Industrial transformation in Europe

Guest edited by Jeffrey Henderson and Vicente Granados

Jeffrey Henderson and Vicente Granados
Introduction 459

Christel Lane
European companies between globalization and localization: a comparison of internationalization strategies of British and German multinational companies 462

Anke Hassel and Thorsten Schulten
Globalization and the future of central collective bargaining: the example of the German metal industry 486

Tony Elger and Chris Smith
New town, new capital, new workplace? The employment relations of Japanese inward investors in a West Midlands town 523

Julie Froud, Colin Haslam, Sukhdev Johal, Karel Williams and Robert Willis
British pharmaceuticals: a cautionary tale 554

Laszlo Czaban and Jeffrey Henderson
Globalization, institutional legacies and industrial transformation in Eastern Europe 585
Introduction

Jeffrey Henderson and Vicente Granados

The first four of the five essays collected here began life as a small selection of papers prepared for a workshop of the European Science Foundation's European Management and Organisations in Transition (EMOT) Programme. The workshop was held in Malaga, Spain, in January 1997 and was organized in association with the Fundación CIEDES and the Parque Tecnológico de Andalucía. We are grateful to the Directors and Board of the EMOT Programme for supporting the initiative, and the Fundación and Parque Tecnológico for making their facilities available to us. A special word of thanks is due to Sandra Berbée of the Fundación. She carried much of the administrative burden of organizing the workshop, and her supremely efficient efforts did much to ensure the smooth running of our scientific and social schedule. In addition we are grateful to Grahame Thompson for suggesting that versions of some of the workshop papers might constitute the basis of a special section of Economy and Society.

Overview

Two of the key debates associated with the globalization of European economies and societies are the extent to which companies are becoming disconnected from their original national bases and whether the institutional characteristics of the distinctive forms of capitalism Europe embodies are being eroded. The first two articles in this section relate to these debates.

In the first of them, Christel Lane considers whether multinational companies (MNCs) of British and German origin remain embedded in, and influenced by, their national institutional contexts or are becoming 'dis-embedded' and developing global orientations. She uses the 'business systems' framework to hypothesize that companies have been shaped historically by the differing patterns of industrialization that each European country has experienced and by the national social institutions in which each company is embedded. The nature of institutional embeddedness, this perspective suggests, influences the international strategies of companies develop. Given the seemingly limited embeddedness of British companies vis-à-vis their German counterparts, significant differences in globalization behaviour, she suggests, would be expected from the companies in question. Analysing data from a number of major British and German companies, Lane challenges the view that European
firms are now largely globalized. She argues that, while MNCs do have an arena of autonomy when developing global strategies, policy regimes and intangible assets derived from the company's home base continue to be very significant for building international competitive advantage.

In the second article, Anke Hassel and Thorsten Schulten take up the issue of the future of the German form of capitalism in the context of economic globalization. In particular, they examine the changing nature of collective bargaining in Germany which has been a central component of that country's post-war economic success. They show that globalization is creating pressure for a decentralization of collective bargaining and argue that this will not only affect income distribution and social equality but has significant implications for the survival of the exemplary form of capitalism that Germany has been for much of the last half-century. More specifically, Hassel and Schulten examine the implications for collective bargaining of changes in the global economic regime and the German political economy, as well as those that are a consequence of national unification and European integration. In these contexts they look particularly at changes in the metal-based industries and conclude by delineating three scenarios for the future of collective bargaining in Germany.

The third and fourth articles re-focus our analytic lens on Britain. In the first of these, Chris Smith and Tony Elger examine the impact of Japanese direct investment on workplace relations. In part, however, they do so by analysing the extent to which new towns - initially built to house 'surplus' populations from major conurbations - provide Japanese companies with political spaces in which they can re-cast industrial relations practices. Focusing on the English West Midlands town of Telford - the second most important location for Japanese 'transplants' in Britain - Smith and Elger show that, even in greenfield investments, Japanese firms do not have an autonomous power to transform the work and employment relations typical of the locality. The reasons for this are that they are partly dependent on central and local state initiatives to regulate local labour markets and, second, in spite of high unemployment, they are not inevitably able to draw on a docile workforce. They conclude that the absence of unionization in the local labour market has negatively affected the ability of the companies to foster their distinctive employment and personnel practices. Additionally, the development of a 'growth coalition' among Japanese manufacturers and local government agencies has had negative effects for the local labour market in that it has helped to perpetuate the dominance of low-paid, routine assembly jobs.

In the fourth article, Julie Froud, Colin Haslam, Sukhdev Johal, Karel Williams and Robert Willis interrogate the performance of the British pharmaceuticals industry. In an economy whose international manufacturing credibility in recent years has been largely based on 'booze and biscuits', pharmaceuticals has appeared to many commentators to be the shining light, showing the way to a knowledge-intensive, high value-adding manufacturing future. Froud and her colleagues argue that this image of British pharmaceuticals diverts attention from the fact that the industry is too small to be of much general significance to
the country's economic well-being. Drawing on US debates about that country's competitiveness they argue that there is no simple relationship between knowledge-intensive, high-technology industries and high-value-adding, high-wage economies. They show that the British pharmaceuticals industry, while high value-adding, pays only average wages, and hence the principal benefits of the former have accrued largely to capital rather than labour. Additionally, the industry's high value-adding status has been sustained not by its knowledge base, but rather by its control over captive domestic markets and aggressive marketing both at home and abroad. In a more general vein, they conclude that neither pharmaceuticals nor similar knowledge-based industries, such as computer software or defence electronics, have sufficient weight in any economy to compensate for the loss of medium-technology manufacturing jobs from high-wage countries.

In the final contribution, Laszlo Czaban and Jeffrey Henderson return to the debates broached in Lane's article. They do so, however, by examining the relationship between foreign direct investment and industrial development in Eastern Europe. Taking their cue from the 'global commodity chains' (GCC) perspective on business networks, they argue that, in Poland, the Czech Republic and particularly Hungary, the institutional legacies of state socialism continue to be centrally important to the internal evolution of Eastern European firms. Framed in terms of a sympathetic, though critical, engagement with the GCC perspective, they argue that the networked modes of international economic integration that Eastern European firms have been subject to have thus far been less significant for corporate strategy, supplier relations, labour-management relations, etc., than pre-existing economic and social relations derived from the state socialist past. Drawing on the analysis of their case studies, they point to the ways the GCC framework needs to be developed in order for it to become a more effective tool for the analysis of economic globalization in general, and for the development of Eastern Europe in particular.

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