



## The 'contested' firm: the restructuring of work and production in the international political economy



no involuntary changes have ever spontaneously restructured or reorganised a mode of production; ... changes in productive relationships are experienced in social and cultural life, refracted in men's ideas and their values, and argued through in their actions, their choices and their beliefs. (Thompson, 1976/1994: 222)

The desire to comprehend, order and manage the dual dynamics of globalisation and restructuring has led to much attention being paid to the actions and activities of MNCs. Academic commentaries in IPE, economics, sociology and business studies have commonly singled out the MNC as the central site of production and work for the global economy and, therefore, as a leading agent of globalisation. As the primary vehicles for global forces, firms are represented as *acting* to intensify competition, *reacting* to technological imperatives and *transmitting* knowledge and practices of restructuring across national boundaries. Media commentaries variously depict the multinationals as 'a powerful force for good' (*The Economist*, 4 February 2000: 21), or as the embodiment of globalisation with 'the whole world in their hands' (*The Sunday Times*, 17 May 1998: 11). Meanwhile, for those who oppose or resist globalisation, the logos of the MNCs – the Nike 'swoosh', the McDonald's golden arches, the Shell emblem – have become the archetypal symbols of global capitalism and the epitome of all that is wrong with globalisation. The dominant understanding of firms in the GPE represents the MNC as a unitary, coherent and bounded agent, pursuing global restructuring in a rational and linear fashion. Paradoxically, both 'pro-globalisation' neo-liberal accounts, and so-called 'anti-globalisation' accounts reinforce the image of firms as abstract entities, thereby obscuring the webs of power and practice that constitute sites of production – and limiting the potential for a politicisation of the restructuring of work and production.

It is the contention of this chapter that dominant representations of the firm within globalisation have underplayed the contested nature of the restructuring of work. Indeed, it has become the vogue to present globalisation as actively decoupling the firm from its relationships with state and society, rendering it 'footloose' and infinitely mobile. If we are to advance our

understanding of the webs of power that define global restructuring, and the implications for labour and social groups, then we must critically reconsider the assumed agency of the firm. How is it possible to delineate the agency of the MNC from, for example, the networks of shareholders, employers' and industry organisations or suppliers and contractors, within which it is situated? Defined in terms of a matrix of relationships that transcend ascribed boundaries – corporate managers, financiers, shareholders, suppliers and a diverse range of labour groups – the firm becomes a site of contest in the ascription of meanings and realities of globalisation.

The notion of contestation is furthered here at two interrelated levels. First, firms themselves are explored in the context of the competing social forces of which, and within which, they are constituted. Drawing on the restructuring experiences of British and German home-based multinational firms, the chapter suggests that the activities of globally-operating firms are less the outcome of unitary and unified actions than they are the result of a series of contests. If we understand the firm in this way, as a primary site of the experience of global change, then we are led to advance understandings of the contested nature of the restructuring of productive and working practices. We thus direct less attention to the firm as a vehicle of globalisation and become more attuned to the social experiences of global change that are played out within and around the firm. In this way, space is opened up for examination of the role of labour groups in the contestation and shaping of restructuring. Second, the chapter seeks to emphasise the contested nature of our knowledge of the firm within IPE. Capturing the potential position of the firm in the contestation of globalisation is thus posed as a challenge for the field of IPE, both in terms of its 'field of inquiry' and its 'set of assumptions' (Tooze, 1984). In short, it is argued that there is a need to emphasise contest both in terms of the social relations and practices within and surrounding the firm itself, and in terms of the contested nature of our knowledge of the nature and sources of globalisation.

### **The firm as a 'global agent'**

The understanding of global social change that has dominated IPE has tended to reproduce particular conceptions of the relationship between states and markets. As I argued in chapter 2, the delineation and opposition of bounded states and markets has obscured the porous and interrelated nature of these domains. In accounts of globalisation as an 'inexorable process', the domain of the market is represented as encroaching on the domain of the state. For many, the 'footloose MNC' has become the visible face of global markets, wielding its power over national governments and changing the balance of political authority in the GPE. As a result, firms have come to be understood as essentially rational actors whose actions have created and sustained an intensification of competition in global markets. For IPE, a specific type of firm, the

MNC, has been cast as the key non-state actor in an increasingly interdependent world.<sup>1</sup> In this way, from the 1970s, the firm has come to represent the primary vehicle of globalisation as it creates restructuring imperatives for states and societies alike (Stopford and Strange, 1991; Porter, 1990; Ohmae, 1990; Sklair, 2001).

For many academics, policy-makers, business people, journalists and indeed workers, there is a sense in which understanding globalisation has become synonymous with understanding the actions of MNCs as they, in turn, react to productive and technological transformations. For Stopford and Strange: 'What is loosely termed "global competition" is the outcome of how individual firms have reacted over time to the changing balance of opportunity and threat' (1991: 65). The firm thus becomes understood as both absorbing and contributing to globalising forces so that it becomes decoupled from the institutions and practices of state-societies. It is understood as an agent of transformation in the global economy (see Sklair, 1998), whose authority challenges that of national governments. Where state-firm relationships do enter analyses, these tend to be defined as a kind of interdependent diplomacy (see Walter, 1998), particularly in terms of the state's attraction of FDI. Attention to firm-society relations is similarly confined to a focus on the imperatives of restructuring for lean and flexible productive and working practices.

What are the limitations of this mode of knowledge about the firm? The idea that the firm has become a new unit of analysis in the study of the world political economy invokes, paradoxically, similar criticisms to those levelled at traditional international relations frameworks in their understandings of the state. The view of the firm as a coherent and identifiable actor in world politics has many parallels with the neo-realist view of the state as atomised, unitary and essentially rational. Susan Strange, for example, ascribes to MNCs some of the masculine qualities or a 'statesman' of diplomat with self-seeking expansionary ambitions. Firms are understood to be 'having to become more statesmanlike as they seek corporate alliances ... to enhance their combined capacities to compete with others for world market share' (Stopford and Strange, 1991: 2). The state and corporate actors Strange positions in relationships of 'triangular diplomacy' are presented as 'managers' of globalisation, resonant with Charlotte Hooper's 'frontier masculinity' in which business solutions are sought for global dilemmas (Hooper, 2000: 67; see also Hooper, 2001). Diplomatic practices, espionage and the activities of statesmen have defined what Hooper terms 'hegemonic masculinities' that now merge with business discourses to create images such as that of James Bond and Henry Kissinger 'sitting next to an Economist reading businessman on a plane' (Hooper, 1999: 485). Many IPE accounts of the firm reinforce such constructions of atomised agency in which expertise, calculated strategy and rational action are at the cutting edge of globalisation.

The abstracted isolation of individual firms or businessmen as managers of globalisation assumes that these actors have a common voice and a single

set of objectives. Yet, the social groups and interests within and around the firm itself are rarely cohesive. Restructuring is commonly characterised by conflict between, for example, managers and production workers, financial and technical roles at the corporate level, or between permanent and contingent workers at shop-floor level.<sup>2</sup> To present the firm as a unitary global 'power wielder' is to neglect to account for the webs of power of which, and through which, the firm is constituted. It is these webs of power that must be understood if global restructuring is to be repositioned as a social and political programme requiring particular representations and interventions, rather than as an automatic economic imperative.

Though the relationships between states and firms are explored and problematised to an extent in mainstream IPE literature, the contests within, across and around the firm itself tend to be neglected. In this way, globalising forces are treated as though they exist exogenously and are rarely considered as integral elements of a wider set of social practices. So, for example, much of the analysis of the relationship between technology and the firm adheres to some variant of the imperatives of lean production.<sup>3</sup> Womack *et al.* (1990) *The Machine that Changed the World*, for example, equated the loss of competitiveness in the European and North American automobile industries with the superior technologies and production processes of the Toyotist Japanese model. As critical approaches to the restructuring of production and work have demonstrated,<sup>4</sup> this simplistic construction of the interrelationships between states, firms, societies and social groups suffers from an 'unhealthy mix of analysis, description and prescription' (Ruigrok and van Tulder, 1995: 6). The firm becomes a disembedded entity to be studied outside of the realm of state and society, except insofar as it impacts on these levels through prescribed restructuring imperatives. Put simply, orthodox understandings of the firm in IPE tend neither to open up the firm to examine the social power relations within, nor to look at their extension into wider social contests.

### Politicising the firm in IPE

As scholars have more actively explored interdisciplinary approaches to understanding global change, recent debates have begun to offer politicised alternatives to the study of atomised states and firms. In particular, the work of Karl Polanyi has been used to demonstrate the historical and contextual contingency of social action. From Polanyi's rich and diverse writings, contemporary IPE has drawn out the notion of the embeddedness of economic transactions in a web of social relations and institutions:

... man's economy, as a rule, is submerged in his social relationships ... Neither the process of production nor that of distribution is linked to specific economic interests attached to the possession of goods; but every single step in that process is geared to a number of social interests which eventually ensure that the required steps be taken. (Polanyi, 1957: 46)

Contemporary interpretations of Polanyi's work have, of course, imported his ideas into a new context. The problematic of *The Great Transformation* was to explore the historical transformation of nineteenth-century liberalism and to explain the social effects of an imposed self-regulating market economy. However, Polanyi's ontological position has become increasingly useful in the development of critical positions on global social change. In essence, his work places society firmly at the centre of analysis, reminding us that '... normally, the economic order is merely a function of the social, in which it is contained' (1957: 71). For Polanyi, economic activities require social institutions to protect human beings and the environment and, indeed, to provide the skills and technologies necessary for production. To more fully understand the political economy of the firm, these insights suggest that there is a need to develop knowledge of the social institutions in which economic production is embedded.

Drawing on the Polanyian thesis, scholars have critiqued the notion of the firm as an abstracted global actor, and have sought to contextualise it within a set of political and social institutions. Pauly and Reich, for example, emphasise the enduring nationality of the firm, arguing that this reflects 'durable national institutions and distinctive ideological traditions' (1997: 1). Razeen Sally's (1994) institutional approach to the multinational enterprise, similarly explores the embeddedness of multinationals in broader networks of social institutions. From a different perspective, the 'societal systems' approach, applied widely to studies of industrial or firm-level change in the form of 'social systems of production', characterises the firm as a social arena (Maurice, Sorge and Warner, 1980). At the root of these analyses is some notion that the GPE is made up of an array of distinctive national capitalisms. Following, for example Albert (1993), Crouch and Streeck (1997) and Berger and Dore (1996), national models of capitalism arise out of a web of distinctive institutions and practices. For those whose focus is national models of industrial relations, it is these institutions and practices that condition and reflect the organisation of firms (Lane, 1996a; Rubery, 1996). The value of the 'national models' literature lies in their 'embedding' of the activities of the firm in the context of political and social institutions. In contrast to much of the economicist emphases on the corporate imperatives of globalisation, the firm is analysed in its concrete relationships with the institutions and practices of a particular state-society.

There are, however, a series of interrelated problems with the uncritical adoption of a societal embeddedness approach to the firm. First, there is a clear privileging of the notion of firms *existing within* sets of social institutions, to the neglect of the idea of firms as *constituted of* competing social relations, so that the most basic and fundamental everyday social contests are neglected. Many of the 'external' actors identified by this literature – for example trade unions, financial institutions and research institutions – cannot simply be considered to form the environment within which the firm is

embedded. Rather, as we saw in the analyses of British and German restructuring programmes, they are an integral part of the social contests which extend into and across firms. Second, there is a tendency to overemphasise the coherence of the national system of production within which the firm is situated, and to neglect its historical making, and the contests which may potentially reinforce or undermine it. Finally, and a related point, the scholars who seek to raise the profile of the embeddedness of firms tend to do this through an emphasis on the institutions of the nation-state. It should perhaps be considered that the contests that characterise the restructuring of production and work may be simultaneously national and transnational (see Mizruchi and Schwartz, 1987). In sum, the embeddedness approaches to the study of the firm, though situating the firm within a political and social context, tend to present an image of static national path-dependency. If we understand the firm simply to be embedded within an array of fixed national institutions, then it becomes difficult to conceive either of how processes of change may occur, or indeed how transnational social forces may penetrate these institutions.

Taken together, and in a critical spirit, the broad thrust of the embeddedness approach is illustrative of a gap in the IPE literature on the firm and restructuring. In short, we are led to consider that the firm does not simply act and react to exogenous imperatives, but rather forms an integral part of a historical social environment within which globalisation and restructuring are perceived and experienced. The problematic at this point is to reinterpret these insights to characterise these meanings as socially bargained, negotiated and *contested*. Advancing an understanding of the firm as a site of contest serves to highlight the potential for individuals and social groups either to contest and transform embedded working and productive practices, or to challenge such a process of restructuring.

A reading of neo-Gramscian work on global transformation takes us some way towards viewing the firm as a contested site that extends into the domains of state, finance, society and labour. Though Gramsci's ideas have been interpreted in many different ways to explain diverse contemporary social change, we can identify a core of ideas that specifically illuminate the dynamics of production and work within the firm. First, society and social relations are positioned at the heart of understandings of processes of transformation. In this way, historical change is understood to be the product of competing social forces acting within the parameters of social structures (Gill, 1997: 17). In essence, such perspectives serve to counter economic and teleological readings of globalisation and change, reminding us of the human and social roots of transformation. For those who seek to raise the profile of civil society, and labour in particular, in contesting and shaping global change, these insights have considerable utility. Globalisation and restructuring cease to appear as 'bulldozers' that destroy all potential alliances and resistances and, instead, become open to social contestation and redefinition.

Second, this range of approaches to IR/IPE has a strong and specific focus on the social relations surrounding production and work. Cox's (1987) and Harrod's (1987) seminal twin volumes explicitly explore the patterns of power relations within and around production. Both volumes contribute to a framework for understanding the social relations of production in a broad sense, acknowledging that societies may be constituted of several interconnected kinds of production within, for example, the firm, the household, the formal and informal economies. Production is conceived as ubiquitous in the experiences, perceptions and lives of human beings (Harrod, 1997a: 109). In terms of our focus on restructuring, attention is thus directed to the firm as a constitutive element of a broader and more complex web of social power relations<sup>5</sup> which are produced, reproduced or transformed over time.<sup>6</sup>

Finally, the neo-Gramscian analyses render visible the contested nature of social orders. Murphy interprets Gramsci's 'historical bloc' as a unified social order '... linked by both coercive institutions of *the state proper* and consensual institutions of civil society' (1994: 10). This approach directs our attention beyond institutional analysis which deals only with static, formalised public and private institutions, to expose the roles of informal and tacit social ideas, practices and institutions within, beyond and across states and firms. These ideas, practices and institutions will both reflect and inform the 'shape' of the historical bloc or how society should be organised or reorganised. Viewed in this way, restructuring becomes a process of contested definition and redefinition of social order. This has led some scholars to open up neo-liberal globalisation to the contests of 'labour and other subordinate social forces' (Stevis and Boswell, 1997: 93).

Despite the considerable critical contribution made by neo-Gramscian scholars to questions of power and production, transnational class, neo-liberal politics and social and resistance movements, the opportunity to expose the webs of power surrounding global restructuring has not yet been fully taken up. Caught up in explanations of the power held by elite transnational actors in the global economy, neo-Gramscians tend not to apply their analysis of political power to everyday realms.<sup>7</sup> Where ordinary and commonplace sites of struggle are identified, these are designated 'sites of resistance', and their relationship to programmes of restructuring (often highly contradictory), is taken for granted. The problematic becomes how to account for the commonplace contestation that gives meaning to the restructuring of production and work. The IPE of social practice perspective, developed in chapter 2, sheds light on the historicity, power relations and 'everydayness' of the restructuring of work.

An IPE of social practice draws our attention to the historicity and contingency of the restructuring of work. In contrast to essentialist accounts of the production structure automatically transforming in line with global dictates, a historical mode of inquiry highlights the capacity of human beings to apprehend their circumstances. Viewed in this way, the reorganisation of

work within firms does not simply ‘happen to’ people, it is experienced and interpreted in the thoughts and actions of those within the production structure. The translation of techniques such as lean production into concrete transformations in working practices not only confronts a range of material constraints, but also structured social practices, shared understandings and frameworks of thought. Despite the managerial discourses that construct workplace relations as commodities, or ‘human resources’ that can be ‘re-engineered’ in the manner of material entities (du Gay, 1997), the restructuring of work is conducted through a web of social power relations that extends within and across the firm. Much of the discourse of hyperflexibility, together with the interventions of lean production and TQM, relies upon a construction of the firm as a bounded entity that can be abstracted from wider social relations. Viewing the firm as a web of power relations and social practices effectively problematises the assumptions that underpin hyperflexible programmes of restructuring.

In order to explore the webs of power that surround the restructuring of work, it is useful to conceptually ‘freeze’ a set of workplace practices so that the patterns and points of tension become visible:

Ideal types ‘stop’ the movement of history, conceptually fixing a particular social practice (such as a way of organising production ...) so that it can be compared with and contrasted to other social practices. To conceptually arrest movement in this way also facilitates examination of the points of stress and conflict that exist within any social practice represented by a type. Thus there is no incompatibility between the use of ideal types and a dialectical view of history. Ideal types are a part of the tool kit of historical explanation. (Cox, 1987: 4)

Research that seeks to interrogate the webs of power that draw elite and ordinary practices into the processes of restructuring, can usefully draw on this conceptual ‘tool kit’, effectively allowing us to ‘crystallize a social practice’ (Harrod, 1987: 13). Taken together with Foucault-inspired insights into the ‘governmentality’ of firms as matrices of power-knowledge, such a perspective challenges the conception of firms as bounded and rational agents. It becomes possible to explore ‘work’ as an everyday social practice through which the emerging social relations of globalisation are enabled or contested. The ‘ideal types’ of working practices in the British and German commercial automotive sectors, though in a sense artificially ‘frozen’, offer insights into the points of contradiction that may lead to transformation. The analysis that follows here is focused on three questions that probe the webs of power of programmes of restructuring.

- 1 *The state, the firm and social power relations.* How is the firm situated within a matrix of state-societal institutions and practices? In what ways does this matrix support and limit particular programmes of restructuring?

- 2 *Social power relations across the firm.* What is the nature and form of the power relations that characterise interfirm relationships, such as those between suppliers and contractors, and interinstitutional relationships, such as those between firms and banks?
- 3 *Social power relations within the firm.* What are the patterns of compromise and conflict between groups within the firm?

### *The state, the firm and social power relations*

In explaining the distinctiveness of particular firms' strategies of restructuring, many commentators have appealed to 'national capitalisms' – conceived as rival forms of capitalist organisation, providing particular contexts for firms' decisions (see Albert, 1993; Hart, 1992; Crouch and Streeck, 1997). According to these institutionalist approaches, firms behave according to the embedded institutions and practices of a nation-state, and restructure in accordance with their contextual limits. Though, of course, in many senses the firm is bound up simultaneously with social power relations that extend beyond and across states, into world orders, and the everyday practices of production and work (Cox, 1987). What is most significant in the restructuring of work within firms is the perceptions, mindsets and experiences that participants have of their relationship to governmental institutions and interventions, and to debates about world markets and global competitiveness. Thus, it is not that a national model of capitalism automatically dictates a particular set of restructuring strategies, but that it provides one frame of reference, among many that shape the contours of the reorganisation of work. The 'social context of production' (Cox, 1987: 12), or for our purposes the social institutions and practices within which, and of which, the firm is constituted, condition what is produced how it is produced and who is engaged in production via their work. British and German manufacturing firms are differently inserted into state-societal debates surrounding competitiveness in a global era, and the social groups within these firms are connected to the social spaces of the workplace, state-society and 'global markets' simultaneously.

Focusing on German firms broadly as ideal types, we are able to conceptually fix a distinctive set of social practices to view their underlying relationships and tensions. In the German case, historically the dominant social practices tend to produce and reproduce a high value-added set of answers to the 'what' and 'how' questions of production, transforming the high cost of labour into a 'competitive factor' through a focus on quality products (Wever, 1995: 69):

Employers who find themselves permanently prevented by rigid high labor standards from being competitive low-wage producers may discover that what they *really* want to be is producers of quality-competitive, customised products, oriented towards markets in which the expensive social system of production that they have to live with may

not just be competitive, but may in fact be a source of competitive advantage. (Streeck, 1997c: 203)

The 'high value' production practices characteristic of German industries continue to represent the central terrain of dispute in the restructuring debate. The maintenance of the high cost 'quality factor' remains central to established firms: 'I cannot emphasise enough the importance of stability, continuity and strategic soundness. The idea that the customer is king is ridiculous. Sometimes what is good for the customer is not good for us' (Finance Director, German multinational).<sup>8</sup>

However, such views are contested by many of the smaller supplier firms in the chain, and indeed by the trade unions. The social power relations that sustain the dominant value-added production practices simultaneously give rise to the contradictions which may ultimately undermine them. Sustaining a set of high-cost production practices in a competitive global market places constraints on the creation of jobs in the dominant sectors, a key concern of the unions. The social relations in German firms, in a state-societal context where welfare services are relatively underdeveloped, are more likely to be part and parcel of the wider reproduction of the institutions of a 'family wage' society, paying relatively high wages and providing relative job security (Esping-Andersen, 1996: 75). In contrast to societies which have high social welfare service costs but which provide employment in these services, Germany's cost burden is in transfer payments which must be found by the social groups within the industrial firm, through employers' and employees' contributions. Given the relatively underdeveloped service and leisure sectors in Germany, the question of job creation on the one hand, and employers' cost burdens on the other, will continue to be the hotly debated and contested issues of contemporary restructuring.

In the British case, by contrast, the dominant social practices tend to produce and reproduce a low cost set of answers to the 'what' and 'how' questions of production, focusing on low-tech and service industry growth. The flexibilisation of work in the multinational manufacturing industries has not occurred in isolation from transformations in the SME supply chain, or indeed from the growth of a hyperflexible service sector. The growth of a casualised service sector has had a disciplinary effect on the demands of workers, and the SME sector is increasingly drawn into the restructuring of the MNCs through JIT production. Amidst a British programme that appears 'content to compete for jobs and for trade on the basis of low wage levels' (Rubery, 1993: 27), manufacturing firms are able to externalise their costs, and displace risks, through access to temporary and contingent labour. Firms pursue individual competitiveness via restructuring strategies that seek to 'benchmark' the competition, and transform working practices and 'cultural attitudes':

To understand what needed to be done, we started back in the mid 1980s by benchmarking ourselves against similar firms with comparable

processes. Initially we looked at Japanese firms – they were our major competition. The benchmarking helped to identify some of the process and cultural changes necessary to close the gap. (Human resources manager, Anglo-American multinational)<sup>9</sup>

The state-firm relationship in British restructuring has effectively intensified the individualisation that is attributed to neo-liberal globalisation. Working practices are constructed as inherently malleable and open to competitive emulation, and firms are legitimated as the autonomous and efficient agents of restructuring. The costs and risks of restructuring are passed like a hot potato between different agencies, and risk-sharing, whether between firms for technological development, or between banks and firms for investment, or between groups of employees in consultation practices, is inhibited. Indeed, even in the context of a single management team, the process of individualisation results in a number of competing interpretations of global competition. During the East Asian crisis, for example, purchasing managers reported a competitive advantage in the low cost of imported components, while their counterparts in production and exports lamented the strength of sterling and the saturation of electronics markets. In the context of performance-related pay, targets and stock options, such tensions become a significant feature of restructuring. The perceptions and experiences of British and German participants in corporate restructuring indicate that they find themselves in a whirlpool of debates within which governmental regulation and deregulation, 'global' managerial debates, and day-to-day organisational questions represent currents that may tug in opposing directions.

### *Social power relations across the firm*

An exploration of the restructuring debates in which firms are engaged demonstrates the interconnectedness of production and work *within* the firm, and social institutions, practices and ideas *across* the firm – extending into supplier and contractor firms (Lane, 1996a, 1996b). Contests and compromises in the reorganisation of work within a firm cannot be meaningfully abstracted from prevailing practices that are crystallised in institutions and agencies assumed to be external to the firm. Neo-liberal discourses of hyperflexibility advocate the individualisation of the firm and the devolution of responsibility and autonomy to the level of immediate managerial production decisions. Indeed, it could be said that such discourses rely upon the abstraction of the firm from its wider relationship with state-society. The restructuring activities and debates within German and British manufacturing firms reflect and inform a web of power that extends seamlessly into banks, education institutions and civil society.

The webs of power that pull together the interests of German firms, banks and shareholders have historically reproduced credit-based finance, cross-shareholding and overlapping directorships. German banks held 10.3 per cent

of total shares in 1997, a figure that compares with 2.3 per cent in the British case, where institutional investors are dominant (Deutsche Bundesbank, 1997). The resultant close ties between the finance, management, and ownership of firms, coupled with a high incidence of family-owned firms and state shareholdings have become the subject of much debate in the restructuring of German industries (Vitols and Woolcock, 1997). On the one hand, studies of management perceptions of restructuring indicate that the shared long-term time horizons reap benefits in terms of investment in training and innovation (Culpepper, 1999; Harding and Soskice, 2000). As one finance director put it 'we do not mind spending money in the short-term and we are prepared to wait three years or more to see the gains. We don't share the gambling mindset of the "casino" UK or US'. Social practices of education and training of engineers and technicians requires such investment, together with the maintenance of 'cooperation between companies, universities and research institutes' (Soskice, 1996: 17). Restructuring debates take place in clusters of agencies, with large export-oriented MNCs and supply SMEs, for example, sharing training programmes and product development costs. The full or part purchase of a supply firm by a MNC is much in evidence, the rationale explained in terms of control over quality and information flow.

The maintenance of close interfirm and firm-agency ties is not without controversy, however. The debate as to the virtues of shareholders versus stakeholders that rages within German state-society, for example, is evident in corporate debates, with divisions even within firms as to the appropriate relationship between financiers and managers. The emerging dualism between large equity-financed MNCs and the 'Mittlestand' of bank-based credit is reflected in divergent attitudes to the role of equities in the competitiveness of German firms (Deeg, 1997). So too, the restructuring of interfirm relationships has been subject to contestation, particularly where suppliers offer cheaper labour. An instance of subcontracting to a Hungarian supplier provides a case in point. The German MNC bought a majority share in a Hungarian firm which became a key supplier. Assembly functions have incrementally been moved to Hungary, meeting with resistance from the works councils. In an attempt to ameliorate the problem, the MNC began a series of 6-month long 'exchanges' between the plants, designed to inculcate a sense of 'shared identity'. Given the context of union concern over the creation of German jobs and apprenticeships, there has been little reconciliation. This is an illustrative example of the contested boundaries of German firms' restructuring programmes. Corporate managers are faced with a delicate balancing act between pushing the parameters of flexibility, while maintaining the cohesion necessary to sustain value-added production.

Turning our attention to the restructuring of work within British firms, the dominant relationships between manufacturing firms, banks and shareholders tend to be arms-length and fragmented, reflecting the centrality of the equity-financing and shareholder value. The concentration of shareholdings

in the hands of institutional investors tends to produce and reproduce a separation of ownership from control, and a concomitant decoupling of firms from their sources of financial capital. Thus the dominant web of power characterising the relationships between a firm and its sources of finance tend to be profit-focused, privileging the short-term and, therefore, the support of entrepreneurial 'start-ups' and venture capital, while simultaneously reinforcing an environment of instability, insecurity and individual risk. As Jill Rubery has it 'British firms do not see themselves as producers but as asset managers' (1993: 10). Managers of production plants communicate a sense of 'distance' between their everyday production decisions (described as 'the real world'), and what they see as the arcane movements of the stock market (described as 'a cartoon world'). In response to this environment of short-termism, managers charged with restructuring plants paradoxically intensify the immediacy of responses. They shift the short-termism on to the relationships with suppliers, seeking out multiple sources of supply that can be changed at will, avoiding partnerships and alliances that 'tie in' particular orders. The effects of such displacement are explained vividly by the manager of an SME who described his relationship to the client MNC as 'like the milkman', where the placing or cancellation of an order could be as immediate as a 'note left on the doorstep'. The overwhelming insight coming out of the restructuring experiences of British managers is that they are making their own kind of global 'uncertainties', and passing these down the supply chain.

The tensions of 'arms-length' relationships are also evident in the skills debate within British management discourses. In the context of an unregulated and individualised training environment, where 'staff poaching' is feared, skills development is seen 'not as a productive investment ... but as an operating expense that depresses returns in the present' (Lazonick and O'Sullivan, 1996: 33). The competitive individualism that leads firms to rely on the labour market to provide skilled workers is further exacerbated by the growth in the use of temporary labour and the adoption of 'hire and fire' practices. The editorial of an engineering management magazine illustrates the problem to good effect: 'Some of industry has taken a careless approach to its skills base, seeming to believe it can discard and rehire people at whim, as if skills can be switched on and off like a light bulb. They can't, and the corollary is that skill shortages don't just occur at times when companies are recruiting: they are long-term too' (*Professional Engineering*, 11 February, 1998: 3). The debate was continued in the magazine the following month, with a former Land Rover worker contributing a letter:

I asked my managing director why he had reduced the apprentice intake from 80 a year to zero. He replied that he could get all the skilled engineers he needed from other firms ... He would not accept that, by taking youngsters from school and sponsoring training he would sustain a core of staff both skilled in the company's requirements and possibly with that rare commodity, company loyalty. He was, at that time, the

managing director of Land Rover. (Letter, *Professional Engineering*, 11 March, 1998: 33)

In 1998, by this time owned by German BMW, the British-based car company announced it may recruit abroad, following 20 applications for 150 advertised skilled engineering posts. With Honda in Swindon reporting problems with skills shortages, it would seem that the British location is the most significant factor in enabling or constraining restructuring decisions. Now owned by Ford, Land Rover continues to exhibit the short-term relationships that are at the nub of contests surrounding British restructuring.

### *Social power relations within the firm*

It is perhaps the social relations within the firm itself which are most self-evidently engaged in a process of bargaining and contest. Indeed, studies of industrial relations begin precisely from the point of observing such contests in their distinctive social settings.<sup>10</sup> However, within IPE debates there has been a neglect of labour relations, and where labour has been studied it has been viewed through the lens of changes in industrial relations practices. So, for example, Cox's (1971) early work on labour and transnational relations directly equates labour with national trade union organisations. More recently, organised labour has become a focus for the analysis of potential strategies of resistance to neo-liberal restructuring and globalisation (see Stevis and Boswell, 1997; O'Brien, 1997; IILS, 1999a).

There is little doubt that a focus on labour groups can go some way to counterbalance the preoccupation with finance and MNC power that globalisation has precipitated. A focus on organised labour clearly makes some contribution to a humanising of our knowledge of global change. However, it is important also to consider some of the problematics raised by a focus on organised labour. As emphasised by Hyman 'to be representative is to share the main characteristics of a broader population; but trade union and other employee representatives are never representative in this sense' (1997: 311). A focus on the changing shape of trade unions, for example, may not closely reflect the diversity of experiences of change in the workplace. In chapter 6 I will more fully explore the transformations in the meaning of work, and the implications for unprotected workers. However, here I am concerned with the webs of power that characterise the relationships between organised labour and the restructuring programmes of MNCs.

A starting point in the exploration of these webs of social power relations is to focus on the firm as a primary site of production and work. This leads us to ask critical questions about the relationships between different social groups within the firm, and about how these relationships inform processes of restructuring. How do the social relations within our ideal-type firms produce and reproduce specific social practices, and how might these practices be

contested and transformed? For Cox, distinctive 'orientations to action' provide social groups with different ways of thinking about a problem: 'Specific social groups tend to evolve a collective mentality, that is, a typical way of perceiving and interpreting the world that provides orientations to action for members of the group' (Cox, 1987: 25).

The experiences different social groups have of embedded practices within the firm will be imprinted on the world view that informs their understandings, actions and contests. For Pauly and Reich such ideas provide 'broad orienting frameworks or belief systems that, when combined with national institutions, define "collective understandings" of roles, beliefs, expectations, and purposes' (1997: 6). The social practices which rise to the top and become dominant in a process of contest between social actors are likely to reflect the relative power of social groups to engage with the debates surrounding restructuring, and to shape these debates in a way which reflects their interests and understandings.

The dual German model of trade union/works council industrial relations, with the unions sustaining two-thirds of works council seats, has led to a negotiated restructuring agenda, as discussed in chapter 4. Power within the firm is effectively diffused through formalised and institutionalised industrial relations practices, described by Maurice Glasman as 'the negotiated distribution of power' (1997: 22), and by Alain Lipietz as 'negotiated involvement' (1997: 4). Despite challenges from employers seeking greater regulatory freedoms, there is a broad acknowledgement that consensus has a value that is difficult to quantify, and risky to disrupt:

If you believe that you can quantify labour costs and savings, this is nonsense. How do you calculate for skills developed over a lifetime? An example of this is our sickness pay issue, how do you quantify that? You may know that you reduce labour costs by 3%, but how do you know that the morale of your workers has not cost you 10%? You cannot know this, I doubt it very much. (Works Councillor, German multinational)<sup>11</sup>

There is a sense in which German employers insulate themselves from politically-sensitive negotiations, conducting these through formal channels. For example, in the introduction of new production technologies that reduce labour input, the works councils have played a role in negotiating the terms of the reorganisation of work and the retirement packages of redundant workers. In another case, a firm sought greater functional flexibility through an 'outsourcing' arrangement with an external supplier. Following negotiations with the works councils, a satellite 'job shop' was established, staffed by existing skilled workers, and designed to supply particular components on a 'client' basis, subsidised by business with other companies.

However, the shifting focus of the employer-employee relationship, in particular increased decentralisation to the individual firm, has been subject to considerable contestation. Employers organisations have experienced

'association flight' as firms have sought to define their own bargaining arrangements. As Werner Stumpfe, President of the leading engineering employers organisation 'Gesamtmetall' reports 'companies feel straightjacketed by the present agreements and want room to manoeuvre'. The question of the vulnerability of 'bargain bound' German firms to international competition from 'footloose' Anglo-American businesses remains a significant feature of the debate within German firms.

Focusing on the restructuring of work in British firms, the relationships between employer and employee are bound up with an intensified emphasis on the individual in society more generally (Williams, 1997: 498). In terms of production and work, the historical voluntarism of industrial relations implies a dual fragmentation, of the firm from its external social relationships, and within the firm between competing social groups. This decoupling of the experiences of work and production from a broader set of shared social understandings, has implications for the ways in which social groups seek to organise their interests. We can see several key mutually-reinforcing strands to the individualisation of the interests of social groups within British firms.

First, the lines of communication between employer and employee, historically represented by a 'single channel' of trade union-centred collective bargaining, are increasingly 'dominated by the employer, with no independent representation of workers interests' (Hyman, 1997: 314). There is a 'representation gap' (Towers, 1997) in hyperflexible state-societies that leaves six out of seven US workers, and two out of three British workers, without effective forms of representation at work. As a result, concerted negotiation has been rejected in favour of social practices that privilege ad-hoc concession bargaining and fragmented and individualised 'deals'. This process of decollectivisation has been paralleled by an increased emphasis on individual mechanisms of control and monitoring such as those inherent to systems of HRM, TQM and indeed many systems of 'employee involvement' (see Rubery, 1993; Moody, 1997). For example, a slide from a management presentation to production workers, entitled *The Process of Improvement*, positions the individual at the heart of the 'quality circle': 'a total quality approach must underly all business processes; especially management of change'. This requires quality to be built into every process and quality output expected from 'every individual in the company'. The language of the relationship between manager and worker is defined in terms of the imperatives of JIT, kaizen (continuous improvement), kanban (literally 'ticket', attached to product as moved through production process).

Where contestation arises in the individualisation of the employment relationship this tends to be presented by managers as an attitudinal problem, or a failure to grasp the imperatives of restructuring. As a human resources manager put it to me: 'One of the problems we have had here has been changing the mindsets and attitudes of older workers. This used to be a mining area and tinsplate works. As those industries faded, people changed

their jobs but not their attitudes, which were still strong unions and anti-management' (Anglo-American multinational).<sup>12</sup> The problem is thus associated with a collective mindset of shared past practices that is resistant to individualisation.

Second, the individualised nature of the employee-employer relationship has contributed to the fragmentation of the interests of employees within the firm. Corporate managers tend to divide workers into categories of wage structures and terms and conditions, fragmenting social groups into various degrees of 'contingent' labour using part-time and temporary contracts. Crouch has equated this recurring pattern with the dissolution of the concept of employment, 'replacing it by a series of contracts between a customer firm and a mass of small labour-contracting firms, temporary agencies or, in extreme cases, individual providers of labour services' (1997: 375). This effectively both externalises and individualises the social relations of production, with employers sustaining and reproducing a longer-term set of relations with a core of employee groups who are 'inculcated into a culture' and a larger group of contract workers who are 'outside that circle' (Crouch, 1997: 375). Indeed, this division of interests can be used to discipline core workers, with contract staff maintained at approximately 50 per cent of the workforce and distributed around the plant. As Herrigel describes it 'the old style firm disintegrates entirely into an infinitely recombinable set of roles and relations that the participants themselves reflect upon and restructure' (1994: 6). The governmentality of the hyperflexible British firm produces a form of self-management, within which workers pre-empt managerial intervention by restructuring themselves.<sup>13</sup>

Finally, this fragmentation has distinctive implications for the bargaining terrain of trade unions. The social relations within which trade unions organise are likely to reinforce their links with the 'insider' fragments of the workforce. British trade unions have sought to respond to this environment by becoming individual 'service providers', for their 'consumers' (Williams, 1997: 498), representing employees as individuals in disputes with employers. This process has, of course, further strengthened the role of certain social groups within the firm and placed significant constraints on the intermediation of contested interests. As a union official explains, in one sense the 'new workers' are lost to the collective focus of the union, and yet their interests and experiences remain common:

It's a whole new ball game for the new generation of workers. They are expected to plan a life, a family, manage a pension, insurance schemes, while working on a temporary contract. Eventually something will capture the imagination of this group – which is, after all, likely to become the largest group of interests. (AEEU official)<sup>14</sup>

The patterns of social relations within British firms tend to be fragmented and individualised, providing the employer with unlimited access to ad-hoc

contract relations with the 'external' labour market, while significantly limiting the potential for workers to organise their interests:

... the demands for increased labour market flexibility grow more strident by the day while assorted management gurus tell our young people that regular, life-time employment is a luxury they cannot expect to enjoy in this brave new world ... Paradoxically these demands are increasingly based on threats rather than promises. Wage reductions, the intensification of labour, the elimination of trade union influence, are all now said to be necessary in order to avert disaster and decline, rather than to attain greater prosperity. This shift is highly significant because the threat of decline constitutes a more compelling argument for change ... There are no gains to be distributed, only losses to be averted. The stick has replaced the carrot. (Bienefeld, 1991: 4)

In the case of British firms, the reorganisation of work has circumscribed the interests of workers in many sectors, and with varying skills and specialisms. Indeed, it has presented greater risks and insecurities across the spectrum of managers and workers:

Some firms are seeking to discover how far they can proceed with a policy of 'eating one's cake and having it': seeking strong but unreciprocated commitment and loyalty from staff. Anxieties about the constant pressure to demonstrate to shareholders adequate achievements in down-sizing and delayering lead managers to do this, these managers themselves being vulnerable to redundancy through these processes. (Crouch, 1997: 375)

Current debates in the British management literature about the potential costs of disaffected labour would suggest that the 'loss of legitimacy' factor is recognised by those who seek to manage change. It is noted, for example, that 'employee-centred innovation' is limited in a low-trust atmosphere (*Independent on Sunday*, 19 October 1997: 6). The restructuring of work in British firms, with its nod to empowerment and employee involvement, and the concrete experience of disaffection and insecurity, is witnessing the emergence of a form of 'infra-politics' (Scott, 1990). Workers engage in footdragging and passive resistance in order to avoid the 'quality schemes' that, designed to reduce costs, ultimately are seen as leading to redundancies.

Taken together, the experiences and perceptions of restructuring within German and British firms demonstrate distinctive dynamics of contestation. Dominant social practices within German firms tend to favour the provision of legitimate 'vents' through the mandated channels of the trade unions and works councils, negotiating 'outcomes that are both mutually and socially acceptable' (Wever, 1995: 63). Hence, the diminishing sector of society in employment within core manufacturing find shared channels of communication for their interests. The pressures on these channels paradoxically come from employers seeking greater decentralisation, and from social groups who are excluded from such work. The dominant webs of power in British firms, by

contrast, tend to reproduce managerial autonomy, dividing and excluding social groups within the workplace and externalising the employment relationship to outsourcing plants and external employment agencies.

In sum, viewing the firm as a key site of the contestation of global restructuring makes visible distinctive webs of social power relations. We are led to acknowledge that these social power relations may produce, sustain and potentially transform institutionalised social practices in ways that are distinctive and unique. Our comparative analysis of British and German firms demonstrates the contingency of social understandings of, and responses to, globalisation and restructuring. For those who seek to raise the profile of labour groups in the understanding and shaping of global change, these insights have considerable utility. It becomes clear that individuals and social groups do not simply accept globalisation and respond to its dictates with the restructuring of their working practices. Indeed, we may even question the notion of one clear and common process of globalisation in the sense that 'my globalisation is not your globalisation' since people interpret and experience the processes in diverse ways. Viewed in this way, strategies of hyperflexibility are not unproblematic or ubiquitous, but open to contestation and challenge.

## Conclusion

The study of the firm in IPE has come to be closely bound up with understandings of globalisation. In many senses the firm has a rightful place at the heart of understandings of global transformations. It is, after all, through production and work that most people directly experience and interpret processes of globalisation in their everyday lives. In short, for academics, policy-makers, business people and non-elite social groups, the site of the firm has become a primary site of restructuring and change. While supporting the renewed emphasis on the firm in contemporary IPE for these reasons, this chapter has noted a lack of critical engagement with the political economy of the firm in orthodox accounts.<sup>15</sup> The chapter has taken a series of steps towards such a critical engagement by highlighting the webs of power and social practices that constitute and contest the firm as a site of work and production.

The first step has been to reflect upon and problematise our received understandings of the firm in the IPE. Much of the mainstream agenda in contemporary IPE has been dominated by studies of the relative and structural power of states vis-à-vis markets. For 'markets' much of the literature has substituted 'firms', drawing on models advanced by economics and business studies to develop a 'rational actor' view of the behaviour of firms. I have raised questions of this conception of the firm on the grounds that it ascribes the restructuring activities of the firm with a natural and automatic logic. In the opening citation, E. P. Thompson critiques the economic determinism of some historical accounts of social change, arguing that the thoughts, ideas, experiences and struggles of human beings in productive relationships are as

significant as material factors. 'The restructuring of relations of power', he reminds us, 'has always been the outcome of struggle' (1976/1994: 222). Following such insights, representations of the firm as a unitary agent of globalisation, acting automatically to intensify globalisation, are subjected to challenge. The firm is opened up to reveal the contests and tensions that characterise changes in working practices, and their extension into the institutions and practices of state and civil society.

The second step has been to apply an IPE of social practice to the firm, with the aim of disclosing its political and social character. I have argued that programmes of restructuring within firms are context specific and historically contingent. Individual corporate groups, workers and unions do not simply respond to the imperatives of lean production and TQM. Rather, they experience, interpret and translate the meanings of restructuring programmes, and reflect on their implications in the light of immediate problematics and past practices. As a complex web of power-knowledge, the firm exhibits multiple restructuring discourses in its relationship with institutions, suppliers, contractors and worker groups. The power exercised by corporate managers is never simply a negative power of withdrawing influence from particular groups, but produces and reproduces particular relationships and disciplines, such as the individualism of the employment relation in Britain, and the formal channels of industrial relations in Germany. The contests and compromises that characterise restructuring in British and German firms serve to demonstrate that the reorganisation of work cannot, and should not, be presented as unproblematic or inevitable. Put simply, if firms are understood to have inevitable roles in intensifying globalisation, then the potential for states and social groups to regulate, challenge or transform these roles is restricted.

Finally, the paper has elucidated some of the implications of bringing contestedness to our understandings of the firm in knowledge terms. The political economy of the firm is itself constituted of contested knowledge: of what we know about the world, how we know it and how we might seek to change it. Dominant understandings of the firm within globalisation have tended to produce an image of the MNC as a market domain within which 'experts' direct strategy to maximise profits. The management programmes of labour flexibilisation are thus lent an air of legitimacy and rationality. The realm of everyday working practices is thus constructed as a realm of 'response' to 'higher' initiatives. By bringing the everyday into our analysis of the activities of MNCs we become more attuned to the making of global restructuring in and through social practices. While in some instances the threats and insecurities of contingent work discipline workers so that they 'restructure themselves' and monitor their own practices, in others the breaking up of past alliances clears space for new tactics. In broad terms, the concept of a 'contested firm' enables us to move beyond a focus on abstracted, exogenous economic transformations, to consider the ways in which

globalisation becomes manifested in, and contested through, diverse social practices. In the chapter that follows, the relationships between workers within patterns of global restructuring will be explored.

## Notes

- 1 The neo-realist and liberal debates surrounding 'non-state actors' tend to seek out new units of analysis or 'new things to look at', and new 'levels' of analysis or new places to find historical material (see Krasner, 1994; Keohane, 1984). From a different perspective, world-systems theorists tend to look at institutions and actors in addition to the state in order to understand capital accumulation, their basic 'level'. What these approaches do not do, however, is stand back from their assumptions to consider new ways of understanding the units or levels or, indeed, reflect upon how they have conventionally understood them.
- 2 For Ruigrok and van Tulder '... it is false to suggest that a firm or government has *one* strategy since it was top management that came to this decision, after an internal and external bargaining process. One should also consider whether it was a unanimous decision, which interests or departments or persons prepared the decision and which opposed it' (1995: 65).
- 3 The concept of lean production essentially combines the technological and productive labour elements of kaizen (continuous improvement), kanban and JIT, multi-skilling and teamworking, TQM, numerical and functional flexibility and outsourcing and supply-chain innovations. The key emphasis lies in the reduction of 'slack' in both materials and labour to reduce costs and increase management control.
- 4 For critical analysis of the use of the concept 'lean production', see Moody (1997), ch. 5.
- 5 An example of the inextricable relationships between the social power relations within the firm, and the broader social forces of society, is Harrod's insight into the ability of the firm to 'externalise' its costs on to society through, for example, the use of contingent labour. The actions of the firm, in this way, both reflect and contribute to wider social power relations (Comments made in discussion following paper presented at BISA 22nd Annual Conference, 15–17 December 1997).
- 6 Rupert, for example, in his study of the post-war hegemony of American Fordist mass production effectively raises the issue of power, critiquing approaches which neglect the 'crucial processes through which power has been produced, and the conflicting social relations which at once underlie and make possible that production, and which also make problematic its long-term reproduction' (Rupert, 1995: 1).
- 7 See Sinclair's (1999) work on the 'IPE of the commonplace' for a notable exception to this neglect of the ordinary features of power in the GPE.
- 8 Confidential interview with board members of key automotive components multinational, 3 September 1997.
- 9 Confidential interview with human resources department, electronic component multinational, 23 February 1998.
- 10 For Harrod the study of Industrial Relations as 'a field in which the focus was work and its relationship to production' has had much to offer the scholar of IPE through its focus on social forces as 'the identifiable social energy precipitated by production' (1997a: 109).
- 11 Confidential focus group with works councillors, Cologne, 27 August 1997.
- 12 Confidential interview with human resources department, electronic component multinational, 23 February 1998.

- 13 In one assembly plant visited, prominent posters showing the productivity and costs of Mexican workers producing similar components for the parent MNC, were displayed on the walls. In another plant, the cafeteria walls had been replaced with glass screens to enable workers who had returned to the line to clearly see those who had extended their break.
- 14 Confidential interview, 19 March 1998.
- 15 The renewed emphasis on the firm in IPE has led some scholars to make inroads into more critical accounts of the firm as both concept and social arena. See, for example, Eden (1991) and Tétreault (1999).