Multi-national Corporations, Sub-National Governance and Human Resources

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International Colloquium “The Strategies of Multinational Corporations and Social Regulation: European and Asian Perspectives”
Hong Kong, 14-15 June 2011
Multinational corporations, sub-national governance and human resources: a cross-national comparison

- Four country (UK, Canada, Ireland, Spain), eight region project
  - Anthony Ferner, Olga Tregaskis (DMU), Maria Gonzalez, David Luque (Oviedo), Javier Quintanilla (IESE, Madrid), Paddy Gunnigle, Jonathan Lavelle, Sinead Monaghan (Limerick), Tod Rutherford (Syracuse), Gregor Murray (Montreal), John Holmes (Queen’s)

- Investigates interactions between MNCs and sub-national economic governance actors (eg development agencies, regional government, social partners, skills and training institutions, etc.):
  - “direct” interactions (attracting investment, aftercare, negotiations involving public sphere and individual MNCs)
  - “proximate interactions” (attempts to shape/adapt elements of business systems, e.g. “skills ecosystems” in ways that seek to attract, retain and embed high skilled, high value added investment)

- Economic/political governance factors and firm-specific factors which shape embeddedness of inward investment in regional host economies
Why does the sub-national level matter?

• “Host effects” increasingly about competitive provision of resources rather than about imperative constraints
  – Move from protecting national capital to seeking to attract and retain mobile investment (foreign MNCs PLUS domestic firms which could relocate production)
    • Competitive provision of resources easier to achieve at more local levels, where specific institutional and skills provision can more easily be “tailored” to specific firm/sector/cluster needs
      – “localised tacit knowledge” argument
  – Fragmentation of production (and service provision) across organisational and geographic space means it is vital for regions that localised MNC units, and other local firms, can imbricate themselves within global production networks.
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<th>Skills and knowledge</th>
<th>Value chain</th>
<th>Parent orientation</th>
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<td>MNC need to access geographically-specific combinations of skills and knowledge.</td>
<td>Need and possibility for subsidiary unit to bid for new investment in higher positions within global value chains</td>
<td>Ability of MNC to engage with ‘high trust’ relations with local firm and governance actors (shaped by dominant conventions of trust within MNC)</td>
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<th>Host national business system</th>
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<td>Difficulties of coordination in compartmentalised business systems</td>
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<td>Difficulties of ensuring adaptability in systems with greater degree of non-market coordination</td>
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<th>Degree of sub-national business system autonomy</th>
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<td>Higher levels of autonomy (political, but also of other business system actors) may create greater scope for institutional innovation</td>
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DEGREE OF IMPORTANCE OF HOST SUB-NATIONAL BUSINESS SYSTEM TO MNC UNIT
Skills and knowledge

Local embeddedness potentially higher where:

• MNC unit requires skills distributed unevenly across national labour market, from local labour market, rather than generic skills (e.g. advanced manufacturing (aerospace clusters etc) vs customer service skills)
• Where labour market for MNC unit is primarily local, rather than national/international
• Where knowledge creation/management strategy of firm supports engagement with other local actors
  – i.e. High skills does not always mean highly embedded, eg Astra Zeneca (England)
Value chain

Embeddedness potentially higher where:
• Local MNC unit needs to bid for new and repeat investment
• Where there is potential to upgrade position in internal value chain, through bidding for global/international mandates

Where these are the case, local unit likely to become more ‘domesticated’, and to engage more with local skills and employment institutions, development agencies, etc. Potential for development of subsidiary business development strategies with some autonomy from those of MNC HQ

  e.g. UK operations of US auto firm attempting to attract Chinese parts manufacturers to co-locate, to improve UK subsidiary’s competitive position within MNC.
Parent orientation

• Ability to develop high-trust relations between MNC units and local institutional actors may vary according to corporate governance factors
  – longer-term approach of firms less driven by short-term shareholder value pressures
  – potential ‘country of origin’ effects (“stakeholder tolerance” higher in European than US firms...
Host national business system

- Whitley (1999): in very liberal economies (UK/USA), economic coordination mainly in corporate hierarchies/markets.
  - In England, difficult to aggregate skills needs, as firms exist largely as ‘islands’ of coordination (very weak employer association creates ‘market failures’ – governance actors try to correct these, but they themselves have insufficient authority/credibility). Vocational/sectoral skills institutions weak and unstable.

- In more coordinated economies (continental Europe, Québec), easier in principle to aggregate needs, but question over whether national fixes (eg over skills) can be sufficiently flexible for dynamic needs of particular global production networks.
Sub-national business system

- Sub-national autonomy promotes interactions between MNC units and governance actors
  - very weak regional institutions (England) exacerbate problems of coordination
  - Strong sub-national political autonomy (Spain, Canada) creates greater possibilities for sub-national strategies, pacts, and productive adaptations to national business system
  - Regional development agencies have more to negotiate with if there are relatively ‘thick’ regional institutions
  - But, very strong autonomy creates dangers of intra-national ‘regime shopping’

- Political legitimacy and “match” with labour market areas shape potential for effective sub-national action (strong in Asturias, Spain, weak in English regions).
Comparative questions

• Relation between sub-national autonomy of business/political systems, interactions, and territorial embeddedness (anchoring PLUS overspill potential)?
• Skills embeddedness – do firm specific vs general skills differ according to business system factors?
• “Governance of overspill” as dependent on national and regional business and political systems? Evidence from wider range of regions and countries needed.