

# The National Business System and Its Applications: Reflections from the Belgian Experience

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## Abstract

MNCs exercise control across borders by transferring employment practices to their subsidiaries. By drawing from “national business system” some studies indicate home- and host-country effects as mediating the transfer. Accordingly, institutional variance is national specific. However, sub-national institutions as well as local actors’ strategies are equally important. In the paper we originally use the concept of “institutional entrepreneurship” to illustrate how coordination mechanisms to mediate the transfer can be created beyond the national borders. Based on the Belgian case, we individuate three levels at which these coordination mechanisms operate: the region, the firm and the inter-firm.

**Keywords:** multinational companies, employment practices, national business system, institutional entrepreneurship, Belgium

## 1. Introduction

The paper uses the concept of ‘institutional entrepreneurship’ (Crouch & Farrell, 2005) to study the transfer of employment practices within subsidiaries of multinational corporations (MNCs). The subnational level and how subnational processes and dynamics mediate the transfer of employment practices can be understood through this perspective. This helps to address two major weaknesses the literature usually refer to when it studies international businesses: the limited attention to institutional diversity and the role of actors. More generally, the concept of institutional entrepreneurship offers an analytical context where to possibly embed the developments in both macro level studies interested in grasping the nature of institutional variety on one hand, and micro-level research interested in understanding the dynamics and the dialectic of forces producing specific outcomes on the other hand.

Comparative research on multinationals usually refers to the notion of the ‘National Business System’ (NBS) to explain differences between countries in human resource management and employment relations. Based on the neo-institutionalist paradigm, the NBS approach assumes that characteristics of national institutional contexts are crucial in explaining these differences. Moreover, some commentators (Almond et al., 2005; Edwards, Colling & Ferner, 2007; Muller-Camen, Croucher, Flynn & Schröder, 2011) have focused on the effects of globalization on national business systems. In particular, they have developed a framework to study the transfer of employment practices within MNCs whose organizational practices are ‘embedded’ in at least two institutional environments. For instance, Whitley (1994) argues that this transfer depends on the institutional structures of host countries and on the relative balance of power between companies and institutions in the home and host countries (Whitley, 1994). Accordingly, even the most internationalized companies are influenced by different national institutional contexts (Albaladejo & Mias, 2010). In spite of its important contribution, recent studies have started to point out two important analytical weaknesses in the way how the NBS approach has been used to study employment practices in MNCs.

The first concerns institutional diversity. Although the NBS approach highlights the fact that there are strong national, sector and firm effects on local employment policies and practices in companies operating globally, the point of departure of most studies has been prevalently the home and host country national effect. Recent studies have added to this by underlining the importance of other subnational levels influencing employment practices in

MNCs (e.g. Almond et al., 2005; Almond, 2011, Heidereich, 2012). However, the attention in the studies which have emphasised the subnational level, still remain on the institutional context (home or host country). In this paper the argument is put forward that additional levels besides the national level, can arise. It is illustrated that these levels arise in interaction with social actors as though there is a web of inter firm relations. This generates processes at the subnational level which mediate the transfer and which can be understood as the result of the interaction of subnational institutions with social actors. That is why the concept of institutional entrepreneurship is crucial in the paper. Taking into account the role of social actors is in line with some recent studies which have started to explore the role played by social actors (i.e. the state, business and labour) in mediating institutional (e.g. home-country and host-country) effects (Almond et al., 2005; Edwards et al., 2007; Morgan, 2007).

The aim of the paper is so to show how the concept of institutional entrepreneurship enables to better capture the interplay between social actors and subnational institutional levels. It hereby uses the example of Belgium to show how the subnational institutional level does not mediate alone the transfer of employment practices in multinational subsidiaries. Conversely, it is the interplay between subnational institutions and the local actors at both regional, firm and inter-firm level which complements to shape the content of these practices, and therefore which contributes to influence the transfer of employment practices in multinationals' subsidiaries. The paper is structured as follows. The first part presents the concept of the national business system and the debate in the literature regarding the use of this concept in studying employment practices within MNCs. The second part focuses on 'institutional entrepreneurship' and explains its potentiality with regard to the possibility of better capturing the transfer of employment practices within MNCs. The third part goes on to describe the socio-institutional context in Belgium and its key features. It examines the mechanisms mediating the transfer of employment practices within MNCs subsidiaries. Lastly, some conclusions and policy implications are discussed.

## **2. The National Business System and Employment Practices in Multinationals**

Case study research conducted by Muller-Camen (1998) on US multinational companies already pointed to the importance of the subnational level for the study of employment practices in MNCs' subsidiaries. For example, a local institution (the Chamber of Commerce and Industry) helped the MNC's subsidiary to develop training. While some interviewees referred to a lack of support from headquarters for vocational training because of doubts concerning the value of it, for some subsidiaries, regional institutions can facilitate the organization of training (Muller-Camen, 1998; Almond et al., 2005). Moreover, studies on US multinational companies operating in Britain illustrate that decision-making concerning training differs within one host country as a consequence of specific regional labour market requirements (Almond et al., 2005; Ferner, Almond & Colling, 2005).

Although these empirical findings show the relevance for integrating the subnational level, they were discussed within the NBS approach without referring to dynamics and processes on the subnational level. This approach builds on two assumptions: First, that the behaviour of companies is shaped by the economic rules of the institutional contexts in which they are located and by the interactions between the companies and these institutions (Morgan, 2007); and second, that these contexts are composed of different complementary institutions that favour the competitive advantage of companies that 'fit' with their environment. This results in different relevant levels of coordination and control, not only the national level but also the subnational business systems, such as cartels, business groups, sectors and inter-firm relations. The most important level within this approach remains however the country level, that is the level of the state. This is because the state is responsible for public order, it sets up rules regarding private ownership and the financial system, the state organizes different interest groups and it is responsible for skill development (Whitley, 2000). Scholars using the NBS approach focus on how employment practices are transferred from one institutional context to another (Saka, 2002; Pulignano, 2006; Marginson, Edwards, Edwards, Ferner & Tregaskis, 2010). For example, they study the extent to which a parent company transfers training policies from its headquarters to subsidiaries, taking into consideration that each is embedded within a specific national business system (Muller-Camen, 1998). These national business system refer to country specific systems for corporate governance, systems of collective bargaining and relations with shareholders. Consequently, when considering the effects of globalization on patterns of economic and work organization and control, Whitley assumes that 'the more cohesive the host business system and its associated institutions, the less likely it is that system changes are just a result of internationalization' (Whitley, 2000, p. 135). In other words, two theoretical effects are taken into consideration: the country of origin effect (Ferner, 1997) in accordance to which MNCs' strategies and practices are shaped by systems of the country of origin like there are corporate governance systems and systems of collective bargaining; and the dominant effect, which states the idea that dominant states are able to transfer organizational

practices across countries (Edwards et al., 2007). The theory admits that changes can occur, but the extent to which they do so is mediated by local institutions (the host country effect).

A second concern relates to the need to emphasise and explain the influence actors can have on employment practices. According to Whitley, 'the role and the action of the actors result from variation in the conventions and rules of the game established by dominant institutions (capital and labour)' (Whitley, 2000). From this standpoint, companies and other actors are considered as over-determined by their institutional environment, leaving little scope for local autonomy. This strong determinism is confirmed in Whitley's notion of institutional complementarities, which suggests that over time, relationships between firms and their institutional context which do not have the complementary effect gradually fade away because they cannot compete against firms benefitting from this advantage (Morgan, 2007). In this perspective, the NBS approach fails to consider firms as dynamic actors that pursue their goals within and across institutional settings (Amable, 2000; Amable & Palombarini, 2009; Dunning & Lundan, 2010). However, facing international competition and integration, companies and interest groups are supposed to seek to influence and control the emerging national norms governing the constitution of economic actors and the ways in which performance is evaluated and rewarded. Theoretical vagueness around the role actors play in the definition of MNCs' practices and policies is illustrated by arguing that 'the transfer of managerial structures and practices between countries and cultures by multinational firms depends on the institutional structures of host countries and on the relative balance of power between firms and institutions in home and host countries' (Whitley, 1994, p. 277).

The following section illustrates how the concept of 'institutional entrepreneurship' proposed by Crouch and Farrell (2004) can be a useful conceptual tool in helping to address both the role of subnational structures and the actors within these structures in the definition of the nature of the employment practices within MNCs.

### **3. Articulating between Institutions and Local Actors at Different Levels**

The theoretical starting point in this paper is the implicit use of neo-institutionalist analysis that embodies the abstract underlying principles of social structure and action. A significant discussion in mainstream social science is that radical change can be produced by endogenous social actors operating within different institutional, path-dependent systems (see Crouch & Farrell, 2004; Streeck & Thelen, 2005). In particular, contributing to this stream of literature, Crouch (2005) argues that actors at the company level respond to pressures for change from the external institutional environment by engaging in experimental behaviour. This will lead to several combinations of institutions, rather than to the mere adaptation of a single institutional logic that macro-level structures usually aim to dictate. Crouch uses the term 'institutional entrepreneurship' to describe this process of combination rather than adaptation to the national institutional logic. Accordingly, subnational institutions and actors are seen as active and dynamic agents of change, and are therefore considered as central in explaining institutional reform and transformation in the particular society that they contribute to shape. As Lange (2009) clearly points out, this opposes traditional institutionalist assumptions (including the NBS approach), which claim that comparative advantages are the result of the operation of national institutions alone. By contrast, she argues that the high level of strategic leeway for companies that operate within heterogeneous national economies, for example, should be considered crucial in explaining national economic performance. In addition, Hall and Thelen (2009) argue that national institutions alone do not enable national economies to meet competitive demands. Thus, other co-ordination mechanisms should be in place, which would help to explain the different levels of competitive advantage among (and within) national economies. Crouch, Schröder and Voelzkow (2009) identify these co-ordinating mechanisms taking place at the subnational, such as the regional, the local (firm) and inter-firm level. At the regional level, co-ordination can occur as a result of the way in which a country is politically and structurally organized. Accordingly, the regional level is linked to the notion that national states consist of regional governments that have an exclusive responsibility for particular policy domains. Studies define a subnational government as a comprising set of regularized practices within a given geographical territory that is inherent to a particular political construction (Trigilia, 1991; Reid & Musyck, 1995; 2000; Lane & Wood, 2009). One of the best illustrations of this is a federal state, in which different regions and regional agencies have responsibility for different matters, such as tax concessions, education programmes and research, and development policy. These regional governments have been set up because social actors such as political parties state that regionalization would contribute to a better alignment between for example regional training centres and labour market needs. In other words, social actors do not just adapt the national logic but can transform it in accordance with regional needs. Secondly, at the local level co-ordination is first of all enacted via organized clusters or webs of companies or inter-company relationships. Socio-economic literature often labels inter-company relationships as 'clusters of firms' or 'industrial districts'. The main characteristic of industrial districts is the combination of co-operation and competition. The fact that companies within this

network may deliver similar goods or products has led some commentators to talk about them as 'institutionalized co-operation', a result of the fact that they are embedded in formalized inter-company co-operative networks (You & Wilkinson, 1994; Del Ottati, 2002). This formalisation is illustrated by referring to local institutions supporting the web of inter-firm relations. Funding organisation or training centres have been set up as this web of companies is confronted with a particular institutional context which is not completely in line with the companies' aims. Therefore, a set of companies collectively agrees on engaging in additional institutions. Thirdly, co-ordination takes place at the company level. It represents another mechanism, in the sense that it can be complementary to the cluster which the company is part of, as well as to the region in which it is located. However, co-ordination at the company level is not always different from the national or regional one, as it can also reinforce these mechanisms. A good example of this is the prevalence of internal training centres, alongside regional training policies and industry-specific training institutes. Regional government can provide financial support to companies in order to organize their own training, at a level which is different from the national. Moreover, companies can individually add to industry-specific training programmes.

From an analytical perspective, by emphasising the subnational (regional) and local (company and inter-company) levels as different co-ordination (or governance) mechanisms, the concept of 'institutional entrepreneurship' appears useful in helping to identify the dynamics and processes mediating MNCs' behaviour within a particular national context. So these subnational levels are the result of the interaction with social actors. In other words, these institutions are not necessarily set up within a top down approach; they arise because of the need for social actors like companies, employer federations or trade unions. Consequently they do not unidirectionally structure actors' behaviour; they are in fact also subjected to actors' aims. A firm (or a cluster of firms) for example can encourage governments to look at new policies, grants or support initiatives. This means that companies can request additional services or support certainly when they have a powerful economic position for example in terms of number of employees. The paper focuses on how this interaction between institutions and actors influences the transfer of employment practices.

Similar between the NBS approach and the concept of institutional entrepreneurship is however the notion of complementarity, meaning that institutions not necessarily substitute but can complement each other. For example, training initiatives proposed by local governments can be considered equally important in contributing to generate a competitive advantage, especially in the case of a federal state. In this situation, the local government can be considered hierarchically more important than the national government (Amable, 2000). The prevalence of these institutions in this paper are not considered as subnational institutional layers, they are the result of the interactions with social actors on these different levels. As Morgan (2007, p. 136) states: 'institutional complementarities do not emerge out of a process of economic selection, but through the actions of individuals and groups'. The paper claims that these subinstitutional mechanisms for coordination and control affect the way employment practices are organized in MNCs' subsidiaries in Belgium. More specifically, because of the presence of these regional governance structures, MNCs tend to decentralize some employment practices, as for example training.

Therefore, drawing on the institutional entrepreneurship concept, three co-ordinating mechanisms are identified (regional, company and inter-company). In so doing, it is possible to capture more accurately the complementing effect that subnational level institutions can play alongside national level ones. In the following section, the example of Belgium is used to examine how the subnational (regional) level, as well as company and inter-company levels, can produce interesting complementing mechanisms of co-ordination above the purely national institutional arena.

## **4. The Belgian Case**

### *4.1 Research Design*

The aim of this paper is to investigate how the use of the institutional perspective can contribute to the understanding of employment practices in MNCs' subsidiaries; Belgium is used as a case to show the way how the perspective can be applied. Belgium as a country is of particular interest for this aim because of two reasons. First of all, Belgium is a federal state with regional government having exclusive responsibility concerning different policy domains such as training. What is specific about Belgium is that the federal state is highly institutionalized. According to political studies, the presence of these regions (federal states) lowers the probability that policies will affect business decisions negatively. Veto of the regions and competition between them are assumed to be important parts enhancing the attractive investment environment for MNCs (Jensen, 2003; 2005). Secondly, the system of collective bargaining is multi layered. More specifically, social parties set up collective agreements on the interprofessional level, the sector level and the company level. These two

characteristics enable the investigation of the three subnational levels as found in the literature.

In line with this literature, data were consulted on the three levels: the regional government, the web of inter firm relations and the local level. This paper is mostly based on the use of secondary data sources and previous empirical research at the level of MNC subsidiaries and their industrial relations actors (works councils, employee representatives, local trade unions and management) operating in Belgium. This dataset of consulted documents is sufficient and representative for three reasons. First, negotiation and bargaining on employment practices is strongly institutionalized on all these levels and reports are publically available. Secondly, these formal and informal institutions are based on parity and the government is involved – meaning that the role of social actors is reflected. Thirdly, the consulted documents are made available frequently or the reports take into account a long term perspective which enables us to identify the interaction with social actors. In particular, internal historical documents and reports on training policies, grants and other support initiatives for companies have been examined. These are internal documents concerning, for example, training institutions in different parts of Belgium, such as the Flemish (VDAB), Walloon (FOREM) and Brussels (Actiris) regions. These documents give an overview of the particular domains in which national as well as regional governments in Belgium have invested, from which companies operating in Belgium have benefitted. Moreover, these secondary data sources contribute to providing an insight into the process of development of the main national and local Belgian industrial relations and labour market institutions. However, they also provide empirical evidence concerning the way companies operate in Belgium, as well as how the web of inter-company relationships has arisen and evolved over time. Moreover, they illustrate how these subnational institutions arose and they have influenced the transfer of employment practices in MNC subsidiaries in Belgium. On the basis of the above research design, the following more detailed research question has been formulated: Are there subnational levels (i.e. regional, company and inter-company), which play a relevant coordinating role with regard to the governance of employment policies? In order to answer this research question, the Belgian institutional context will be described followed by the results.

#### *4.2 Belgium as a Small but Complex Country*

Belgium is characterized by a specificity that relates to the nature of the federal state and its main economic characteristics. The Belgian federal state resulted from federalization by disaggregation. This means that it should be considered as resulting from an attempt to solve national conflicts by means of successive steps towards decentralization to regional structures (contrary to Germany and Spain, for example). Policy domains became decentralized because no consensus could be reached between the parties involved at the national level (Witte, 2011). This decentralization results in the lessening of conflicts at the national or federal level (Swenden, Brans & De Winter, 2006).

The most distinctive feature of the Belgian federal state relates to its asymmetric structure. This refers to the use of territory and language as the criteria on which the division and delegation of responsibilities is based. The result is an asymmetric structure, in which it is not always clear which policy domains are the responsibility of which region or community. So co-existence of different political orientations at different (national and regional) levels is possible. In order to gain congruence between the government levels, regions and communities are able to set up collaborative agreements concerning certain domains. For example, Belgium can be represented by one person at the European level, even if the subject under consideration covers regional matters. A second mechanism to guide the relationships between the governments, and which is not specific to Belgium, is the prevalence of a veto. This means that agreements are concluded only when there is no conflict between the parties involved. Besides these regional levels, Belgium also consists of 10 provinces and 589 municipalities. In reality, the provinces have no exclusive responsibilities and should be considered more as administrative units. The municipalities on the other hand existed before the creation of Belgium as a nation. They operate at the local level and have more power than the provinces.

The regionalization of the political structure is partially reinforced by the changing economic activities along regional axes (Note 1). A first characteristic in the evolution of the Belgian economy was the move of wealth creation and economic activities from Wallonia to Flanders during the 20<sup>th</sup> century. However, a new landscape soon emerged in Wallonia. Wallonia is today famous for the highly technical nature of its products. Wallonia's entrepreneurs have accumulated impressive know-how by concentrating on high-growth niches in sectors such as science, aerospace, biotechnology, microelectronics, new materials and information technology. A second characteristic is that Belgium is known for the specific nature of companies. The Belgian business world consists of a number of large companies and a very high number of small and medium enterprises (SMEs). The majority of Belgian SMEs are family businesses, but this does not prevent them from being important players on the

international market. Belgian SMEs are often particularly good niche companies, which are frequently market leaders in their sectors. The prevalence of both types of companies is of importance, because the specialized knowledge of local companies or clusters of SMEs is internationalized due to the prevalence of MNCs.

The reform of the Belgian State had profound implications for the regulation of employment and labour relations, with regard to which, training and education were the most affected. The following section focuses on training and education when discussing regional policies. Each reform has led to further decentralizing decision making to communities and regions. Accordingly, regional consultative institutions with trade unions, employers and public authorities have grown. Other examples refer to specially installed joint committees for regionalized activities. These subnational consultative levels exist in parallel with the three traditional levels of social dialogue at cross-industry, sector and company levels.

#### 4.3 Institutional Entrepreneurship in MNC's Subsidiaries in Belgium

Applying the 'institutional entrepreneurship' analytical approach to the study of the transfer of employment practices in MNCs in Belgium implies exploring whether co-ordination mechanisms exist which complement national institutions in the governance of employment. In Belgium, subnational levels (i.e. regional, company and inter-company) exist, which are not additional institutional layers and which complement (or reinforce) national institutional structures. In particular, at the company level these co-ordinating mechanisms assume a 'negotiated' character. This is because they mostly reflect the dynamic interplay between institutional settings and local actors, such as MNCs and representative organizations (trade unions and political parties).

First, the complex organization of the Belgian political system provides scope for regional co-ordination as a consequence of the specific federal structure. Second, co-operation takes place between local companies, and between companies and local institutions such as education institutions (e.g. universities) and local *Chambers of Commerce*, in the form of clusters. Third, multinational companies use institutional resources strategically to attain their own objectives. Table 1 summarizes the way the institutional entrepreneurship is understood for the Belgian case and the implications for the study on employment practices in MNC subsidiaries.

Table 1. Summary of results

Level	Coordination Mechanisms	Implications for the study of employment practices in MNC subsidiaries
Regional	The regionalization of responsibilities regarding vocational training is the result of a conflict between social actors on the national level.	The different regulations regarding training force MNCs to decentralize their training policies in order to benefit from grants.
Web of inter-firm relations	The close collaboration between a pilot company (MNC) and SMEs, is supported by local institutions. The supporting institutions in turn reinforce this collaboration.	Local institutions foresee training in accordance with local labour market needs. This encourages MNCs to transfer training policy to better meet the demands and benefit from these initiatives.
Local	Companies do not adapt to one institutional logic and want to shape the Belgian institutional logic in line with their aims by using other institutional resources.	Challenging regulation regarding workers' representation, information and consultation, based on MNCs' interest let arise a local coordination mechanism different from the institutional contexts (Home/host effect).

*At the regional level* At the regional level, co-ordination takes place as a set of interactions between political levels; between the federal national level and the regional governments. This is particular to federal states, where regional governments have exclusive responsibility for some policy domains (Swenden et al., 2006). In Belgium, the regions together with the communities are mainly responsible for the organization of vocational training and other policy areas such as economic policy, regional aspects of credit policy, or external trade. In Belgium, adult education was regionalized during institutional reform. The regions were given economic responsibilities and the communities received responsibilities related to the language of citizens (such as education and culture). In the French speaking part of the country, control over adult education was finally transferred to the Walloon region. As a consequence, vocational training as a tool of employment policy depends on three regions (Brussels, Flanders and Wallonia), while initial education depends on the three linguistic communities (Dutch speaking, French speaking and German speaking) (Federal Public Service Economy - General Direction Statistics & Economical Information, 2007; Witte, 2011). The regions and the linguistic communities are in charge of most initiatives related to continuous vocational training. This results in four organizations that are responsible for vocational training in Belgium: namely FOREM in the Walloon region, VDAB in the Flemish region, Actiris in the Brussels Capital Region and ADG for the German speaking community.

However, the regional co-ordination mechanism cannot be considered only as a top down mechanism. This is because the previously mentioned conflictual nature of the federal state is specific to the Belgian context. In other words, by dividing responsibilities between the regions and communities, the aim was to minimize the risk of conflict while satisfying actors' interests at the national level. These conflicts were mainly raised by political actors active in the Flemish and French speaking parts of the country, in which the aims were respectively cultural-linguistic and socio-economic. This organisation of training on a regional basis in Belgium influences the extent to which employment practices in MNCs' subsidiaries in Belgium can be transferred. More specifically, it makes it difficult to centralize training policy in the headquarters. Local HR managers do take care of training policies in order to benefit from all of the government initiatives foreseen. More specifically, there are initiatives at the national level as well as the regional level which differ between regions. A high level of discretion is therefore possible and necessary at the local level.

*At the local, inter-company level* 'Institutionalized co-operation' or the web of inter-company relationships arises as a result of close collaboration between institutions such as local and regional governments on the one hand, and local actors such as management and representative organizations on the other hand (Coro & Grandinetti, 2001; Chiaversio & Di Maria, 2009).

For example, the Flanders Language Valley was set up during the 1990s in the region of Ieper (Flemish region) at the request of local companies and their representative organizations (Note 2). This is an illustration of a web of inter-company relationships, with a combination of SMEs (domestic as well as foreign owned), investors and supporting institutions, and a common interest between the companies within a specific historical context. This occurred primarily because the region of Ieper benefited from several years of government aid as well as aid from the European Community (Musyck, 1995). In addition, there was an intense concentration of SMEs located close to the French border. At the centre of this network was a strong pilot firm working on speech technology. In the initial period of the network, investments were made not only by the surrounding SMEs, but also by the regional development agency (*GOM West-Vlaanderen*). The web of inter-company relationships pushed regional development agencies and the European Community to support the continued existence of the web by requesting support such as ensuring continual investment and the prevalence of required skills by setting up contacts with universities. After a couple of years, the result was the Flanders Language Valley. Its central features can be summarized as the physical and technological proximity of language and speech expertise, venture capital, support services (for example the provision of buildings, training and education) and the creation of dynamics between companies in the area. In line with these initiatives, two structural measures were launched: the Flanders Valley Fund and the Flanders Language Valley Foundation. The latter initiative is of particular importance because it was a co-operation between the private founders of the pilot firm and the formal institutions (the city of Ieper, the Flemish government and West-Flanders Intercommunity). This initiative resulted in the development of innovative employment measures in order to solve the shortage of skilled employees. More specifically, a collaboration was set up with the University of Kortrijk which resulted in a course in computer linguistics and an artificial intelligence department.

A similar example can be found in the Walloon region (Note 3). The role of heavy industry within the region gradually disappeared almost 50 years ago and a new economic landscape emerged. With the rise of biotechnology in Europe, Wallonia as a region decided to focus on this particular sector and developed supporting policies to boost the level of economic competition. Accordingly, three agencies were created to deal respectively with monitoring rapid changes in the biotechnology sector (and financing pioneers in specific domains), supporting international expansion by facilitating international joint ventures, and providing long term investment in the region by creating financial instruments such as loans or guarantees (Biotech report, 2008). In addition, what is known as the 2005 Marshall Plan for Wallonia set up supportive measures to create new clusters of inter-company links. The 'Competitiveness Hubs Policy' can be considered an excellent example of this policy. It aimed at organizing companies (or a sector) into one cluster; and by doing so, facilitating the cluster in becoming the world leader in a particular niche, favouring and attracting the necessary human resources and setting up an intensive partnership between commercial actors and academics. As in the case of the Flanders Language Valley, the policies developed in the Walloon region were supportive of the creation of biotechnology clusters. In addition, some leading companies such as GlaxoSmithKline and UCB, as well as SMEs, played a key role together with the universities in enhancing the innovative capacity of the Walloon region. More specifically, what universities develop in their research centres is implemented by local companies. In addition, spin-offs are formed and contribute to the competitive position of companies. So the combination of supporting policies, local agencies and companies co-operating with these agencies, stimulated the creation of clusters in the Walloon region such as the 'biotech' cluster. These cases illustrate the relevance of the

institutional entrepreneurship perspective. In both examples, local SMEs together with leading or multinational companies behaved as dynamic agents in the particular local socio-economic contexts that they jointly created. They contributed to the creation of local clusters of firms which were supported by policies favouring cluster growth, promoted by local formal institutions (e.g. municipalities or regional development agencies) or universities. What is of importance is that these initiatives did not arise in a vacuum. The interplay between multiple institutional levels and actors generates industrial clusters (or reinforces existing clusters) as illustrated by the examples above. More specifically, SMEs and leading companies requested local institutions to set up support initiatives. In the Flanders Valley case, universities were contacted to formalize educational training in required IT skills in order to meet local labour market demands. In the Walloon region, research and development within universities occurred in close collaboration with local companies. In addition, political institutional levels were also responsive. In the first case, two institutions were set up respectively to attract financial resources and offer additional services. In the case of the 2005 Marshall Plan for Wallonia, three institutions were set up to boost the biotechnology cluster. The prevalence of surrounding institutions such as universities, and the close collaboration between multinational companies and SMEs, encouraged multinationals to decentralize their policies on, for example, training. More specifically, when training is supported by the local contexts and aligned locally with the skill requirements needed, multinational companies can better benefit from the decentralization of policy (Benneworth & Hoppers, 2006; Coulson & Ferrario, 2007).

*At the company level* Recent examples in Belgium point to managerial practices in multinational companies that use local institutional resources in order to achieve their aims. This seems to be mostly the case concerning regulations regarding employee rights. Cases of companies such as AB Inbev and Brink's are good illustrations of this phenomenon.

At AB Inbev in Belgium, local managers used local institutional resources to produce change to their advantage during a dispute that occurred in 2010. Capron (2011) talks about judicial interference by management in labour disputes. Industrial actions such as strikes and lockouts in Belgium are not subject to any regulation during the dispute. Local management at AB Inbev in Leuven used this to appeal to the Court of Commerce to break picket lines. Specifically, management attempted to challenge the right to strike by appealing on the grounds of other laws, such as commercial law which accepts the right to protect private property, the right to maintain economic activity and even the right to work for non-strikers. However, it should be noted that management returned to the formal procedure for conflict resolution. In the end, trade unions were partly successful, as management postponed the decision relating to a restructuring plan involving the loss of 263 jobs, although the plan has not been abandoned. Furthermore, efforts have been made by the management to inform worker representatives regarding the plan and have asked trade unions to formulate a counterproposal.

The case of Brink's shows the limits of social dialogue when a foreign-owned multinational company refuses to comply with the social and labour laws of a country where it operates. When the Belgian branch of Brink's presented a major restructuring plan, any social dialogue was refused by the American parent company, putting itself in an awkward position under Belgian law. Even local managers had no room for manoeuvre. In order to reduce wage costs, the plan suggested a change of employment status for white-collar workers, a decision that was rejected by the workers. Facing trade union opposition to restructuring, Brink's declared its Belgian branch bankrupt. Public authorities attempted to mediate the conflict and establish a dialogue, but this proved unsuccessful. At present, all the workers have lost their jobs. However, Brink's still has to deal with judicial conflicts concerning the bankruptcy process.

The case of AB Inbev clearly shows how the multinational was looking for alternative opportunities beyond employment legislation in order to break the strike. Laws concerning private property, together with the lack of regulation regarding industrial action, were used by the employer as a resource to break union action and therefore cause change. In this regard, management used an institutional resource from the Belgian institutional environment (commercial law protecting property and economic rights) in an attempt to bypass another institutional resource (the right to strike). Similarly, in the Brink's case, a clear anti-union managerial strategy took place, probably influenced by the multinational being based in the United States. However, in Belgium restructuring processes have to respect the 'Renault Law', which forces management to provide information and organize consultation with employee representatives as soon as restructuring is announced that is likely to affect the majority of employees. In such a case, trade unions must be allowed to produce counterproposals to the management decision. Brink's management refused to comply with (thereby breaking) this legal framework and decided instead to use bankruptcy to close down the activity, thereby bypassing employment law. Again, this case illustrates how management can combine institutional resources with a view to reaching its own objectives and bypassing existing institutional constraints.

## 5. Conclusion

The institutional entrepreneurship perspective has shown to enable researchers to understand the subnational level and how subnational dynamics and processes mediate the transfer of employment practices in MNCs' subsidiaries. By using this perspective it dealt with two shortcomings in the use of the NBS approach by some initial literature interested in grasping the nature and the transfer of employment practices within MNCs: the weak attention to institutional diversity and the limited conceptualization of the role of actors. This paper illustrates the usefulness of using the concept of 'institutional entrepreneurship' to potentially deal with these shortcomings, while examining the existence and functioning of the co-ordination mechanisms that operate at the subnational (regional, inter-company) and company level. These mechanisms act together to complement the national (host country) institutional level in mediating the transfer of employment practices in MNC's subsidiaries in host countries. This paper provides an empirical illustration of the way in which processes and dynamics operating at the subnational level contribute to the governance of employment more generally in MNCs' subsidiaries in Belgium.

The first co-ordinating mechanism arose as part of the political construction specific to Belgium and refers to the regional level. The second co-ordinating mechanism is discerned as local institutionalized co-operation in the form of clusters that include companies, teaching and research bodies, and public agencies. The cases of the Flanders Language Valley and the Biotech cluster in the Walloon region both illustrate that co-ordination at the level of the cluster of inter-company relationships occurs in the presence of, on the one hand, local actors (such as MNCs and SMEs requesting support), and on the other hand, the prevalence of supporting institutions. The prevalence of the latter can encourage companies to decentralize their employment practices. The third co-ordinating mechanism is based on the strategic interests of multinational companies and their capacity to act as strategic agents. We have seen that decisions from the parent companies of AB Inbev and Brink's have resulted in social conflicts and strikes where management tried to break union action by other institutional resources.

Drawing from empirical evidence in Belgium, the paper points out the relevance of the institutional entrepreneurship perspective to examine the processes and the dynamics mediating the transfer of employment practices in multinationals' subsidiaries. This is because of the scope this analytical perspective offers to examine the interactions between social actors and institutions at different levels. As far as the Belgian case is concerned it meant to explore the action of local players within subnational structures such as regions, firm and networks of firms. These empirical findings have relevant policy implications. We can argue that to better understand how multinational companies integrate with both the traditional international and the domestic environments to create shared value, which is value for the company itself and its investors as well as for other stakeholders and society at large, it is important to develop a comprehensive framework of analysis which does not disentangle structures from actions but which integrates both. It is clear from the findings of the paper that future research on the transfer of employment practices would benefit from taking institutional entrepreneurship into account. By doing this, a clearer picture of the institutional effect, the actor effect or the interaction between both, could be investigated. More concretely, although Belgium has been known as a strong institutionalized context, the results found can be transferred to other institutional contexts as well. More specifically, the regional dimension within other countries in Europe is also prevalent. Countries as Germany (Länder) and Spain (ComunidadesAutonomas) have their own government and responsibilities. Studying MNCs within federal countries should consider different regulations guiding employment practices within MNCs subsidiaries. In addition, having different regulations and grants could explain why MNCs tend to decentralize in one region or another. Within all industrialized countries there are cities or metropolises (web of inter-firm linkages) which are labelled as clusters of companies such as Piedmont in Italy and Baden-Württemberg in Germany. This means that the (de)centralization of employment practices can also be related to the extent and the request of support within the cluster.

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## Notes

Note 1. Based on Wild and Pulignano, 2009.

Note 2. Mainly based on Wintjes, 1999.

Note 3. Mainly based on Biotech Report, 2008.