problems in those states as well as add to the size of the informal sector.

Although the adjustment problems should not be exaggerated, since the combined GDPs of the CEECs is less than 10% of the EU's GDP (Dyker, 2000: 5), unless offset by significant trading complementarity, competition from accession countries in addition to global competition, could present a challenge to the EU's social economy, social partnership and stakeholder approach with their overtones of equity. This is particularly pertinent if the world slides into a major recession. In the circumstances, the convergence *de facto* of EU's HRM/IR towards the American philosophy, may not be altogether fanciful. This trend could be expected to take place in some states more than in others, bearing in mind the substantial autonomy of the member states on labour law. Inter-cultural forces are not static, especially when they have to contend with economic and technological imperatives.

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