



CROSS-CULTURAL ASPECTS OF PERSONNEL POLICIES IN MULTI-NATIONALS: A CASE STUDY OF CHRYSLER UK

by



***HARISH C. JAIN**

NEIL HOOD and Steve Young

*Harish C. Jain is Associate Professor, McMaster University, Canada, and Neil Hood and Steve Young are both Senior Lecturers at Paisley College, Scotland.

**INNIS LIBRARY
NON-CIRCULATING**

Innis



HB

74.5

.R47

no.134

FACULTY OF BUSINESS

McMASTER UNIVERSITY

Research and Working Paper Series #134

June, 1977

Personnel and industrial relations policies of American multinational corporations (MNCs) in Europe and elsewhere are becoming well known (Gennard and Steuer, 1971; Roberts and May, 1974; Gunter, 1974; Warner et al, 1972, 1973; Jain, 1974; Peci and Warner, 1976; Kujawa, 1971; Chruden and Sherman, 1972; Haire, Ghiselli and Porter, 1967; Myers, 1965; Teague, 1960). The US MNCs are distinguished by highly developed personnel departments; "common industrial relations policies at all locations in the international enterprise", (Balford, 1976); human relations programs directed at winning the special loyalties of their employees (e.g. company badges to encourage corporate nationalism), (OECD, 1976); and special compensation programs including wage administration, job evaluation systems, fringe benefits programs developed in the MNCs home country, special training programs, etc. (Kassalow, 1976). These elements combined together make the MNCs new and different kind of organizations than national companies, especially from the viewpoint of native workforce and trade unions.

The American MNCs reliance on home-based personnel and industrial relations (P&IR) policies is understandable since most of our knowledge about effectively administering personnel has been derived through research carried out in the US. However, from a European as well as global perspective, principles of good personnel management have been developed from a very restricted sample of human experience. At an earlier date such an ethnocentric approach may have been understandable and unavoidable. But today multinationals operate in all parts of the world. They need expert guidance in human resource management, since lessons learned in the US may be of questionable relevance elsewhere, (Murray, Jain and Adams, 1976). Therefore, studies of the effectiveness (or ineffectiveness) of the American subsidiaries P&IR policies abroad can serve many useful purposes and provide needed theoretical insights for building a useful

framework for the comparative analysis of P&IR administration. Some of the important advantages gained by such studies are that they might help provide guidelines to the newer American companies going abroad about the modifications in P&IR policies required of them in operating overseas; furnish the upper limit to the transferability of American P&IR policies and techniques in foreign countries and provide some insights concerning the impact of environment on P&IR policies and their effectiveness, (Negandhi, 1971).

In this paper, we attempt to apply a framework⁽¹⁾ for the cross-cultural comparative analysis of personnel policies, (Jain 1974; Murray, Jain and Adams, 1976) to Chrysler Corporation and its British subsidiary, Chrysler UK Ltd. While the framework is applied to only a single company, the Chrysler UK case study provides a good example of the consequences of following an ethnocentric approach to P&IR administration abroad.

The framework (Murray, Jain, Adams, 1976) was developed to systematically evaluate the various aspects of cultural variation on P&IR policies, in an attempt to demonstrate how and why "best American practice" may have to be reassessed or entirely abandoned in non-American cultural complexes. The framework consists of three elements, as depicted in figure 1:

1. Personnel Management process such as manpower planning, recruitment and selection, training and development, motivational systems (including employee welfare policies e.g. fringe benefits, safety, etc.) and collective bargaining.
2. Cultural environment which includes educational, sociological, political and legal, and economic characteristics.
3. Points of Influence. Most general discussions of comparative management make the implicit assumption that an environmental constraint will have its effect on management in only one way: by rendering a given management practice or policy, which is effective in one setting, invalid in another.

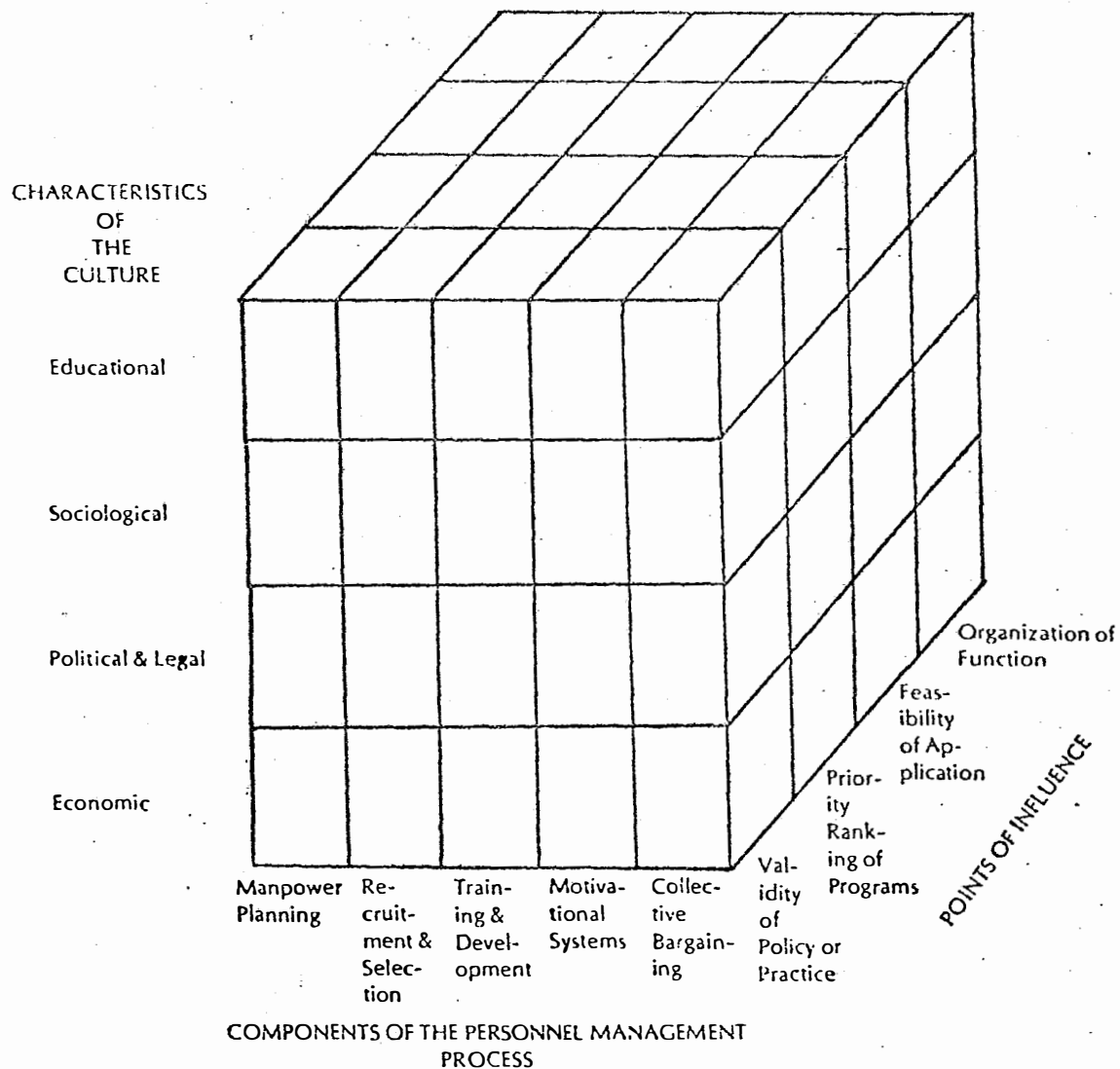


FIGURE 1. A Framework for Cross-cultural Comparative Analysis of Personnel Policies.

That is, something that "works" in one country won't necessarily work in another. But this is not the only way in which the cultural environment can affect a management function like personnel. It can also affect priority ranking of programs, feasibility of application and organization of personnel function.

This framework is applied in the UK cultural context to the personnel management process (e.g. personnel policies and points of influence) at Chrysler UK, as specified in Figure 2. The three elements of this framework are analyzed below.

1. Political, Legal and Economic Characteristics of the UK Environment

(i) High government spending

The growth of Government spending in relation to GNP, which will only begin to be reversed as from the 1977/78 fiscal year, has had profound effects. Resources have been diverted away from manufacturing industry into the labour intensive service sector. This, it had been argued (Bacon and Eltis, 1976), has slowed down the rate of productivity growth in the economy as a whole, and has been a major contributory factor in Britain's poor economic performance.

(ii) Government Incomes Policies

Low economic growth, however, has encouraged even greater Government involvement in economic affairs, and so in the last fifteen years or so, different governments (i.e. Conservative as well as Labour) have concocted a variety of recipes (including income policies) to deal with the economic ills. The primary function of the incomes policies has been to control the inflationary wage pressures the industrial relations system was felt to be producing. Successive governments have through legislative means or through persuasion (e.g. as in the case of the 'Social Contract' between the Trade Union Congress and the Labour Government since 1974)

Figure 2. A Framework for Analyzing the Relationship Between the UK Context and the Personnel Management Process at Chrysler UK

Characteristics of the UK Cultural Context	Personnel Policies at Chrysler UK	Points of Influence
<p><u>1. Political, Legal & Economic Characteristics</u></p> <ul style="list-style-type: none"> (i) High Government Spending (ii) Government Incomes Policies (iii) Government Legislative Reform for Unions and Employers (iv) Government Regional Policy <p><u>1.1 Trade Unions</u></p> <ul style="list-style-type: none"> (i) Multiple Unions (ii) Shop Stewards vs National Unions (iii) Union Fears of Insecurity and Unemployment <p><u>1.2 Auto Industry</u></p> <ul style="list-style-type: none"> (i) Heavy Dependence on Bought Out Parts (ii) Low status of P&IR function (iii) Impact of Government on Operations of Auto Industry and Chrysler <p><u>2. Sociological Characteristics</u></p> <ul style="list-style-type: none"> (i) Rise of Nationalist Sentiment in UK (ii) Anti MNCs Sentiments (iii) Anti-industry and Anti-blue Collar Ethic 	<ul style="list-style-type: none"> (i) Centralization of P&IR (ii) Compensation Policies viz method of payment, etc. (iii) Single Union (iv) Non-involvement with Employers Federation (v) Trans-national locus of decision-making (vi) Negotiating Freedom 	<ul style="list-style-type: none"> (i) Organization of the P&IR function (ii) Validity of US best practices (iii) Feasibility of Implementation (iv) Priority ranking of objectives and programs

override the process of collective bargaining which has become largely divorced from the market mechanism of the supply and demand for labour.

(iii) Government Legislative Reform for Unions and Employers

The Donovan Commission in 1968 examined the state of industrial relations in Britain and pointed to the gap between the formal system of industry-wide bargaining and the extent of informal plant-based bargaining. It argued that the latter was increasingly the reality with which the institutional structure (e.g. employers and unions) must come to terms, and that comprehensive plant or company agreements were necessary for reform.⁽²⁾

The attempt of the Conservative government in 1971 to force through legislative reform⁽³⁾ in the form of Industrial Relations Act of 1971, incorporating many features of the American legal structure, met with immense hostility from the labour movement and a wave of politically motivated strikes. The Act was quickly revoked. It is no wonder that in the last decade, in Britain - much more than other countries - industrial relations issues have become central economic and political issues.

(iv) Government regional policy

In an attempt to alleviate income and employment disparities between regions - broadly speaking only the Midlands and South East of England has prospered - Governments in the 60's introduced more "active"⁽⁴⁾ regional policy measures, (Moore and Rhodes, 1973). As part of Government dispersal policy, all of the UK auto manufacturers were forced to locate new capacity in the more economically backward 'development areas' in the UK. Rootes Motors Ltd., before Chrysler involvement, were persuaded to set up their new auto factory in Scotland in 1963, 250 miles north of their other motor manufacturing facilities. The hope was that this would act as a 'growth pole' with a satellite ancillary and components' sector being attracted to the area. But such hopes never materialised, with inevitable consequences for production costs at Chrysler's Linwood (Scotland) plant.

1.1. Trade Unions

(i) Multiple Unions

The structure of trade unions, in itself, creates a major source of difficulty in collective bargaining. Due to a strong voluntaristic tradition of government non-involvement in labour management relations, numerous unions grew up in an ad hoc and unplanned way, helped by loose jurisdictional boundaries. Unlike North America, the British automobile industry does not face one trade union but a multitude.⁽⁵⁾ Consequently, the pace of settlement on such personnel and industrial relations matters as wages, conditions of work or productivity is slow (Rhys, 1974) and there is constant scope for inter-union disputes, and wildcat strikes.⁽⁶⁾ British Leyland, for instance, has (246 bargaining units in 59 plants, and) 17 unions with whom negotiations must be conducted. Similarly, the Ford plant in Dagenham, England, which employs around 58,000 workers has more than 20 unions, a number of which have overlapping jurisdictions. An official inquiry into the unrest at Dagenham found the existing system (e.g. multiplicity of unions) "frustrating and indefensible" ... "causing inefficiency in settlements." (Kassalow, 1969, p.163). The number of unions are decreasing through mergers, one of the most important being in 1972 when the Transport and General Workers Union absorbed the Vehicle Builders Union. But workers in the industry are still far from being represented by a single union.

(ii) Shop Stewards vs National Unions

The large number of unions and other factors, for example, collective bargaining traditionally being carried out externally to the plant, and union organization being based on the geographical area rather than the plant, have created further problems. Thus communications with and control over the membership in the plant has been difficult for the national union. This communications gap was filled by the shop steward. The auto industry in the UK, in particular, has proved a solid base for, often unofficial,

shop steward and shop floor power.⁽⁷⁾ This has led to a diminution (devaluation) of the formal union bargaining power. The average worker frequently tended to see the steward as the embodiment of the union and pay little attention to its larger activities.

(iii) Union Fears of Insecurity and Unemployment

Personnel and labour relations are affected by the fears unions have about the dangers of plant or department shut downs, or the curtailment of future investment on the part of multinational managers. For instance, during labour disputes in the auto industry in the UK, the US owned companies have threatened to shut down plants and curtail investment. In the 1971 Ford strike in Great Britain, Henry Ford was reported as saying that the parts of the Ford Escort and Cortina cars which were made in Britain and assembled in Asia would no longer be made in the former country. Similarly, during the course of a strike in Britain in 1973, the Chrysler company gave a warning to the workers that there would be no more investment "until we have demonstrated over a reasonable period of time that we can sort out our problems in a constitutional manner, while continuous production is maintained" (Young and Hood, 1977). Moreover, unions feel frustrated because they represent only a small fraction (about 10 per cent in the case of Chrysler UK) of the companies world workforce (Benedict, 1973).

1.2. Auto Industry

(i) Heavy dependence on bought out components

A number of special characteristics of the auto industry should also be noted. In particular, all the auto manufacturers in the UK are dependent on outside suppliers. Between 70 and 85 per cent of the material cost of autos in the UK is accounted for by bought-out components, a much higher proportion than in other countries, (Young and Hood, 1977). This is advantageous in that it enables a small company such as Chrysler to partially offset its small size by taking advantage of external economies

of scale. On the other hand, it also means a much greater insecurity in supplies. With components being obtained from a wide variety of sources, the auto manufacturers are very vulnerable to production stoppages in the components' industry. Given the integrated nature of the production operation, this can result in exogenous disruption to employment. Other features of the auto industry, such as the monotony of assembly line work etc. are not unique to the industry in the UK, but, of course, also influence the required P&IR policies.

(ii) Low status of P&IR function

According to Rhys, (1974), personnel and labour relations function was not regarded as of sufficient importance to warrant boardroom representation. It was "... left either to junior management unsure of their own powers or to a changing group of head office administrators called in to deal with trouble when it occurred, when the need was for trained personnel officers at plant level with considerable powers of discretion to bargain and who has a high status within the motor company's organization." The low status of the P&IR function is not surprising since the companies, in the auto industry, "were run by men who viewed themselves as running an engineering company for engineers by engineers," (Rhys, 1974).

(iii) Impact of Government on operations of auto industry and Chrysler UK

Apart from government policy measures which influenced the UK environment in general (noted in section 1), the UK government also took decisions which affected the operations of Chrysler UK and other auto manufacturers specifically. Certain of its demand management measures operated directly on the auto industry, evoking bitter criticism from the manufacturers that the industry was being used as a short-term economic regulator for the economy as a whole. Credit restrictions, for example, operated with most force on the auto industry and were changed frequently to influence demand. In the period 1960 to 1975, there were 25 changes in government policy affecting the motor industry.

A different aspect of government policy affected Chrysler in its role as an incoming multinational firm. Chrysler was permitted to take a majority holding in Rootes Motors in 1967 only on acceptance of certain conditions imposed by government. Some of these were aimed essentially at the expansion of employment and exports and were fairly innocuous. Of more importance was the political element in the package, which was a required undertaking to focus expansion on the loss-making Scottish plant.

1.3 Sociological Characteristics

(i) Rise of Nationalist Sentiment in the UK

Although the entry of the UK would seem to indicate a lessening of parochialism, this was countered by a rise in political nationalism within the UK, and particularly in Scotland. The latter is a factor in increasing business uncertainty, if nothing else, for the 150 or so US firms located in Scotland. As the Chrysler case revealed, however, the political weight which nationalism brought to a large employer in an area of exceptionally high unemployment such as West Central Scotland was very significant.

(ii) Anti MNC's Sentiments

Anti MNC's sentiments can be expected in all host countries to some degree. In the UK indeed such sentiments might be less widespread than elsewhere given the cultural affinity between the US and the UK. Nevertheless the requirement for the American presence to be as unobtrusive as possible in dealings with employees, host governments etc. still applies.

(iii) Anti-Industry and Anti-Blue Collar Ethic

This is partly a function of the high level of government spending noted earlier. The greater job security, better working hours and conditions and often higher wages payable in government white-collar jobs have both reduced the supply of skilled manpower to industry and also produced an anti-industry

and anti-blue collar ethic. In parallel with the cuts in government spending over the next few years, strenuous efforts will undoubtedly be made to reverse such attitudes.

The characteristics of the host culture described above have an impact on the P&IR policies of the MNC's. Similarly the P&IR policies of the MNCs have a general social, economic and political impact on the host culture. Thus, there is an interdependence between the two, each affecting the other. For instance, when an American MNC introduces 'US best practices' in the P&IR area in its subsidiary in UK, the effects of these policies and practices are felt by the employees, trade unions and industry directly and by the economic, social and political system in UK indirectly. Similarly, how these P&IR policies and practices are perceived and acted upon by the workers, unions etc. might reveal the considerable impact of environmental and cultural factors on the effectiveness or ineffectiveness of these policies.

Some of the "best US practices" in P&IR are as follows;

- (1) It is preferable not to deal with trade unions. Where management must deal with them, only one union should represent any given group of employees. This principle (e.g. single union) is embedded in North American law and practice, (Woods, 1973).
- (2) Collective bargaining should be restricted to terms and conditions of employment, and management rights should be carefully protected. Unions do not have the right to contest management decisions which are not specifically related to contract terms, (Murray et al, 1976).
- (3) Where unions are recognized, negotiations must be carried out in a business-like manner, without any ideological or political overtones. Few unions in the US challenge the right of management to decide most business policies. There is a fundamental consensus among all parties accepting the capitalistic form of economic organization, (Murray et al, 1976).

The Chrysler UK P&IR policies listed in Figure 2 seems to be based partly on what might be considered the 'US best practices' of the parent corporation (e.g. single union, non-involvement with employers federation), partly on accepted norms in the auto industry (e.g. measured day work should replace piecework as a method of payment) and partly on what could be viewed as essential and efficient in any multi-plant firm (e.g. common payment systems). Irrespective of their desirability, however, rigid or hasty attempts to implement such policies would be likely to produce conflict in union-management relations.

There is no scope within a brief article such as this to examine in detail the ways in which such conflicts have arisen in Chrysler UK or to try to allocate responsibility between unions and management. Rather, by giving examples from a number of dispute situations, the aim within this paper is to highlight the importance of flexibility and of adaptation to the host country environment, when devising and implementing P&IR policies for overseas subsidiaries. As will be shown, such characteristics were notably absent in the case of Chrysler UK. Not only was there neglect of the effects of UK environment on the validity of P&IR policies in Chrysler UK but the priority ranking of policy issues, their feasibility and how the decision-making and implementation process should be organized were also neglected.

II. Personnel Policies at Chrysler UK

(i) Centralization of P&IR

One of the problems in the P&IR area between Chrysler UK and its employees and unions lay in Chrysler's inheritance from Rootes, particularly the methods of managing pay systems and the negotiating procedures which had been operated throughout the 34 group companies until 1967. The Chrysler takeover brought major restructuring of staff and an extensive drive towards centralization. In the P&IR field, it meant a rapid change away

from the prevailing system of a Rootes personnel director with scarcely any supporting staff and almost no involvement in the 34 group companies. Immediately, upon takeover, autonomy was removed from the companies and a start was made in the introduction of well-established American control systems to govern work measurement and payment. Some of the latter had been under discussion previously but were only actively pursued under Chrysler. While inevitable, and desirable, the changes produced a general atmosphere of uncertainty which influenced the overall climate for P&IR; patience and care in creating an adequate machinery for negotiation and consultation, and introduction of new payment schemes should have been the important ingredients of managing human resources. This, however, was not to be,

(ii) Compensation Policies (viz Method of Payment, etc.)

Traditionally the UK owned auto companies paid workers on a piecework basis which caused many problems of differentials between grades. This is because each job was priced at a particular rate and each group of workers was concerned lest other groups narrowed or widened the pay differentials, an explosive issue. This resulted in significant pay variations between areas and firms leading to problem over differentials etc. To avoid such problems auto companies have been moving in the direction of time rates, (Rhys, 1974).

Before Chrysler took over from Rootes, the latter had continued with piecework. The type of piecework system operated at Rootes had never been used by Ford in the UK and had been dropped by GM in 1942. After taking over from Rootes Chrysler UK attempted to introduce the Measured Day Work (MDW) system. The discussion concerning its (MDW) introduction went on for two years. In 1968 the company announced that the scheme would be introduced without agreement. But as a consequence of this action, conflict became inevitable. This was particularly so, when Chrysler embarked upon what was to become normal practice in dispute situations, namely to issue threats about the company's prospects in the United Kingdom. Such threats merely had the effect of inflaming

anti-multinational and anti-American sentiments. The time chosen for confrontation on this issue seemed particularly opportune (for unions) when most motor vehicle plants were operating close to capacity, due to booming market conditions.

Another issue which caused problems was Chrysler's attempt to implement a Common Wage Structure in its plants. The issue first came to a head in Chrysler's Scottish plants where the two factories had quite separate systems of pay and conditions. Frustrated by the negotiations the company once again tried to implement its scheme without having secured the approval of all the unions. This led to a prolonged dispute and the establishment of a Court of Inquiry. The latter concluded "that in terms of payment and related benefits this is an Agreement which reasonable men should be able to accept without difficulty." However the management were openly criticised for operating the Agreement when only the two larger unions involved had signed it and, the court claimed, the company had "acted with rapidity in a situation requiring patience." (Report of the Court of Inquiry , July 1968).

(iii) Single Union

The tradition of multiple unions in UK due to a strong voluntaristic tradition of government non-involvement in labour management relations, was explained earlier in the paper. Despite this tradition, if Chrysler had been establishing a completely new operation in the UK, non-unionization may have been possible, since other US subsidiaries in Britain, notably IBM,⁽⁸⁾ do follow this type of policy. However, an entry policy based on acquisition and conditional on Government approval would not have permitted this. Nor was the attainment of a single union situation feasible. The closest, albeit still sub-optimal, approximation from a management viewpoint would have required an acceptance of the status quo on the trade union side, balanced by a strengthened and experienced middle management negotiating team. In

apparently operating such a policy, Chrysler encountered certain difficulties in the employment of middle managers more in tune with practice in the US than in Europe.

Unions too tried to exploit the 'superior ability of pay' which multinationals are assumed to possess in comparison with host country firms. Especially in underdeveloped or declining industrial areas where unions may previously have had little leverage in negotiations, incoming foreign firms like Chrysler may appear "attractive targets for industrial action", (Forsyth, 1973). Some of the stoppages at Chrysler's Linwood plant in Scotland in the period immediately following 1967 may have been a reflection of this.

(iv) Non-Involvement with Employer's Federation

The process of dealing with multiple unions is not the only institution which can seem alien to a US company operating in UK. The practice of belonging to and permitting an appropriate employer's association to do most of its important collective bargaining is sometimes hard to swallow for US firms. This is especially the case when US based multinationals have better developed personnel policies and practices, and are accustomed to pursuing their own policies relative to native-owned firms, (Kassalow, 1976). Chrysler UK's decision to withdraw from the Engineering Employer's Federation (EEF) in the UK was, therefore, not surprising. The company was convinced that a more efficient procedure than that operated by the EEF could be introduced; while, additionally, membership of the Federation conflicted with another aspect of Chrysler's P&IR policy, namely, negotiating freedom. Chrysler were being caught in a position where the wage rates and conditions for their employees were better than EEF norms, but the unions were still able to claim the costly additional benefits conceded by the Federation, (Kujawa, 1971). However, the feeling on the part of government and public at large that many US companies attempt to conduct their own P&IR, independent of

domestic conditions, was confirmed by Chrysler UK's decision to 'defederate' from the Employer's Federation in 1970. This interpretation was perhaps aided by the fact that neither Ford nor GM were EEF members.

Union frustration with Chrysler was accentuated by the fact that the company had not negotiated an alternative (to Employer's Federation) disputes settlement procedure before withdrawal. Industrial relations over the following two to three years were adversely affected by weaknesses in procedural agreements. The timing of EEF withdrawal was crucial, for it coincided with the launch of the Avenger (known in the US as the Plymouth Cricket), the only Chrysler UK model launched between 1967 and 1975. Poorly developed procedures were at least partly responsible for the loss of nearly one quarter of the planned 1970 output for this model; and further production losses over the next two years were a major factor in Chrysler Corporation's decision to replace the import of the Avenger into the United States by the Mitsubishi Colt. Some observers have commented that this one decision virtually sealed the fate of Chrysler in Britain.

(v) Negotiating Freedom

Chrysler's ability to exacerbate the potential for conflict was shown when the company ran into difficulties over another of its P&IR policies - negotiating freedom. In 1972 the company had undertaken to give staff status to toolmakers and electricians. The agreement with the latter group, however, could not be implemented at the time because of the operation of Phase 2 of the then Conservative Government's pay restraint policy. After protracted negotiations extending to August 1973, 150 electricians stopped work within 24 hours of giving 7 days notice of official strike action. The situation was desperate for Chrysler, since the company had lost 0.8 million man hours due to a five week strike earlier in the year (so-called "shoddy work dispute"). Among other workers initially there appeared to be a lack of support for the

electricians' case, until Chrysler admitted (having earlier denied) using non-union labour (7 non-union electricians) for emergency maintenance work. This had the effect of encouraging other workers to withdraw their labour in sympathy, and all Chrysler UK auto output was halted on September 18th 1973. The company made matters worse by withdrawing its offer of staff status to the electricians, and the dispute dragged on until November 7th when the recommendations of a Court of Inquiry were accepted,⁽⁹⁾ (The Times, (London) October 3rd, 1973).

(vi) Trans-national locus of Decision-Making

Part of the tension between Chrysler UK and the unions has been due to the trans-national locus of decision-making and the subsequent fear that policies concerning investment, production and employment were established without any reference to national considerations. Chrysler UK management has, during several work disruptions, threatened to restrict investment in the UK and rephase or reschedule investments to other European locations. Such threats added to the friction surrounding, for example, the decisions to produce the 180/2 liter and the Alpine in France, and have also been at the root of allegations concerning machinery transfer. For many reasons, notably the absence of a European policy which was communicable to the labour force, Chrysler failed to engender any consistent feeling of stability and purpose in the UK. The company has thus been found guilty of, at times, over-playing the threat of inter-country transfers, and has created classic insecurity symptoms at times when it was not always necessary. As we noted earlier, Chrysler was not alone in this respect; Ford employed the same tactic on several occasions. Not only did it create insecurity among employees, it also infuriated the unions since they could not exercise countervailing power beyond national boundaries.

In addition to trans-national locus of decision-making concerning investment, production and employment, there is evidence of extensive contact with the headquarters in P&IR matters. Labour relations managers in Chrysler

subsidiaries meet to observe and discuss the parent company's handling of similar P&IR situations, which oriented them to deal with unions and conduct P&IR more in tune with practice in US than in UK. This, rather than direct intervention, from Detroit, created numerous problems.

III. Points of Influence

Thus far, we have examined the P&IR policies at Chrysler UK in the light of the cultural context in Great Britain in an effort to apply our framework for cross-cultural comparative analysis of personnel policies. Another element of this framework is the so-called "points of influence", described earlier in the paper.

As is apparent from our analysis of the P&IR policies at Chrysler UK, the environmental constraint has its effect in several ways. It is not just the (i) invalidity of "US best practices" in the UK environment that renders some of these P&IR policies ineffective at Chrysler UK. The cultural context in UK also has its effect in the (ii) organization and operation of P&IR policies, (e.g. withdrawal from EEF), (iii) feasibility of implementing some of the policies, such as Chrysler UK's common wage and grade policy, and (iv) priority ranking or relative importance of the various objectives and programs which made up the P&IR function at Chrysler UK. Lack of priority ranking of objectives and programs was apparent in several ways. For instance, P&IR goals ought to be consistent and ranked according to their contribution to the achievement of overall corporate goals, such as efficiency and profitability. This being so, management introduced P&IR policies which had the consequence of increasing strife and tension between unions and management particularly in periods of booming demand. The potential areas of conflict are illustrated in Figure 3.

The end-result was an appalling disputes record, as summarised in Table 1, which presents Company statistics relating to disputes for the years immediately preceding the 1975 crisis.

Figure 3: POTENTIAL AREAS OF CONFLICT

Characteristics of the UK Cultural Context	Personnel Policies at Chrysler UK					Negotiating Freedom
	Centralisation of P&IR	Compensation Policies viz method of payment etc.	Single Union	Non-Involvement with Employer's Federation	Trans-National locus of decision-making	
1. Political, Legal & Economic Characteristics						
i High Govt. spending		X				X
ii Govt. Income Policies						X
iii Govt. Legislative Reform for Unions and Employers		X	X			X
iv Govt. Regional Policy						
1.1 Trade Unions						
i Multiple Unions	X		X	X		
ii Shop Stewards vs. National Unions	X		X	X		X
iii Union Fears of Insecurity and Unemployment	X	X	X	X	X	X
1.2 Auto Industry						
i Heavy Dependence on Bought out Parts						X
ii Low status of P&IR function	X			X		
iii Impact of Govt. on Operations of Auto Industry and Chrysler					X	X
2. Sociological Characteristics						
i Rise of Nationalist Sentiment in UK	X	X			X	
ii Anti-MNC's Sentiments		X			X	
iii Anti-Industry and Anti-Blue Collar Ethic						X
Policy Changes Necessitated by the UK Environment	Meant reduced status & authority for plant level industrial relations management and Union representation	Inter-plant & inter-union problems	Desired changes impossible; strong middle management negotiation function required	New ex-EEF structures to be introduced to synchronise with withdrawal	Required sensitivity in dealing with Unions & Govt.	Limited by Govt., Unions and Industry traditions

Table 1: The Record of Disputes in Chrysler UK

	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
<u>Man Hours lost (internal and external factors)</u> (<u>'000 man hours</u>)	2,882	3,282	3,102	1,997
<u>Numbers of Disputes</u>	n.a.	500	600	306
<u>Production losses (internal factors)</u> (<u>No. of vehicles</u>).	33,933	88,715	46,556	42,518

Source: Young, S. and Hood, N., Chrysler UK: A Corporation in Transition (New York: Praeger Special Studies, 1977), Chapter 7.

In assessing the importance of the figures quoted above, attention needs, of course, to be given to the demand at home and abroad. Even so, it is clear that labour problems, on top of the company's other difficulties, were a major, if not the major, contributing factor in hastening the crisis of 1975.

It was stated in the introduction to this section that it was not the aim to try to apportion responsibility for industrial relations strife as between management and unions. The discussion has emphasised the inflexibility, impatience and insensitivity of management, which may not appear to be in tune with that aim. However this was only because the characteristics of the UK economy were taken as "given". Union recalcitrance, insecurity, and suspicion, and a fragmented union structure, allied to environmental, cultural and specifically auto industry factors were all major constraints on management.

It might be argued indeed that these characteristics were so inhibiting as to make it impossible to operate a sensible industrial relations policy anywhere in the United Kingdom (and the 'UK environment' was certainly one factor explaining the generally poorer performance of UK companies as a whole in comparison with their Continental counterparts). However the better industrial relations record of some companies, even within the auto industry, would deny

this: the General Motors subsidiary in the UK, for example, had a much better record of labour relations. Moreover even a news magazine such as 'The Economist' in the UK, which pursues an editorial line which is far from sympathetic to labour, stated despairingly in 1973: "Chrysler seems to go over the brink so often in labour relations", (The Economist, September 15, 1973).

Concluding Comments on the Chrysler Case

This illustration from the case of Chrysler UK does not pretend to be in any way representative of the problems which multinational affiliates face with their P&IR management. On the other hand if it were possible to classify the Chrysler management style, then it might be feasible to generalise somewhat from this specific case. In other words, MNC's with a similar management style could be expected to behave in a rather similar manner when faced with, for example, the circumstances which Chrysler experienced in the UK. While that combination of circumstances may be atypical, various elements do recur elsewhere.

Using the model noted earlier, in a Polycentric MNC,⁽¹⁰⁾ the pattern of management is derived from the environment and culture of the country in which the affiliate is located. In a Geocentric corporation, it will be accepted that differences within foreign environments require a response on the part of management within the countries concerned, but the MNC does not lose sight of its fundamental aim of worldwide operational efficiency. In an Ethnocentric MNC by comparison, management techniques and orientation are related closely to similar patterns within the parent company; the affiliate is a cultural extension of its parent corporation. In this case there is a greater likelihood that firstly, industrial relations policies will be derived from what is considered best US practice, and secondly, that management handling of dispute situations will tend to be based on US norms. The Ethnocentric approach can be seen to be particularly unsuitable in cases of foreign acquisitions where practices and procedures are well-established.

Chrysler appears to fall into this Ethnocentric category. To give one example, industrial relations executives visiting Chrysler learn "first-hand the manner in which the parent corporation handles its own labor affairs," (Kujawa, 1971). The tough and inflexible line adopted in negotiations would also tie in with this approach; and the changes in negotiating stances as disputes proceeded are indicative of parent company involvement in personnel management. This is not to say that the opposite, Polycentric approach, would have been ideal in the UK situation either. A Polycentric corporation which adapted itself completely to the norms of the host country might be guilty of failing to try to implement necessary P&IR changes (e.g. "best US practices" might not even figure in developing P&IR policies). On the other hand, flexibility and adaptability would be keynotes in such an organizational set-up. Arguably, this would have been a better approach for Chrysler to take, although it would have required the acceptance of a longer time scale over which efficiency was to be achieved and objectives attained. If such a decision had been taken at acquisition the time scale for the effective introduction of changes may not have differed significantly from what has in fact happened, hopefully performance would however have been very different.

These hypotheses require testing across a much wider range of companies, naturally, but the potential pay-off could be fairly significant. It is common to come across remarks which **imply** that MNCs have mostly adapted themselves to the local industrial relations climate. If this is so then Chrysler may be an **exception**. However, given that many ethnocentric MNCs do exist, it is necessary to seriously question whether such claims of adaptation have validity.

FOOTNOTES

1. The framework was originally developed by Jain (1974) for its possible application to the Canadian context.
2. The formal system embodies the bargaining that takes place nationally, within various industries, between the appropriate employers' federations and national unions. At this level, the Commission argued that only certain broad and essentially minimum terms and conditions of employment are normally negotiated. The results, therefore, leave considerable scope for the informal bargaining that occurs at the plant or workshop levels, between local managers and foremen and the shop stewards. This type of bargaining has become increasingly influential, and yet lies beyond the control of the national organizations participating in the industry-wide negotiations. Hence the high incidence of unconstitutional and (or unofficial strikes), and the existence of so many pay anomalies and inequities, (Crispo, 1971 p.190).
3. This was the Conservative Government's Industrial Relations Act. Apart from this, the British industrial relations system is unique in its voluntary nature and in the absence of a comprehensive legal framework. The effect of this, of course, is to give more freedom to the multinational firms to behave differently from a national firm. In a country where legal obligations are wide and detailed, this same freedom is not available.
4. The distinction between "active" and "passive" regional policy was made by B. Moore and J. Rhodes, 'Evaluating the Effects of British Regional Economic Policy', Economic Journal, Vol.83, No.329, March 1973.
5. The relatively high degree of unionization of the work force, which is about double that of the United States, is also of importance.
6. Wildcat strikes are illegal in Sweden and Germany, but not in France, Belgium, Italy and the UK.
7. The shop steward did not, and indeed still does not, appear in the rulebooks of most unions, but grew out of the need to deal with plant-level circumstances and to provide a leadership which the formal union organization could not give. Moreover, where several unions were represented, it was natural for them to come together to coordinate plant-wide activities through shop steward committees. There was thus a body which did not owe allegiance to and was not directly controlled by any single union. Indeed, it has not been unusual for workers in one union to come under stewards of another union. This has led the employers to prefer dealing with shop stewards rather than national union officials who could not be aware of the circumstances of the particular plant, (Hunter and Thompson, 1976).

These stewards, often under left-wing leadership, have been the greatest source of strikes in Britain in recent years. Commonly they act without official union sanction, (Kassalow, 1969, p.162).

8. Other companies are involved as well, e.g. Kodak, Heinz, Gillette, etc. The IBM example is interesting because the unions are currently attempting to obtain recognition.
9. Much political capital was made of the continuing dispute. An electricians' union spokesman addressing the Labour Party Conference referred to the "threatened exodus, a threat they have used repeatedly in every industrial dispute over the last 6 or 7 years." The conclusion being drawn was that Chrysler were not prepared to negotiate in good faith, nor "respect the customs and practices of this country."
10. Since Perlmutter, MNE's have often been divided into three types: Ethnocentric, Polycentric and Geocentric.

REFERENCES

1. Balford, Jack, Address to a Loyola University Conference, July 1968 (mimeographed), as cited in Kassalow, E.M., 1976.
2. Benedict, Daniel, Multinational Companies: Their relations with the Workers, report to a conference on Industrial Relations in the European Economic Community. The Royal Institute of International Affairs, London, Oct. 4, 1973.
3. Bacon, R. and Eltis, W., Britain's Economic Problem. Too Few Producers, (London: Macmillan, 1976).
4. Chruden, Herbert J., and Sherman, Jr., Arthur W., Personnel Practices of American Companies in Europe (New York: American Management Association, 1972).
5. Crispo, John, "Industrial Relations in Western Europe and Canada", in A Review of Industrial Relations Research, Vol.II, IRRA, Madison, Wisconsin, 1971
6. Forsyth, D.J., "Foreign-Owned Firms and Labour Relations: A Regional Perspective", British Journal of Industrial Relations, Vol.II, No.1, March 1973.
7. Gennard, J. and Steuer, M.D., "The Industrial Relations of Foreign Owned Subsidiaries in the UK", British Journal of Industrial Relations, Vol.9, No.2, 1971, pp.143-159.
8. Gunter, H., "An Overview of Some Recent Research on Multinational Corporations and Labour", Bulletin No.12, (International Institute of Labour Studies, Geneva), pp.37-46.
9. Haire, M.E., Ghiselli, and L. Porter, Managerial Thinking (New York: Wiley, 1967).
10. Hunter, Lawrence C. and Thomson, A.W.J., "British Labour in the Twentieth Century", a paper delivered at the 4th World Congress of the International Industrial Relations Association, September 6-10, 1976, Geneva.
11. Jain, Harish C. (Ed.), Contemporary Issues in Canadian Personnel Administration (Toronto: Prentice-Hall, 1974).
12. Kujawa, D., International Labour Relations Management in the Automobile Industry: A Comparative Study of Ford, General Motors and Chrysler, New York: Praeger Special Studies, 1971.
13. Kassalow, E.M., Trade Unions and Collective Bargaining, An International Comparison (New York: Random House, 1969).
14. Kassalow, Everett M., Multinational Corporations and their Impact on Industrial Relations, a paper presented to the International Conference on Trends in Industrial and Labour Relations, Montreal, May 24-28, 1976.

15. Moore, B. and Rhodes, J., "Evaluating the Effects of British Regional Economic Policy", Economic Journal, Vol.83, No.329, March 1973.
16. Murray, V.V., Jain, H.C. and Adams, Roy J., "A Framework for the Comparative Analysis of Personnel Administration", The Academy of Management Review, Vol.1, No.3, July 1976.
17. Myers, Austin, "Personnel Management Overseas", Personnel Administration, July-August 1965 .
18. Negandhi, Anant R., "American Management Abroad: A Comparative Study of Management Practices of American Subsidiaries and Local Firms in Developing Countries", Management International Review, 4-5, 1971.
19. OECD, The Industrial Relations and Employment Impacts of Multinational Enterprises: An Inquiry Into the Issues, Paris, 22nd November 1976, MAS (76) 12, (mimeographed).
20. Pecci, R. and Warner, Malcolm, "Industrial Relations, Strategic Importance, and Decision-Making in the Multinational Firm: An Analysis of Inter-Organizational Variance, By Product Division", a paper presented at the European Institute for Advanced Studies in Management, Dec.16, 1976.
21. Perlmutter, H.V., "L'Enterprise Internationale-Trois Conceptions", Revue Economique et Sociale (Lausanne), May 1965.
22. Report of the Court of Inquiry under Professor D.J. Robertson into a dispute at Rootes Motors Ltd., Linwood, Cmd. 3693, London: HMSO, July 1968.
23. Rhys, D.G., "Employment, Efficiency and Labour Relations in the British Motor Industry", Industrial Relations Journal, Vol.5, No.2, 1974.
24. Roberts, B.C. and May, J., "The Response of Multinational Enterprises to International Trade Union Pressure", British Journal of Industrial Relations, Vol.12, No.3, 1974, pp.403-416.
25. Teague, F.A., "International Management, Selection and Development", Californian Management Review, Spring 1960 .
26. The Economist (London), September 15, 1973.
27. The Times, October 3, 1973.
28. Warner, M. and Turner, L., "Trade Unions and Multinational Firms", The Journal of Industrial Relations, Vol.14, No.3, 19 pp.143-170.
29. Warner, M. et al, "The Comparative Measurement of Industrial Relations in Multinational Firms", in Tudyka, K.P. (ed.), Multinational Corporations and Labour Unions, selected papers from a symposium in Nijmegen, May 1973, pp.143-162.

30. Woods, H.D., Labour Policy in Canada, 2nd ed. (Toronto: Macmillan, 1973).
31. Young S. and Hood, N., Chrysler UK: A Corporation in Transition, (New York: Praeger Special Studies, 1977).

Faculty of Business
McMaster University

WORKING PAPER SERIES

101. Torrance, George W., "A Generalized Cost-effectiveness Model for the Evaluation of Health Programs," November, 1970.
102. Isbester, A. Fraser and Sandra C. Castle, "Teachers and Collective Bargaining in Ontario: A Means to What End?" November, 1971.
103. Thomas, Arthur L., "Transfer Prices of the Multinational Firm: When Will They be Arbitrary?" (Reprinted from: Abacus, Vol. 7, No. 1, June, 1971).
104. Szendrovits, Andrew Z., "An Economic Production Quantity Model with Holding Time and Costs of Work-in-process Inventory," March, 1974.
111. Basu, S., "Investment Performance of Common Stocks in Relation to their Price-earnings Ratios: A Text of the Efficient Market Hypothesis," March, 1975.
112. Truscott, William G., "Some Dynamic Extensions of a Discrete Location-Allocation Problem," March, 1976.
113. Basu, S. and J.R. Hanna, "Accounting for Changes in the General Purchasing Power of Money: The Impact on Financial Statements of Canadian Corporations for the Period 1967-74," April, 1976. (Reprinted from Cost and Management, January-February, 1976).
114. Deal, K.R., "Verification of the Theoretical Consistency of a Differential Game in Advertising," March, 1976.
- 114a. Deal, K.R. "Optimizing Advertising Expenditures in a Dynamic Duopoly," March, 1976.
115. Adams, Roy J., "The Canada-United States Labour Link Under Stress," [1976].
116. Thomas, Arthur L., "The Extended Approach to Joint-Cost Allocation: Relaxation of Simplifying Assumptions," June, 1976.
117. Adams, Roy J. and C.H. Rummel, "Worker's Participation in Management in West Germany: Impact on the Work, the Enterprise and the Trade Unions," September, 1976.
118. Szendrovits, Andrew Z., "A Comment on 'Optimal and System Myopic Policies for Multi-echelon Production/Inventory Assembly Systems'," [1976].
119. Meadows, Ian S.G., "Organic Structure and Innovation in Small Work Groups," October, 1976.

120. Basu, S., "The Effect of Earnings Yield on Assessments of the Association Between Annual Accounting Income Numbers and Security Prices," October, 1976.
121. Agarwal, Naresh C., "Labour Supply Behaviour of Married Women - A Model with Permanent and Transitory Variables," October, 1976.
122. Meadows, Ian S.G., "Organic Structure, Satisfaction and Personality," October, 1976.
123. Banting, Peter M., "Customer Service in Industrial Marketing: A Comparative Study," October, 1976. (Reprinted from: European Journal of Marketing, Vol. 10, No. 3, Summer, 1976).
124. Aivazian, V., "Slutsky Equations for Risky Assets Reconsidered," August, 1976.
125. Aivazian, V., "Contamination by Risk Reconsidered," October, 1976.
126. Szendrovits, Andrew Z. and George O. Wesolowsky, "Variation in Optimizing Serial Multi-Stage Production/Inventory Systems, March 1977.
127. Agarwal, Naresh C., "Size-Structure Relationship: A Further Elaboration," March 1977.
128. Jain, Harish C., "Minority Workers, the Structure of Labour Markets and Anti-Discrimination Legislation," March, 1977.
129. Adams, Roy J., "Employer Solidarity," March, 1977.
130. Gould, Lawrence I. and Stanley N. Laiken, "The Effect of Income Taxation and Investment Priorities: The RRSP," March 1977.
131. Callen, Jeffrey L., "Financial Cost Allocations: A Game-Theoretic Approach," March 1977.
132. Jain, Harish C., "Race and Sex Discrimination Legislation in North America and Britain: Some Lessons for Canada," May, 1977.
133. Hayashi, Kichiro. "Corporate Planning Practices in Japanese Multinationals." (Accepted for publication in the Academy of Management Journal in 1978.

Innis Ref.

AB

74.5

R47

no. 134