Corporate Governance, Employee Voice, and Work Organization

Sustaining High-Road Jobs in the Automotive Supply Industry

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OXFORD
UNIVERSITY PRESS

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OXFORD
UNIVERSITY PRESS

Great Clarendon Street, Oxford, OX2 6DP,
United Kingdom

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First Edition published in 2014

Impression: 1

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Published in the United States of America by Oxford University Press
198 Madison Avenue, New York, NY 10016, United States of America

British Library Cataloguing in Publication Data
Data available

Library of Congress Control Number: 2013953429

ISBN 978–0–19–968107–5

Printed and bound by
CPI Group (UK) Ltd, Croydon, CR0 4YY

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Introduction

1.1 THE CHALLENGE OF GLOBALIZATION

Coming into the last decades of the twentieth century, it was apparent that the distinguishing characteristic of an advanced economy was a large middle class, ranging from shop-floor operatives to college-educated professionals, whose wages and salaries provided them with comfortable and secure standards of living. The taxes that these employees paid on these incomes or on the products that they bought with them enabled governments to provide them with high-quality public services such as education, medical care, roads, and safety. The economic foundation for these middle-class living standards was high productivity in industrial manufacturing, particularly in goods that could be exported to other advanced nations. In the 1980s the advanced nations, joined by its newest member, Japan, competed vigorously among themselves in a wide range of industries such as automobiles, consumer electronics, computers and their components, industrial machinery, and steel. National economies whose companies were able to generate high levels of productivity captured global markets, and were able to deliver high-wage jobs to a large portion of the population. Some routine work went to low-wage developing countries, but the higher productivity work tended to stay in the high-wage economies.

In the 1990s all that began to change as companies in Asian nations such as South Korea, Taiwan, Malaysia, and Thailand began moving up the value chain in the types of goods that they were able to produce. Then in the 2000s China and India, with about 37 per cent of the world's population, made their presence felt. Over the past decade China has become a manufacturing powerhouse over a wide range of industries, while, through companies such as TCS, Infosys, and Wipro, India has become a world leader in the supply of information technology services. The new competition coming from these nations is based on the availability of highly qualified personnel who, because they are employed in developing economies, receive much lower wages and salaries than in the advanced economies. Indeed, many of the companies that employ highly qualified but lower-wage Asian workers are multinational corporations based in the advanced nations.

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It is within this evolving context of globalization that advanced nations that are concerned with sustaining high standards of living for their populations must ask whether and for how long their workers in manufacturing can keep their jobs, and if so at what level of wages. In particular, what role in the governance of business enterprises should workers themselves play if they are going to have some active influence on sustaining the viability of their jobs at decent levels of pay? If employees in advanced economies have no voice in the decision-making processes that determine whether the companies for which they work invest at home or relocate overseas, there is a growing likelihood that, driven by so-called 'market forces', the work will go abroad. Hence the questions that motivate this study: Can labour's voice in corporate governance help to sustain high-wage employment in an advanced economy? And if labour's voice can have this influence, through what type of corporate governance system is it best exercised?

1.2 THE DOMINANT VIEW

Prevailing economic ideology says that 'labour's voice in corporate governance' cannot do any good. Indeed, the conventional wisdom is that it will do harm because workers will just use their voice to protect their jobs and wage levels. Domestic consumers (including workers themselves) would pay for this protection with higher product prices than would have prevailed if the jobs had gone abroad and the manufactured goods had then been imported. Such influence on the part of labour, so the argument goes, would result in a misallocation of corporate resources that, in a world of global competition, would be self-defeating.

Instead, most economists, business academics, and company executives now argue that the goal of the corporation should be to 'maximize shareholder value', a perspective that is in direct conflict with the notion of 'labour's voice in corporate governance'. The argument, which emerged in the United States in the early 1980s and has since become a mantra of best business practice, posits that in a market economy all parties besides shareholders who contribute resources to a company receive a *guaranteed* payment for those contributions at a market price (wages, rent, interest) determined by the laws of supply and demand. Shareholders, however, are different. They contribute resources to the company but have no guarantee of receiving a return on those investments. If the company loses money (a negative difference between its product revenues and the cost of paying all other parties their guaranteed returns), then shareholders get no return (and in the absence of limited liability would have to cover the losses). If, in contrast, the company makes a profit, shareholders are the only participants in the company who have a claim on this 'residual'

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because they are the only participants who, in contributing their resources to the company, took a risk as to whether the firm would generate a profit or a loss.

Beginning with the 1976 publication of Michael Jensen and William Meckling, 'Theory of the Firm: Managerial Behavior, Agency Costs, and Ownership Structure'—said to be the most widely cited article in the social sciences—'agency theorists' have used this argument to identify shareholders as the economy's only 'residual claimants'. Since shareholders, according to this argument, are the only economic actors who take risk in contributing to the firm, they are the only economic actors who should have a right to determine the allocation of returns, if and when these returns occur. Since in the modern corporation, shareholders as 'principals' employ managers as their 'agents' to make decisions concerning the allocation of corporate resources, managers should make decisions that 'maximize shareholder value'.

It is assumed that the profits that accrue to risk reflect superior economic performance (although in fact, as indicated below, agency theorists have no theory of why or under what conditions 'risk' results in a more productive economy). It follows from the agency theory assumption that only shareholders take risk and that 'maximizing shareholder value' results in superior economic performance of the economy as a whole. From this perspective, any attempt to assert 'labour's voice in corporate governance' will result in inferior economic performance. The dominant view is, therefore, that labour is a commodity that derives its reward from its position in the labour market but that it should have no influence on corporate decision-making.

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1.3 WHAT IS WRONG WITH THE DOMINANT VIEW?

The dominant view that maximizing shareholder value results in superior economic performance is deeply flawed. It is based on assumptions that fail to capture the way in which a successful company or economy operates. Basically, like the neoclassical theory of the market economy on which it is based, agency theory lacks a theory of productivity, or what Lazonick (2010, 2012) calls a 'theory of innovative enterprise'. As indicated by the notion of profits as a 'residual', agency theorists have no theory of how a surplus over costs, that is, profits, is generated in a business enterprise.

The primary flaw in the agency theory argument is the assumption that all economic actors except for shareholders receive a guaranteed return for their productive contributions to the firm. This assumption derives directly from agency theory's adherence to the theory of the market economy (Lazonick 1991 and 2003). Specifically, it is assumed that when a worker receives a wage or salary for doing her work for a company, she receives full payment for the productive contribution that she makes. Such may be the case. If, however, this relation between productive contribution and reward were to prevail generally, there would be no productivity growth in the economic system.[1]

When most workers go to work, they are motivated to make productive contributions today for the sake of rewards that they might get tomorrow, next week, next year, or even next decade. That is what *careers* are all about. And the pursuit of productive careers is central to productivity growth in a company and in the economy. Except for the most menial and inconsequential work, an employer in a productive company wants to recruit, retain, and reward workers who are able and willing to provide 'extra' time and effort today to organizational learning processes that will yield higher productivity in the future. For their part, if they are able, workers will be willing to provide this extra time and effort because of the expectation that, if the enterprise is successful through increasing productivity and competitiveness, they will share in the resultant gains.

Workers enter into this type of long-term employment relation with the expectation of sharing in the gains of the enterprise's success, *but with no guarantee of a future return*. Even in the case of the well-known Japanese system of permanent employment, sharing in the future gains of enterprise has been an expectation, borne of experience and embodied in social norms, rather than a contractually guaranteed return. Indeed, even permanent (or lifetime) employment is not a contractual status.[2] At the same time, the evidence is overwhelming that the degree of employment security that the institution of permanent employment, or analogous employment relations elsewhere, offers is critical for motivating workers to work long and hard to contribute to organizational learning. By transforming technologies and accessing markets, this learning results in productivity growth at the level of the firm (Lazonick 2012). This type of employment relation also provides employers with the motivation to invest in the capabilities of workers, thus improving the ability of workers to contribute to learning processes.

The importance of the organizational integration of the skills and efforts of workers to productivity growth has profound implications for agency theory and its shareholder-value ideology. Workers take risks in providing extra time and effort to the process of generating productivity growth without a guaranteed return. By this logic, for the sake of superior economic performance, workers should have a claim to the so-called 'residual'—that is, surplus-value—if

[1] Elsewhere, Lazonick and Mazzucato (2013) have applied this argument to the role of the government in making productive contributions to companies through state investments in physical and human infrastructures.

[2] The contractual status in Japan is as a 'regular employee' with no stated date of termination. Court rulings have often held employers responsible for keeping people employed, but the court's position on the responsibility of employers is regularly contested.

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and when it appears. If workers have a voice in corporate governance, they can influence the corporate allocation of resources so that it aligns the risks that they take with the rewards that they receive.

As for the shareholders of public companies who agency theorists assume are the only economic actors who take risks without a guaranteed return, what contributions do they make to the firm, and what risks do they actually take? Typically shareholders of publicly traded stock simply buy shares on the stock market without contributing any capital to the firm. They minimize their risks through the combination of limited liability and their ability to exit from their investments rapidly and at low cost on a liquid stock market. Workers who have committed their careers to a particular firm generally have no equivalent way of exiting their investments to minimize their risk of job loss or pay cuts. Public shareholders can also diversify their risks across a wide range of company stocks, and indeed since the mid-1970s index funds have been set up to permit them to do just that. Again, workers have no equivalent way of diversifying their risks of job loss or pay cuts by working simultaneously for many different firms. We would argue that, in the modern corporation, the risks that workers take in investing their time and effort in the future performance of the firm are far greater and more fundamental than the risks that public shareholders take.

Yet, by making the false assumption that, in the modern corporation, it is only public shareholders who make productive contributions without a guaranteed return, agency theorists privilege a group of economic actors whose actual contribution to the growth of productivity is the least. Indeed, as Lazonick (2013) has shown, in the case of the United States, since the 1980s shareholder-value ideology has been used to legitimize a disgorging of cash in favour of public shareholders, not only through the traditional mode of paying dividends, which reward shareholders for holding stock, but also through the more recent phenomenon of large-scale stock repurchases, which reward shareholders for selling stock. Since 1983 in the United States net equity issues by non-financial business corporations have been negative in every year except 1991 to 1993 when they were slightly positive. And in the 2000s net equity issues have been highly negative, with a record of –$787 billion in 2007 just before the financial crisis.[3] For the 500 corporations that are components of the S&P 500 Index, and which represent about 75 per cent of the market capitalization of the United States, gross stock repurchases were about $3 trillion over the decade 2001–2010, equivalent to 54 per cent of net income. Dividends paid out by these companies accounted for another 40 per cent of net income (Lazonick 2013).

[3] These data are available from the Flow of Funds Accounts of the United States, issued quarterly by the Board of Governors of the Federal Reserve System, at <http://www.federalreserve.gov/releases/z1/> (accessed 14 October 2013).

Among advanced economies, the United States stands out for the absence of labour's voice in corporate governance. It is also the nation in which, in the 1980s, shareholder-value ideology originated. Since then, first and foremost in the United States, this ideology has been most dominant as an argument for the mode of corporate governance that is required to achieve superior economic performance (Blair 2005; Lazonick and O'Sullivan 2000; Stout 2012). In sharp contrast, nations such as Germany and Sweden accord labour a substantial voice in corporate governance, although, as we outline in this volume, even in these two European nations labour's influence works in very different ways. What then are the implications of these different systems of corporate governance for economic performance? The study of labour's voice in corporate governance that we summarize in this book represents an attempt to answer this very important question.

1.4 OUR ARGUMENT IN BRIEF

The book is founded on the belief, in contrast to the ideology of shareholder value, that sustainable businesses,[4] and thereby sustainable jobs, are better served by governance forms that acknowledge a central role for employee voice. Seeing corporate governance in such terms turns our attention to what has been termed 'governance compromises' in firms (Boyer and Freyssenet 2002). In this view, corporate governance is a balanced set of practices that not only involve the owners and managers of the firm, but also include employees as stakeholders on an equivalent footing. In effect our argument echoes that previously made by, for example, the European Trade Union Congress, that corporate governance cannot be reduced to how shareholders can control managers and that workers not only have a legitimate claim to be fully involved in the strategic choices of their employers, but that such involvement can have positive implications in terms of sustainable, high-quality jobs (Vitols and Kluge 2011). However, the nature and form of employee voice mechanisms and the corporate governance regimes of which they are part are likely to vary, not least because of different national institutional arrangements and regulatory regimes as well as different degrees of exposure to capital markets.

The literatures on national business systems and comparative political economy posit that different patterns of corporate governance are discernible within and characteristic of 'varieties of capitalism' (Hall and Soskice 2001; Whitley 1999). It has also been argued that different broad models or regimes

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[4] We broadly define sustainable businesses as those that are not only economically successful, but also cater for social interests inside and outside the firm and respect employee rights as well as the natural environment (Vitols and Kluge 2011).

of employment are similarly evident and broadly concomitant with such varieties (Gallie 2007). We discuss the broad debates around these literatures in chapter 2, but take here, as the starting point for our overall argument, the broad distinction between two ideal types of corporate governance, namely that which privileges the rights and claims of shareholders—an idea as mentioned above usually associated with that of the doctrine of shareholder value (Lazonick and O'Sullivan 2000; McSweeney 2008) and, counterposed with this, an approach which sees claims and rights from a broader stakeholder perspective. Typically, authors see the first as a feature of corporate governance in the Anglo-Saxon countries, notably the United States and United Kingdom, whereas the latter have been seen as more commonplace in Germany, Scandinavia, and Japan.

However, some authors have detected a shift in corporate governance practices within countries that represent both varieties of capitalism. This is, for example, evident in Sweden where the deregulation of financial markets in the early 1990s has radically altered ownership structures and governance regimes (Habbard 2008). But changes are also currently visible in the Anglo-Saxon countries: many firms in these countries have undergone a reorientation away from an emphasis on shareholder value to a more inclusive stakeholder approach. This has also led to noticeable reforms in corporate governance practices. Such reforms have aimed at strengthening levels of social and societal responsibility, through an appreciation of the stakeholder perspective and long-term stable growth of firms. However, little research has been undertaken that looks at these developments over time from a comparative perspective. Greater attention has only been paid to them recently (cf. Lippert 2008). This book is intended as an attempt to move forward on this agenda.

The new approaches are mainly evident in the United Kingdom (Armour et al. 2003; Deakin 2005; Williams and Conley 2005; Kochan 2003). But the US system is not 'carved in stone' and is also undergoing change (Jacoby 2005a). Moves towards stakeholder orientations have, as O'Connor (2000) shows, also been initiated in the United States. This author identifies early indications of these developments within the phase of hostile takeovers in the 1980s. At that time there was an amendment to company law, under whose auspices many states introduced a so-called 'stakeholder constitution' to cater to the interests of non-shareholders such as employees, customers, suppliers, and municipalities to broaden the scope of managerial accountability (O'Connor 2000, p. 103). However, claims about change away from a shareholder-value orientation are challenged by certain authors who argue that under increasing financialization in the global economy, not only does the discourse of shareholder value universally endure, but also that it severely limits the scope for work systems that are consonant with secure, well-paid jobs and the ideals of high-performance workplaces (Thompson 2003). Furthermore, Clarke (2007) has argued that in European countries, the concentration of capital has in the main remained

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high and is still effectively controlled by a dominant shareholder elite (Clarke 2007, p. 172). Accordingly, the interrelationship between financialization, corporate governance, and workplace outcomes is a matter of some debate. The aim of this book is to make a significant contribution to this debate through an empirical exploration of these issues in the automotive supply industry in three countries. In sum, we will argue that although the claims about the onset of financialization are real enough, as is the discourse of shareholder value, there are possibilities for sustainable practices along what we call the high road of work organization that can be consistent with job security, high trust and commitment, and what authors have called high-road or high-wage jobs (Helper et al. 2012; Kalleberg 2011; Osterman and Shulman 2011).[5] Crucially, we will argue that a central component of sustaining such jobs and the work systems that support them is an active role for employee voice mechanisms in corporate governance practices, or what authors have termed 'governance compromises' (Boyer and Freyssenet 2002). This puts the role of employee representatives at the heart of the debate.

For example, the crisis in the US auto industry in the 1990s and 2000s, not least in the face of Japanese competition, prompted considerable interest in elements of the high-road approach. In many of the ailing US car companies, in parallel with major suppliers, 'crisis deals' were signed between firms and their unions, not only to build new strategic partnerships between companies and unions (Appelbaum and Hunter 2003), but also to provide new forms and arenas for employee voice at the workplace. At the corporate level, new institutions of worker participation emerged (for example, union officials sitting on company boards), a development quite alien to normal practice in the 'Anglo-Saxon' outsider system of corporate governance (Aguilera and Jackson 2003; McKersie 2003). Furthermore, the unions have continued to exert a significant influence at firm level through their role in the management of pension funds.

This means that even in the 'forefather' country of the shareholder model of corporate governance (Khurana 2007)—the United States—systems are no longer completely free from employee influence. Moreover, at least since the international financial and economic crisis of the late 2000s, firms in all developed countries have engaged in processes of experimentation and reflection, the development of new constellations of governance practices balanced with older ones at the intersection of corporate governance and employee involvement. The former, clearer contours of national systems have been increasingly distorted by these developments: new hybrid governance forms or regimes

[5] Both 'high-road jobs' and 'high-wage jobs' are used in the literature. The expressions boil down to much the same thing in terms of describing good jobs on various dimensions. We use the former term throughout.

have been emerging in all countries such that 'Anglo-Saxon' and European elements are combining in new ways.

A key feature, we argue, and one that is neglected in much of the corporate governance literature, is the role of employee voice mechanisms that act as counter to the increasing pressures from the financial markets for short-term returns. Authors have pointed out that employee representatives have differing roles in the two contrasting governance models that characterize the Anglo-Saxon and continental European countries respectively (Hall and Soskice 2001). The former system is customarily seen as an outsider system as it generally does not engage organized labour in its governance practices. In contrast, countries defined by the latter system—the insider system—tend to grant a formal institutional role to unions or Works Councils. But how might we understand the relative absence or inclusion of employee representatives in actual governance as it plays out in practice? And are the traditional understandings of the insider–outsider dichotomy still relevant in the changing context of capitalism today? These are central questions that we explore in the book.

We have chosen for our empirical analysis the automotive supply industry. This focus is founded on our belief that changes in the structure of corporate control in the last couple of decades are particularly evident here, thus providing us with rich possibilities for exploring a sector that has undergone a considerable degree of turbulence in the recent period. The automotive supply industry has for some time been the subject of ground-breaking business processes and the adoption of new organizational forms in the context of open and international markets. As a 'mature' industry, the automotive supply industry has long been considered less susceptible to the Anglo-Saxon model of shareholder capitalism. This has changed since the 1990s, however. Many of the major suppliers have since then gone through processes of mergers and acquisitions, witnessed a rapid globalization process, and sought in response to align their strategies with increasing shareholder value. This process has been accompanied by a trend towards the internationalization of capital structures. In particular, the increased buying and selling of firms has set transaction processes in motion in which international financial investors in particular are involved. Many automotive suppliers are, therefore, now faced with new shareholder groups who are promoting the alignment of corporate strategies with objectives of short-term profitability rather than any commitment to long-term development within the firm.

But not all automotive suppliers have been so clearly focused on a new path that has entailed changing their institutional alignment. It is possible to find examples in which firms have managed the globalization process along paths that broadly correspond to the structures of the stakeholder model. In this respect, the institutional system in the industry is characterized by complex combinations of different corporate governance systems. According to

Nieuwenhuis and Wells (2003) the automotive supply industry can therefore be considered as a 'paradoxical' industry that is characterized by an overlap of major changes on the one hand, and persistent continuity on the other (Nieuwenhuis and Wells, p. 15). Studies that relate only to the macro level of national systems do not sufficiently capture this diversity, and its underlying dynamics and paradoxes. This is also a core argument of this book and a key contribution to the literature.

1.5 STUDYING HIGH-ROAD JOBS AND CORPORATE GOVERNANCE FROM A COMPARATIVE PERSPECTIVE

The profound nature of the changes to capitalism alluded to here have not only called into question the stable features of national corporate governance regimes, but have also had important implications at the micro level, that is at the level of the individual firm. Our primary focus is the latter aspect which, although it is the central focus in the literature on work and work systems, has been relatively neglected within corporate governance scholarship. We are particularly interested here in presenting detailed process-oriented accounts of how the dynamics of governance practices of firms have played out in terms of choices about the organization of work at plant level.

These developments raise the question of how future trajectories will play out in continental Europe and beyond. Is the move to financial capitalism as evident there as in the Anglo-Saxon countries (Deakin and Whittaker 2007), or will the European governance systems remain intact in the future? Will they retain specific and clearly distinguishable paths with other consequences, as suggested by certain authors (Hall and Soskice 2001)? With the outbreak of the global financial and economic crisis in 2008–2009, assessments have changed significantly on this issue. In this situation, the sustainable continental European model has proven its strengths, whereas, we argue, the Anglo-American approach, geared to a short-term focus and the dominance of the capital markets, can hardly be regarded as a guiding model. Accordingly, protagonists in the debate have begun to listen more carefully to countervailing voices that caution against the Anglo-American variant (Froud et al. 2006), calling into question the thesis that systems are following a path of convergence around the shareholder-value model.

However, following the previous work of Gospel and Pendleton (2005), our study has been conducted, and this book has been written, in the firm belief that more empirical exploration is required of the unfolding dynamics of financialization, corporate governance change, and the management of labour. Our intention in the book is to shed light on the many questions being

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raised here, and offer insights to firms and unions as well as the research community from a comparative study of the automotive supply industry. The book addresses these developments and explores the changing trends on both sides of the Atlantic. Unlike most studies that deal with institutional change in corporate governance, we do not primarily focus on the macro level of national systems, but are more interested in the change processes at the micro level of the enterprise, in particular looking at the dynamics between developments at the corporate level and those in the workplace. In our view it is at this more micro level that the use of hybrid structures and the many facets of change are most clearly visible.

More specifically, three aims are pursued in the book:

1. To analyse the development paths ('trajectories') over the last fifteen to twenty years of the connections between corporate governance and employee participation and to determine the reasons why firms break out of traditional development paths or behave in path-dependent ways,
2. To study the new contexts in which such dynamics are played out in a turbulent sector such as the automotive supply industry,
3. To recognize the effects that different constellations of corporate governance and employee participation may have on the development of work systems and the possibilities for sustaining high-road jobs.

The book can be seen as a complement to the emergent literatures on corporate governance and the management of labour (see e.g. Gospel and Pendleton 2005) as well as the impact of financialization on the firm (Froud et al. 2006). However, the book makes a number of distinct contributions. First, it has a single-industry perspective that allows us to narrow our analytical focus on the issues or variables in which we are primarily interested, namely corporate governance, employee voice, and work organization. By focusing on a single industry, we keep other significant factors, such as the trend in the business cycle, product markets, and supplier relations, relatively constant. The sector investigated is the automotive supply industry, which is characterized by great variance in forms of governance, turbulent current developments, and frequent path changes in corporate governance and employee participation over the last two decades.

Second, we focus on changes over time rather than reporting static comparisons synchronically. The investigative ambition of the project takes up the 'firm trajectory' approach (Freyssenet et al. 1998) and the notion of self-reinforcing or destabilizing processes (Thelen 2004). The aim of these approaches is to reconstruct the course of developments over a longer period of time from the points of view of path continuity, departure, and change. With reference to this perspective, we wish to investigate how systems of corporate governance and employee voice in firms from the same sector (the automotive supply industry) develop, whether they have strengthened or weakened over

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time, and whether they have moved in new directions. We have paid particular attention to 'critical events' (crises, hostile takeovers, intensified competition) that lead to changes in governance compromises and in the company's path of development.

Third, we select and analyse case studies of firms according to three distinct corporate governance models or ownership structures that we believe can be usefully adopted across national contexts, namely firms that are sheltered from capital markets, firms that are highly exposed to them, and private equity financed firms. This categorization allows us to examine directly how different degrees of capital market intrusion have yielded different trajectories and varying outcomes at the workplace. Not all cases were characterized by the same regime throughout their respective trajectory. But this we believe only added to the richness of our case data. In all we present nine case studies—or to be more precise, case histories—one from each corporate governance type from each of our three selected national settings.

Fourth, we have chosen a unique selection of national or institutional settings. The initiation for the project came from the Social Science Research Centre, Berlin, with funding from the Hans Boeckler Foundation. Accordingly, Germany was a natural choice. But the subsequent choices of Sweden and the United States opened up possibilities for two further lines of fruitful comparison. Sweden allowed us to compare firm trajectories between economies that in many respects shared characteristics but in other respects showed divergence, for example in the respective roles of unions and Works Councils and the extent of financial deregulation. For some reason Sweden as a setting is not featured strongly in the comparative literatures (cf. Gospel and Pendleton 2005), a shortcoming the book addresses. The choice of the United States allowed us to make comparisons with developments within the leading liberal market economy.

The study and book follow the tradition exemplified in the classical work of Chandler (1962) and more recently Froud et al. (2006) in presenting detailed historical accounts of firms in the form of case studies. These studies contrast firm trajectories in the sector over the last two decades. Each of these studies provides rich historical detail to explore the dynamic interrelationships among corporate governance, employee voice, and work organization. We conclude by returning to our argument on the sustainability of high-road jobs.

1.6 SUMMARY OF FINDINGS

In sum, our overarching objective in the book is to explore the possibilities and prospects for sustaining high-road jobs in a financialized global economy.

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Several questions are in focus in the furtherance of this objective: How have corporate governance systems changed in a globalized industry like the automotive supplier industry? What are the consequences of these changes on employee participation? And what effect do different arrangements of corporate governance and employee participation have on the development of work systems (seen as the 'high road' and 'low road' respectively)? Our case studies of automotive suppliers from Germany, Sweden, and the United States have shown that there are no uniform answers to these questions. Our findings suggest that the simplistic categorizations in much of the literature are now out of date and perhaps were never very useful anyway (Lazonick 2010). Instead, a complex picture is presented that suggests a number of hybrids and varieties, not just between 'capitalisms', but also within them. Overall, the comparisons will show the structural characteristics and development trends of the corporate governance systems of the case firms (ownership model, development of capital market, role of foreign capital, etc.), and the impact of these on developmental trends in the organization of work at plant level over the last twenty years.

Our findings show that there is considerable variety in the development paths of our case study firms. This suggests, in our view, that new complementarities of corporate governance, employee involvement, and work systems have evolved, which do not fit those depicted (and predicted) in the business systems and comparative political economy literatures. But the findings nonetheless point to a relatively stable type of variance in this respect. Perhaps unsurprisingly, firms that are not exposed to the capital markets differ considerably from their unsheltered counterparts, including the specific cases of private-equity backed firms. Such differences are discernible both in the way the firms change, and in the way they conduct their practices in the corporate governance, employee voice, and work systems.

Accordingly, corporate governance and work systems are not static arrangements conforming to a national template. Institutions and their interrelationships are subject to change. This suggests that current institutional change should not only be understood in terms of 'clusters of countries' but also—and above all—in 'clusters of companies'. This perspective reveals that as industry conditions change in each country, 'models in models' evolve (see also Morgan et al. 2005b). In both Germany and Sweden, for example, the experience of many firms backed by private equity arrangements would support this development. These firms exhibit structural features that entail a considerable degree of departure from the generally understood features of the continental European model of corporate governance. Conversely, an increase in the incidence of the employee stock ownership model (ESOPs) is notable as an alternative model in the liberal US market economy.

Our comparisons show the structural characteristics and development trends of the corporate governance systems of the case firms (ownership model, development of capital market, role of foreign capital, etc.) and the impact of these on developmental trends in the organization of work at plant level over the last twenty years. Furthermore, the complex picture provided by the cases lends some support to the argument that the doctrine of shareholder value is becoming increasingly pervasive (Lazonick and O'Sullivan 2000; Thompson 2003). This doctrine has without doubt been highly influential in recent years and in some cases its direct impact on the organization of work can be traced back to critical events in corporate boardrooms and capital markets. But in other cases, changes in work systems have other origins, and in other cases still, the impact of shareholder value works in addition to pre-existing paths of continuity and patient capital and does not overthrow them.

The complexity of the cases here also suggests that rather greater recognition needs to given to the salience of creative action or strategic choices by actors locally than in accounts that attribute a dominant role to financialization, corporate control, and capital markets (Herrigel 2010). Finally, as the title of our book suggests, we are most fundamentally interested in how change in corporate governance regimes has impacted work systems, and in turn the possibilities and prospects for high-road jobs. One clear pattern discernible in our material is that employee voice mechanisms, exploited by knowledgeable and well-resourced employee representatives, can have a significant influence on the design and trajectories of work systems and social innovations. When it comes to sustaining high-road jobs, governance compromises matter.

1.7 OUTLINE OF THE BOOK

The book is structured as follows. In chapter 2 we build up the main components of the conceptual framework underpinning our study. We start with an overview of the theoretical debate on the varieties of capitalism. We then delve deeper into the question of institutional change over the last two decades or so as well as present a contextual discussion of financialization and the doctrine of shareholder value. Thereafter we discuss the current state of play in the debate on comparative corporate governance and argue for a greater recognition than that in many accounts hitherto for the role for employee voice mechanisms. The final part of our framework is that of outcomes—namely, work systems, high-road jobs, and social innovations. We conclude the chapter by summarizing the framework and posing our research questions.

The aim of chapter 3 is an empirical overview from secondary sources of the industry context which proceeds in three steps. We start by discussing and comparing the principal dynamics and developmental trends in the automotive supply industry. Since the industry conditions are important for understanding developments within automotive suppliers, we see merit in

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briefly describing the overall driving forces and trends in the industry. Firms in the sector, however, are shaped not only by industry conditions, but also by national factors. We therefore shed light on these in the second step of our discussion. This discussion takes up the particularities of national institutions, systems of corporate governance, employee participation, and production systems of our three study countries—Germany, Sweden, and the United States. In the third step, we aim to understand how the automotive supply industry in the three countries has developed and how the strengths and weaknesses of these industries can be understood.

Chapter 4 then focuses on the corporate level. Here, we delineate three distinct governance structures in the sector at the core of our design. We have selected case study firms from each of these governance structures: firms that are relatively unexposed to the capital markets, which we call 'sheltered firms'; firms that are highly exposed to capital markets, which we call 'unsheltered firms'; and finally firms backed by private equity. We proceed on the assumption that firms from these three governance forms or what we call 'regimes' differ considerably, not only in their corporate governance systems, but also in their work systems as well as the role they afford to employee voice mechanisms.

In chapters 5, 6, and 7 we then present our case studies, each chapter examining material for each of the three governance regimes respectively. In other words, each chapter will focus on one of the distinct governance forms described in chapter 4, and present the case histories of firms from each country. In each country an exemplary case for each business type has been selected, so that the case study analysis is presented on a 3x3 matrix comprising a total of nine case study firms. Chapter 8 summarizes the case study results. This chapter identifies the type-specific patterns of corporate governance, employee participation, and work systems in the industry. We summarize the results in the final section of the chapter and restate our argument in relation to the role of employee voice mechanisms. We also reflect on the possibilities of alternative explanations for our findings. In the final chapter of the book (chapter 9) we summarize our results, present an outlook on the future development of the industry, and make critical reflections on the varieties of capitalism thesis (Becker 2009; Hall and Soskice 2001) and the debates around financialization (Froud et al. 2006; Thompson 2003). We also discuss more speculatively the possible futures for high-road jobs and the prospects for high-road forms of work organization internationally.

We detail our methodological approach, notably the technique of process-tracing, in an appendix, as well as describe therein our means of data collection and data management.