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The impact of cross-border mergers on co-decision making: a case study of a Danish multinational

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Abstract

The present article investigates co-decision making with focus on the development of partnerships arrangements (PAs) between managers and trade-union representatives in a Danish multinational company which has grown through cross-border mergers and acquisitions. The findings show the difficulties which trade-union representatives and management face in combining different forms of corporate governance and supporting PAs. The article argues that hybrid forms of PAs are unlikely to develop, due to historically embedded governance institutions, which create distinct expectations about how a firm must be controlled and who has the rights to exert this control.

Key words: partnership, multinational corporations, national administrative heritage, institutions, corporate governance.

Introduction

Over the past several decades, mergers and acquisitions (M&As) have become the most prevalent form of growth and internationalization strategies for multinational companies (MNCs) all over the world. During the 1990s, the total number of corporate takeovers between companies of different national origins grew more than six-fold (Kang and Johansson, 2000), the largest proportion of cross-border M&As having taken place among European countries (OECD, 2003: 158n). These new forms of growth and internationalizing are likely to affect established relations between management and workers in the companies that are acquiring and being acquired. However, the consequences for co-decision-making in M&As have not been studied from an institutional perspective, and this requires greater research effort (Shimizu et al., 2004: 348). The article address the gap in the literature on how cross-border M&As might impact on established patterns of co-decision-making. The article answers the following questions: How do PAs work in companies resulting from cross-border M&As? Are the characteristics of PAs likely to change following cross-border mergers? Might a new hybrid governance model emerge from cross-border M&As? Alternatively, does a specific national governance model predominate?

Co-decision-making has taken a number of different directions, progressing at different paces according to institutional environments and specific national paths. Due to the increasing number of cross-border M&As among multinational corporations (MNCs), the encounter between different national traditions of employee influence in organizational decision-making is becoming more common than ever. These encounters develop into complex social processes, since a multiplicity of actors with different national backgrounds are involved in coordinating and controlling multinational companies (Morgan, 2001; Kristensen and Zeitlin, 2005; Ferner et al., 2005).

Cross-border M&As have been studied from a cross-cultural perspective in a business setting in which control mechanisms need to be negotiated between the different actors involved (Gertsen et al., 1998). The present article does not deal with cultural dimensions or cultural integration in M&As, its main focus being on how institutional heritage, or, as they have been called, different nationally bounded administrative heritages (Bartlett and Ghoshal,1989; Calori et al.,1997), might affect established patterns of co-decision-making.

In order to investigate co-decision-making through partnership arrangements (PAs) between managers and trade-union representatives in MNCs, the article focuses on one particular case that has not often been studied, of a Danish family-owned MNC which in recent decades has grown through processes of merger and acquisition between companies originally from Denmark, Germany and the US. In the process it has decided to introduce an American-inspired governance model, selecting American managers for top management positions and moving its headquarters to the US.

Danish and American business systems and co-decision-making.

The analysis below uses the historical neo-institutionalist approach, which treats social actors as acting within a framework of embedded economic relations, influenced by a particular set of national institutional arrangements (Hollingsworth and Boyer, 1997). Institutional arrangements can both constrain and enable action by erecting barriers but also creating opportunities for the development of employee influence in decision-making. Institutional arrangements as reflected in national legislation, the nature of property rights, and the nature of educational and vocational systems shape the boundaries and possible paths for legitimate action. National institutions create the 'rules of the game' by which individuals and organizations operate, cooperate and compete. They forge the way organizations come into existence and the way they develop (North, 1990). Institutions involve shared, collective understandings or rules of conduct reflected in laws, governance mechanisms and the functioning of financial markets (North,1990; Scott, 2001), which help to define observed patterns of market exchange (Fligstein 1996).

Governance systems and channels of co-decision-making are forged by a configuration of institutions involved in industrial relations, training systems, state interventions and financial intermediation (Whitley, 1999; Hollingsworth, 1997; Boyer, 2005). Thus, governance models present features − strengths and weaknesses −that are related to the institutions in which they are embedded.

The dominant practices of firms in relation to governance models, work systems, reward systems and employee relations complement each other, thus forming distinctive national configurations (cf. Whitley 1999). As firms are created and grow in specific institutional environments, during the process of internationalizations they will bring with them the institutional distinctiveness of their home environments (Ferner,1997; Kostova, 1999; Whitley, 2001) what Bartlett and Ghoshal (1989) and Calori et al. (1997) have called the 'nationally-bounded administrative heritage'. As a result, MNCs need to coordinate and control relations in a variety of institutional environments which are composed of a multiplicity of embedded actors, taking with them experiences and taken-for-granted assumptions, as well as cognitive frameworks originating in distinctive institutional environments. According to this line of argument, the success of transferring and integrating practices of control and coordination is influenced by the degree of institutional similarity between a firm's home country and its subsidiary's host country (Kostova, 1999).

There is considerable evidence of this 'country of origin' effect on multinational corporations (Edwards and Ferner, 2002). The education and training of managers and representatives in their home countries are one of the most important institutional factors informing the behaviour of MNCs. Linked to the formation and training of managers are the governance models that different societies have developed (Whitley, 1999).

The countries involved in the M&As in this case are Denmark and the US. Denmark is an example of a co-ordinated market economy (Hall and Soskice, 2001), where, among other features, participation in decision-making has been an important component of national industrial regimes. The Danish business system, in spite of demonstrating liberal labour-market characteristics such as a low level of employment security, is typified by a strong trade-union movement and a tradition of co-operation between labour-market actors (Madsen, 2006; Brewster et al., 2007). In Denmark an agreement establishing co-operation committees was established as early as 1947 by the labour movement and the private employers' associations. Even in highly Tayloristic industries, which historically have been characterized by strong adversarial relations, Danish companies are moving towards greater co-operation and trust between management and labour (see Hasle and Møller, 2007: 425)

The Danish system of industrial relations is characterised by a high rate of unionization, which currently involves eighty percent of the workforce. There is a single channel for the representation of employees' interests through trade unions, which responds to sectoral-level collective bargaining and almost monopolizes representation in the workplace. At this level, the shop stewards represent the workers who belong to their trade unions, and a convenor elected among all shop stewards represents the whole workforce on the company board. Representatives have the legal right to seat on the board and have easy access to top management. By having a seat in the co-operation committees, they are able to influence corporate strategy and development.

An important feature of the Danish industrial-relations system is its "flexicurity" model. The Danish 'flexicurity' system has been characterized as combining labour-market flexibility and social security (Madsen, 2006). An important feature of this system is argued to be employers' ability to hire and fire employees easily. However, an important, if not the most important effect of the 'flexicurity' system in recent years has been workers' ability to upgrade their skills through continuous training, not only during periods of unemployment, but also at different stages in their working careers. What employees expect from their employers is support to upgrade skills which can be applied in current or future jobs. Danish trade unions are strongly involved in the governance of vocational and further training institutions (Kristensen and Rocha, 2006), which need to be co-ordinated locally by networks among convenors and shop stewards of different firms, who in this way become important gatekeepers of the flexicurity system.

The US, which is also characterized as a liberal market economy (LME), has a strong anti-union tradition and a weak tendency for the participation of the workforce in decision-making. The literature points to several examples of American MNCs attempting to transfer their anti-union policies to their subsidiaries abroad (Muller, 1998; Ferner et al., 2005).

The US model of corporate governance assumes norms of self-interest, opportunism and enforced compliance (Lubatkin et al., 2005: 883). Increasing shareholder value is an important driver of senior management decision-making in American companies (Froud et al., 2000; Williams, 2000). The US model has been characterized as having an 'outsider' ownership structure, in which large firms are mainly owned by private or institutional portfolio investors, with little active interest in the day-to-day management of the firm. The 'shareholder value' model of capitalism emphasizes the primacy of the interests of shareholders over other stakeholders within the enterprise.

American managers of publicly quoted corporations are inclined to maximize the net present value of the assets under their control. The proportion of profits made by American firms which is distributed to shareholders in the form of dividends and share buy-backs rose from an average of just under 50 percent in the 1960s and 1970s to around 70 percent in the 1980s and 1990s (O'Sullivan, 2000). The continuous waves of restructuring in firms guided by the ideology of American shareholder value prompted Froud et al. (2000) to predict that "late capitalism restructuring is likely to be a negative process for labour with transitory gains for capital" (ibid.: 795).

Other characteristics of American MNCs include the centralization, standardization and formalization of HR policy (Child et al. 2000). Clark and Almond (2006) argue that American firms are less tolerant of institutional constraints, even more so than in other LMEs. On the other hand, American firms make more frequent and significant changes to their strategies, structures and practices than companies originating in so-called ‘co-ordinated market economies’ (CMEs) (Edwards et al. ,2005; Hall and Soskice, 2001). This feature would facilitate American firms introducing characteristics of a foreign model, and along with this, hybridization of different governance models (Pieterse,1994).

Due to the clear differences between the institutional environments involved, the expectation was that managers and labour representatives in Denmark were likely to face problems in creating coherent relationships among the different organizational levels and actors involved. However, possibilities for reverse diffusion (Edwards et al., 2005) also exist, i.e. the American company learning and adapting some governance features from the Danish company. A third possibility, a hybrid (Pieterse, 1994) form of governance, could also emerge, in which practices developed in one institutional environment are transferred to another and they both experience adaptation through their recombination with home-country governance practices (ibid.: 165). Based on a longitudinal and in-depth case study, the article presents evidence that hybrid forms of corporate governance are difficult to produce due to historically embedded institutions which create distinct expectations about how a firm must be controlled and who has the rights to exert this control.

The article is arranged as follow. First, it discusses the concept of partnership as a new governance model. Secondly, the methodology of the research is presented. Then the specific case study becomes the focus, including the history of the merger, and the two different organizational phases are described. In presenting these two phases, the focus is on how PAs function at different organizational levels in linking the ambitions of the workforce to the strategy of the firm. Finally, the findings are discussed.

Partnership as a new governance model

Currently, few organization theorists dispute the notion that the bureaucratic nature of organizations has given way to more flexible, innovative forms of work organization, with traditional divisions of work between manual and mental work becoming obsolete (Adler and Heckscher, 2006). The new canon specifies organizations whose association rules, forms of integration, organizational roles and responsibility boundaries are ambiguous and fluid. The search for continuous improvement and innovation strategies implies organizational co-operation in adjusting rules and formal and informal norms, which must be articulated at different levels into a distinct process of decision-making, which in turn becomes more collective and interdisciplinary. Under the new organizational model, deliberation through the creation of PAs seems to be fundamental for the survival of firms. This new paradigm of work organization is also a new paradigm for industrial relations. It needs coherence between institutions at the macro and micro levels.

"At the macro level the new system would involve a greater acceptance of unions in society and meaningful labor law reform and a growth oriented macro-economic and industrial policy, all derived from a rebirth of the political influence of the labour movement."(Kochan, 1985: 345).

Teague (2005) argues that partnership arrangements:

"…seek to build a procedural consensus between management and employees so that organizations are better positioned to address unanticipated market and technological challenges. On this view, enterprise partnerships are considered to be an attempt to promote a process of guided evolution inside the firm so that managers and employees can adopt an open and idiosyncratic approach to balancing the needs of the workforce and the business"(ibid.: 568).

Heery et al. (2003) argue that PAs can be benign to workers and unions, helping workers to achieve improved employment relations in emerging high-performance organizations (Osterman, 1999: 96) and to turn the new HRM practices to their advantage (Bacon and Storey, 2000). Internal and external collaboration and pooling of expertise and resources can solve problems and enhance a firm's performance in ways that confrontation or competition cannot (Child and Faulkner, 1998). In searching for improved products and processes, managers are driven to conduct a simultaneous search for good standards of employment and decent treatment of employees as a way to build and sustain partnership trust and high organizational performance (Walton et al., 2000). In PAs, in short, employees are much more involved in the governance of firms. Stuart and Lucio (2002) argue that there is support among trade unions in the UK for the principles of partnership, but there still is a fundamental deficit in terms of the presence and effectiveness of voice mechanisms at work (ibid.: 196).

PAs are also met with scepticism and severe criticism. Although through PAs workers and unions favour an ideology of common interests which contributes to limiting their own independence, they find themselves captured by an agenda imposed by employers (Taylor and Ramsey, 1998). Danford et al. (2005) found predominantly negative patterns of employee experience with partnership in the UK aerospace industry due to management control strategies and the short-termist dynamics of British manufacturing capital.

Experience in the US with partnership and employee participation in new work systems shows evidence of firms relying more on employees' individual rather than collective voices (Appelbaum and Batt, 1994), leading to management-controlled, technology-oriented adjustments where the quality of working life has received less attention than in European countries (Yates et al., 2001: 520). Contrary to the collective orientation of empowerment in continental Europe, American management encourages productivity through human resource management techniques in which employees are expected to contribute by speaking directly and individually to managers.

PAs do not operate – nor have they emerged – in an institutional vacuum. Like any other organizational phenomena, PAs are embedded in a net of historically evolved institutions. Thus, PAs are likely to mean different things to firms with different national backgrounds. The ways in which PAs function are dependent upon how the relations between representatives and managers have evolved historically, making it likely that the levels of commitment to the involvement of the workforce and their representatives will vary between managers from LMEs and CMEs. These differences are likely to become evident when companies and work groups with distinct national origins need to work together following a merger process. We can expect American managers to have difficulties in accepting the strong influence that labour representatives have on business strategies in Denmark, difficulties that would reflect conflicting contextual rationalities (Geppert et al. 2003). However, we can also expect hybrid forms of partnership to emerge, mixing the strong influence of trade unions in Scandinavian countries with the more human resources-oriented strategies of American companies.

Research Methods

The interest of this research is on the phenomenon of cross-borders merger and its implications for employee influence in decision-making. The research approach is idiographic (i.e., case study-based). As Bengtsson et al. (1997) explain, idiographic research (the understanding of particular cases) is able to provide a rich description that emphasizes qualitative and multi-aspect concerns, in contrast to the nomothetic approach (general laws and procedures of exact science), which seeks statistical generalizations based on an analysis of a few aspects across large samples. The example here involves an in-depth case study, covering a period of three years. It describes the experience and determines the extent to which existing theories help us understand such cases or require modification (Eisenhardt and Graebner, 2007). The case-study methodology is useful in developing a processual and holistic approach (Elias, 1978) which fits well with neo-institutional theory. Case studies permit a deep exploration of how the institutional contexts in which MNCs are embedded impact on the way they are controlled and coordinated (Edwards et al., 2007).

The company under investigation is one of the largest Danish companies and is considered very influential nationally, impacting on a great number of other local companies by virtue of its national legitimacy and great economic success. The case study provides a unique opportunity to investigate the organizational changes in PAs from a longitudinal perspective under the complex conditions of a cross-border merger.

The company was visited several times during the three-year period, and the research design was divided into three phases.[1] During the first phase, workers, representatives and managers from different departments and hierarchical levels were interviewed. The interviews were semi-structured, and the intention was to provide an overview of current organizational processes and the functioning of PAs. During the second phase, one week of very intense fieldwork was carried in the company, with workers, top and middle managers, HR consultants, shop stewards and the convenor being interviewed. This was important in strengthening the validity of the conclusions through the use of multiple sources of information, including interviewing managers and workers from different levels and departments, which also helped to perform triangulation in the data analysis. The interviews were transcribed and codified using grounded theory methods.

Observations at the shop-floor level were also carried out and interviews conducted whenever possible. The company was prepared to give access to documents related to investment in training, salary grades and even the firm's confidential strategies. It also supplied some quantitative data and statistics, which improved knowledge of the socio-demographic characteristics of the employees. In a third phase, the author returned to the company twice and presented the analysis, which was discussed with the groups involved in the research. The number of interviews in the different phases can be seen in Table 1.

Table I. Number of interviews in the different phases
Insert Tab. I

Findings: the two phases of the development of the case study

[1] This article is based on data collected as a part of a larger research project investigating organizational changes in firms located in Denmark.

In this section, we present the case study. First, there is a shortened version of how the different companies pursued growth strategies and decided on the merger. Secondly, the organizational configuration of the PAs prior to the merger is explained. Finally, the changes in the characteristics of PAs after the merger are presented.

The history of the merger

During the 1990s one of the largest Danish companies (DC) started a process of multiple acquisitions. American and European companies were acquired and helped to bring together a global competence. In 1998 the hydraulic division of the company was split from the mother company and became an independent firm (D), which continued with its previous international expansion. During the same decade, a German company (G) developed an expansion strategy, which was designed to boost its grow through a processes of mergers and acquisitions, one of its first targets being a division of an American multinational company (AC) quoted on the New York stock exchange. AC then became part of the German family-owned firm.

During their processes of expansion, G and D merged in 2000, forming GD. Currently GD is listed on the New York and Frankfurt stock exchanges. Two shareholders, the mother Danish company and the mother German company, own 38.5% each of GD stocks. After the merger the headquarters was transferred to Chicago, and a top managerial team chosen to manage GD was formed, mostly consisting of Americans who had previously been employed at the previously acquired American company.

Since at the time of the merger the two companies did not have a significant overlap of products, the merger itself produced a succession of mutually beneficial marketing advantages for the companies, boosting sales in Europe and enabling the firm to establish a large and important share of the American market. Its American customers were few but large and important, and they demanded fewer product variants in larger amounts. Thus, the Danish factories were to handle hundreds of European customers and different products, as well as delivering to large American customers a few products in large batches. The explosive demand and rapidly increasing share of the

American market created permanent pressures on production. The Danish factories became victims of their own success. Since it was difficult for the Danish sites to deliver to the American market in a just-in-time system, many products had to be transported by air, thus undermining cost-effectiveness. The factories grew very rapidly by hiring several hundreds of new production employees, most of whom lacked the necessary qualifications to engage in high-performance, autonomous teams. The number of employees at the Danish site grew from 700 in 2000 to its current level of 2400 employees in 2006. Some features of GD are presented in Table 2.

Tab 2. GD profile

First phase: partnership arrangements before the merger

The factory has been under pressure to improve its production processes. It has been struggling with two models: mass production and flexible specialization. These two different ways of organizing production processes can be seen side by side in the factory. Highly Taylorised lines are integrated with highly flexible workshops in complex ways. Blue-collar jobs can range from being quite repetitive to highly flexible. The continuous upgrading of skills thus becomes an important factor for moving from the first to the second category, especially as the more repetitive jobs have continually been replaced by the use of new technologies. Thus, continuous upgrading of skills has become an important mechanism for increasing employability in the factory, as well as in the local labour market.

Teams were considered a key element in the organizational landscape. In order to participate in this team organization, the skills development of all members was an important focus for management. It has been accepted in recent years that workers who are stimulated by their tasks are more likely to co-operate and to contribute to achieving organizational goals than those who are not. The contributions that workers can make to improve the performance of teams and to generate and share knowledge within a community of teams must be coordinated, as they have fundamental importance for HPWS.

"*we cannot have workers who leave their brains at the front door. We use a number of new concepts which are based on participation. Workers need to solve problems, and they should not ask for help all the time. In the past, unskilled workers could not touch a tool, it was forbidden. Now they must solve problems. When they cannot, at least they need to be able to understand and explain what kind of problem the machine presents.*" (line supervisor)

The continuous upgrading of skills has thus become quite a central issue for both workers and management. Workers need to upgrade their skills in order to improve their employability. The company needs flexible workers who can optimize its production processes. This is done by participating in courses offered by the company and by local vocational institutions.

Our data indicate that special and skilled workers repeatedly asked for courses that were closely related to their jobs, as well as ones which could improve their employability in the labour market.

"I have attended many courses, all kinds. I started here seven years ago, and I knew nothing about factories. Now, I have attended several CNC courses, I can operate most of the machines in my department, and I'm asking my representative to help me to find new courses. You cannot stop, you know; you must be prepared – the future is uncertain"…" (special worker)

Workers made use of the local training institutions with the support of the company. Their intention was to enhance their employability, so that they would be able to perform a large number of tasks related horizontally and vertically to their skills and jobs.

In such a system, it is not surprising that skills development becomes an extremely important issue at the negotiating table between workers and management. It is not always possible to reconcile the different demands about which types of skills are going the benefit the company, the workers, or both. Because of their knowledge about how the vocational system can be used and transformed to serve local ambitions and necessities, shop stewards become fundamental actors in negotiating with managers over which courses are more suitable in providing skills upgrading and consequently more organizational flexibility and enhanced employability for workers. The knowledge that such representatives accumulate over the years is used to make contact with the vocational training institutions in order to create courses that enable employees to adapt to present and future working-life situations, job specifications, or career ambitions. At the same time, they also need to help companies improve their capabilities, since they negotiate courses which can support the requirements and ambitions or both firms and workers. As one representative explained:

"*when the company started talking about lean production, nobody knew what it was all about, then I asked my colleagues from other companies about lean, then I could learn about their experiences with lean. I used my contacts with the local vocational centre to design the courses necessary for our workers together with them."*

By showing support for employee development, the company is likely to retain and attract the best workers locally, at the same avoiding an image that they are hindering workers from making the best possible use of supporting welfare institutions. As one supervisor explained:

"*highly engaged special workers can not only solve small maintenance problems, they can also anticipate many others, thus saving a lot of time and resources…many of these engaged workers are rewarded not only with higher salaries, but also with more courses…*".

Recognizing that representatives strengthen the links between the work force and vocational institutions, managers welcome representatives and convenors as participants in strategy construction and its continuous re-definition. By participating in strategy construction and linking it to their experiences at the shop-floor level, the representatives and convenors become fundamental partners with management in the evolution of and changes in the firm. As one middle manager explained:

"we have good relationships, we are always trying to find out a solution which can benefit both sides. This is not always possible, but it works like a bank accountant.

You know, everybody needs to put something there. This time I need a favour from them, next time they will need something from me…and in this way we keep things going on. Many times this involves a high level of compromise."

The organization is diverse, engaged in conflicts of interest and immersed in ambiguity. The picture It provides is not one of harmony among different working groups, but of actors trying to build an organization which is striving to attain and retain mutual recognition. For these groups, recognizing their diversity of interest helps to create flexibility in an environment which requires frequent modifications or changes to formal organizational structures and management practices.

"*It was not that easy in the beginning when I was elected a shop steward. Our supervisor is an old fashion guy, we had many fights, but the truth is we are partners now, we understand each other and we respect each other. We sometimes make agreements that go beyond what people would accept as…let's say, reasonable, but it is working now…"*

Partnership functions at two different organizational levels. At the shop-floor level, representatives and middle managers work together to improve production processes, negotiating the conditions of changes, and solving the practical problems which continually emerge and impact on work conditions. In order to attend to the needs of the company and at the same time fulfilling the ambitions of the work force, the convener needs to be able to influence the company's strategy company. This is made possible by participating at the advisory board level, the second level of PAs. The link between the different levels is effected by the convener, who is also responsible for dealing with local training institutions in order to create new courses and even new educational programmes to fit the ambitions of the different actors.

Second phase: partnership and American management

The merger took place in 2000, and soon after the HQ was transferred to Chicago, and the Danish plant ceased to be part of the HQ of the Danish multinational, but, to the Americans, just another subsidiary among many. However, during the three first years after the merger, the Danish site functioned independently from the HQ.

"*There was a lot of uncertainty after the merger, but we remained quite independent. The three years after the merger were quite intense, due to the great success of our products internationally, the great marketing synergy. Things started to change when the Americans arrived here. Before they were not only distant but also invisible*" (top manager).

In 2003, two American vice-presidents were chosen to manage the Danish subsidiary and started building a new managerial structure for decision-making and implementing lean production concepts in the site. After the merger, and in part due to the increases in production, defects and the turnover rate among employees increased. In spite of this, the factory was able maintain a high level of quality, but only at the expense of increasing costs that could not be absorbed by increasing prices, as GD was contractually committed to reducing prices by 2% annually. To approach these problems with lean methodologies seemed obvious to GD: mass production allied with quality, standardization and flexibility. Indeed, elements were already integrated in the approach that was adopted. But where organizational changes had always been a negotiated co-designing process in the Danish factories, the American top management team tried to change this, as we shall see below.

In the past, an organizational change towards a new managerial model would have been negotiated at different organizational levels and with different work groups and their representatives. Despite a formerly strong partnership between the convenor and the CEO and a tradition of integrated bargaining, American managers were convinced that trade-union representatives in Denmark, as in any other country, would be solely preoccupied with employment, wages and working conditions. The survival of the company, its strategy and governance should not be on the agenda of trade-union representatives. They also assumed that a Danish company should be managed like an American company in the US. The big difference, according one of the American vice-presidents, was related to the overall change after the merger from 'being the headquarters' to 'being just another subsidiary' in a much bigger corporation. This caused a change in the levels at which decisions were made, and as result some people who formerly participated were no longer included. One of the American vice-presidents expressed the changes in how trade-union representatives should be involved in the decision-making process as follows:

"a leadership group decides to move some production from Denmark to Poland. Before we go public with that, before we reach the final conclusion, it is our obligation to sit with the union's people and talk about that, but to say that we need ask them and include their input in this strategy, it is not my understanding of the requirement …at the end of the day we are the ones who are going to make the decisions for the business".

This kind of argument was unacceptable to the convener:

"I need to know which departments are going to be outsourced. I need to know in order to negotiate a solution for workers who are employed in those departments. I need to know not in order to prevent it happening, but to create alternatives that can benefit the company and its employees. Americans do not know the difference between communication and information."

The information about new strategies became a formality, a way of dealing of the requirements of the law, not an organizational way to achieve a negotiated strategy.

The Americans based their strategies on their own priorities, causing an intense restructuring in the new organization. The methods used to evaluate different performances changed. The first feature of the lean system that was introduced was the just-in-time information system. This enabled top management to control the results of the daily operations better than before: the production flow, the number of quality problems, the levels of buffers, etc. A huge amount of hard data started flowing daily from the production floor to the top managers. The information flowing towards the top levels became impressive, and the number of reports increased exponentially. However, the information did not return from the top.

"… under the new system, managers are preoccupied with their own future. It is a quite individualistic way of doing things: people are not so much preoccupied with the common destiny of the company, [and] the effect is an organizational mess, each department following its own route, without much collaboration with other departments…" (factory manager)

The negotiation of new organizational solutions was suppressed. Local managers and representatives both lost access to valuable information, and their ability to negotiate was continually being reduced. It became a strategy of divide and rule.

As the American managers and the convenor could not agree what information they could share and what level of participation in the decision-making process the convenor should have, the partnership between them started to deteriorate and totally disappeared after some months, turning instead into a very adversarial relationship. From the convenor side, the new top managers, who were mostly Americans, were either unable to understand the Danish systems of co-decision-making, or unwilling to accept co-operation and participation at the higher organizational levels. As managers were reluctant to release the necessary information, even though this was against general agreements in Denmark, the alternative was to insist on the reinforcement of and obedience to the general agreement and the law.

The American managers learnt how to interpret the Danish law and keep furnishing the information they considered necessary to the representatives, but they did not consider it necessary for convenors and shop stewards to be active participants in the development of general strategies. Both parties seemed to take their roles for granted, the roles that each side is supposed to play in their own national systems of industrial relations. The Danish convenor assumed that he had the right to participate in the process of decision-making, even when the conditions changed from the Danish factory being the headquarters of a Danish multinational corporation to being just another part of a much larger multinational corporation. The American managers, on the other hand, simply transferred their interpretations of the possibilities for co-operation between labour and capital from the US to this local community in Denmark.

The traditional partnership between shop stewards and Danish managers had avoided these tensions. The previous convenor argued that the partnership between managers and representatives had been working so well that he had made himself “unemployed” by decentralising most decisions to his representatives in the different departments. His job had become more focused on co-ordinating the work among representatives, as well as on more central issues that affected the whole labour force in the firm’s local sites. As the decentralization of tasks to shop stewards was already functioning well when the new convenor was elected and the American team was appointed, the changes did not have serious consequences for partnerships at the shop-floor level, which continued to function well.

In the new managerial model, information flowed much less across horizontal boundaries and instead from units to the top. This information was about magnitude and time, while the ‘soft’ information about processes, through which the earlier results had been achieved, ceased to flow. According to the Danes, the flow of information was not necessarily linked with communication and mutual understanding, as strategies from the higher levels were simply informed about, not negotiated. Strategies at the shop-floor and middle levels, on the other hand, were negotiated but not communicated to the top. Thus many new boundaries and filters in the organization were constructed, and systematic communication among work teams was weakened. A small group could form a team and become almost insulated from its surroundings. To a great extent, different work groups became independent of each other in the factory. Meeting short-term demands and deadlines became the preoccupation.

The managerial team from Chicago started working on the idea of outsourcing some departments of the factories in Denmark. For this reason, they interpreted the investment in human resources as a waste of time and resources, because several workers would soon cease to be employees of the company. One Danish top manager, who asked for an off-the-record interview, stated that the Americans had explicitly ordered that investment in human resources be slowed down, that employees were not to be seen as a priority for the development of the firm, and that blue-collar workers especially should be regarded as an easily discarded asset. From the American perspective, the previous way of upgrading skills seemed quite risky: why should a company help employees to develop skills which the company had no use for either currently or in the near future, and which could even help employees find new jobs in another company?

As information from the top ceased to flow, the previous process of shared decision-making went with it. The convenor lost his capacity to know in which direction the company was moving, and consequently he was unable to link the needs of the company to the needs of the workforce. Workers became confused about the future of the factory, with more speculation to go on than real information. As a result, workers were investing time and resources in following courses that could improve their employability without necessarily benefiting GD. The courses being supported were aimed to deliver the minimal requirements for lean production and lean techniques. The previous innovative practices still existed, but overall coordination was difficult to maintain.

Discussion

The case-study findings show that the hybridization of different forms of employee influence in decision-making was difficult to produce. Actors were operating in a complex net of institutional relations with quite different taken-for-granted assumptions about how a firm should be governed and who should benefit from this. Conflicting institutional legacies were clearly at play. Two different organizational dynamics in the same company were presented in the two different moments of the merger: before and after introduction of the "American management model". In the first phase, an ongoing process of blurring boundaries among organizational and professional groups was taking place, implying a large number of new issues for the newly constituted organizational groups. Divisions that were more or less established became a matter of dispute, and strategies that seemed at face value demeaning for workers were defended by their representatives. Negotiation among actors was an important part of the organizational life in which actors could mutually influence each other's choices and strategies.

Workers continually upgraded skills and, as a result, changing the temporary nature of organizational roles, thus also affecting the boundaries between the different organizational groups. These boundaries became blurred and were continually being redefined, which in turn encouraged negotiation among different work groups and between themselves and their managers. Skill formation and organizational change had become a multidimensional process, one in which actors continually needed to redefine their roles and skills. The continuous transformation in the nature of skills that this process engendered made the links between the firm and the training institutions fundamental for workers.

Shop stewards and convenors represented a large variety of organizational groups and interests at different levels, both internally and externally; they were highly mobile and could cut across several organizational boundaries. As representatives engaged in negotiations at different organizational levels with different actors, new issues for negotiation continually emerged. This organizational mobility permitted them to gain access to and accumulate higher levels of information, which in turn reinforced their bargaining and persuasive power in the various organizational forums. Armed with such a level of mobility and information, they had become able to create coalitions and partnerships and to negotiate with different actors, thus influencing organizational strategies and goals.

The company was a clear example of a new organizational form where actors needed to show a willingness to adjust their position constantly, thus being able to adapt their strategies when persuasive counterarguments were presented. Managers and representatives continually needed to justify their own choices to each other and to the groups they represented. This seemed to be fundamental, since the roles of managers and convenors were not clearly defined. To be involved in the continuous processes of negotiation and participation, in which apparently contradictory choices must be justified, makes the life of managers and convenors more interdependent.

If decisions are to be seen as being justified, employees need to view the decision-making process as responsive to their concerns, especially in relation to health, security, education and distributional issues. This does not mean that hierarchy totally disappears from organizational life. “Partnership” and “hierarchy” are overlapping organizational principles which constantly challenge each other in the search for mutually acceptable solutions to pressing problems (Kristensen and Rocha, forthcoming).

During the second phase, when the PAs stopped functioning at a higher level, although the systems as a whole did not collapse, the information flow and the deliberative processes became compromised to a great extent. As a result, the problematic areas drove the convenor to adopt a strong adversarial position in his approach to top management. However, at the middle level the PAs survived, with Danish managers becoming adversarial in relation to American managers while still maintaining their cooperative relations with the Danish representatives.

As mergers and acquisitions have become the most prevalent mode of internationalization, we can assume that the problems faced by managers and representatives in our case are also becoming quite widespread. Representatives may try in different ways to convince foreign companies about the possibilities and mutual benefits of partnership. However, workers also turned down representatives whom they felt had learned to act in partnership with managers in a way that was too favourable to the latter. Thus, there are good reasons for anticipating that partnership might always be unstable in this type of multinational corporation. Representatives need to attend the increasing demands of the workforce. Local managers, on the other hand, are continually being pressured to cope with the demands of their headquarters, which is constantly drawing up new measures and benchmarks for performance, and demanding the introduction of novel HRM practices, so that plant organization and governance are constantly in flux and under negotiation.

In the present case, a hybridized form of PA could not emerge between the Danish and the American models of employee participation in co-decision-making. Two areas of disagreement were fundamental in blocking the development of PAs after the cross-border merger: the bases for the different governance models, and industrial relations. First, there was incompatibility between the two governance regimes involved and the possibilities they engendered for the different actors to strategize. The sources of legitimacy in decision-making moved from the development of the company and its work force in the long run towards the idea of shareholder value and ownerships rights. The American management team appealed to legality and efficiency as sources of justification (Kely, 2004), in doing so raising questions about the whole idea of how and why partnerships should function. Danish representatives expected much more attention to the concerns of all stake-holders. The new governance model was more top-down and centralized than the Danish one. There is not so much space for negotiation between partners in the American governance model.

Secondly, the industrial relations models involved affected how actors expected PAs to function. American managers expected support for managerial strategies without having to open the necessary channels for information and influence over the company's strategy. American managers in Denmark seemed constrained by the general US hostility towards unions and employee representation in MNCs (Ferner et al., 2005). Danish representatives expected more access to information and opportunities to influence strategies than top management was willing to provide.

The changes in PAs adversely affected the process of skills formation and upgrading, which was a fundamental issue for representatives and the labour force. The shop steward was no longer able to influence how the strategies of the company and the ambitions of its labour force could be combined. Instead of a hybrid form of partnership, the result was the deterioration of the existing PAs.

These developments in the company pose the question as to what may happen in the long run? Will the local system survive at the middle and lower levels and even re-appear at the higher levels, or will mistrust infect and undermine the remaining levels of co-operation? This points to an important line of research, which should combine institutional theory and a power/interest perspective in a longitudinal study. This underpins our understanding of how and when MNC subsidiary actors are able to mobilize the resources to shape the implementation of certain imported practices in their unit (Ferner et al., 2005; Kristensen and Zeitlin, 2005). In the present case, the longitudinal perspective represented an interesting way to investigate the development of PAs over time, showing how the clash between two opposed governance systems had important consequences for the good functioning of the firm.

Case-study methodologies restrict the possibilities for generalisations from the findings. However, the institutional analysis was intended to uncover the basis for strategic action, the different forms of governance and the different forms of justification. Therefore, based on the analysis of the case, it is possible to argue that hybrid forms of co-decision-making are rather difficult to make sustainable, and that when they do take place, they will be intrinsically unstable. The different forms of justification for decision-making in different governance models may show strong incompatibilities, as the share-holder value ideology, which is so important for American management, is difficult to combine with the 'stake-holder' traditions of Scandinavian and other continental European countries. The different national industrial-relations traditions may also present incompatible features, like the resistance to trade unions that American companies share and attempt to export to their subsidiaries abroad. As Djelic and Quack (2003a,b) have suggested, 'dominant foreign players' may become 'missionaries' of institutional change by trying to export their own national models, thus possibly being able to institutionalize their own national rules in foreign contexts. If this is the case, the spread of a 'share-holder' value ideology among continental European countries may have adverse consequences for established patterns of co-decision-making processes.

This article has pointed out an important area of research which needs further investigation: the dichotomy between home and host countries in a business environment populated by companies that are the result of cross- borders mergers and acquisitions, where the Anglo Saxon governance model is considered by many firms to be the most adequate to support the internationalization process. On the one hand, the growing internationalization of American companies can be expected to impact strongly on established national patterns of co-decision-making due to incompatibilities between the different industrial traditions and management models. On the other hand, the increasing tensions between the different actors involved may generate new patterns of action among trade unions and their representatives, as the nature of national business systems has an impact on how actors perceive and accept the level of influence that they and the other actors have the right to pursue. A reaction within Scandinavian trade-union movements may also be expected to change the balance of power between multinational companies and local actors. Therefore, in the long run, local actors may also be expected to re-establish their previous ways of co-operating and creating partnership arrangements.

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Tab. I

	First Phase	Second Phase	Third Phase
Top managers	1	4	2
Middle Managers	2	5	4
Convenor	1	1	1
Shop Steward	1	2	2
HR Consultants	1	4	2
Supervisors	1	4	3
Blue-collar workers	4	18	1
Total	11	40	14

Tab II – GD profile

GD	
Products	Electro hydraulic motors and controllers for off-highway machinery industry
Employees worldwide (2006)	9,000
Employees in Denmark (2006)	2,400
Revenue (2006)	$1,7 billion