Employment Relations in Multinational Enterprises in Australia: A review of existing studies and the methods employed

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Abstract

There is now a vast international literature on the human resource practices of multinational enterprises (MNEs). However, empirical studies in the Australian context are limited or at least are not published in the top academic journals. Consequently it is unsurprising that Australian management academics have struggled to make an impact in the field. This paper reviews publications in top tiered journals since 1990 and notes the limited number of empirical studies in respect to the human resource management, employment relations and industrial relations practices of MNEs in Australia. In particular there has been a lack of organisational level studies with the primary focus of existing research on the individual unit of analysis, primarily in the realm of expatriates or repatriates. Further, a noticeable finding is the lack of large-scale survey work, and where studies exist they have suffered from a lack of representativeness, meaning very little is known on even the most basic characteristics of MNEs in Australia.

Introduction

This paper reviews all B and higher ranked BARDsNET journals across the employment relations and human resource management disciplines that study multinational enterprises (MNEs) in Australia. More specifically, we identify the number of articles published in these fields and the methodologies utilised. In so doing, we will demonstrate that there is limited knowledge on the employment relations practices of MNEs in Australia and, further, illustrate the failure to even understand the basic characteristic of a sector that holds great economic and social influence.

The centrality and importance of MNEs to the Australian economy should not be understated. For example, our analysis of the most recent World Investment Report’s Top 100 non-financial sector MNEs (by foreign assets) found that 67 have operations in Australia with a minimum of 100 employees. Whole sectors of the Australian economy such as motor vehicles and white goods are dominated by MNEs. This lack of research is surprising considering as “political stability, a near-Asia location and a favourable business environment have made it a location of choice for many” MNEs (Johnston and Menguc, 2007: 791). The lack of empirical studies in the industrial relations realm is particularly noteworthy adding to the view surrounding its declining academic standing as a research field (Kelly, 2003; Towers, 2003). However, this is not a unique finding to Australia as Collings (2008) suggests industrial relations issues have received considerably less attention compared to international human resource management (some of the notable exceptions include Cooke, 2003; Almond et al., 2005; Ferner, Almond, Colling and Edwards, 2005; Lavelle, Gunnigle and McDonnell, 2010).

The next section briefly contextualises the role of MNEs in the global economy and more particularly their importance to Australia. Following this, we provide detail on the process undertaken on this structured review of MNE research in Australia and in so doing setting out the numbers of articles published. We then discuss the methodologies used and outline the broad areas these studies cover which provides clear evidence of the limited knowledge we
hold in Australia on this critical group of organisations. From this we note the need for greater research in this area utilising both quantitative and qualitative methodologies. Finally, we focus on some of the key issues and challenges that need to be addressed by researchers interested in quantitative studies if they wish to more accurately depict how these organisations behave in the Australian context.

MNEs in a global and Australian context

In spite of the global financial crisis globalisation of production and consumption continues apace. Globalisation is bringing about a reorganisation of power on the world, national and sub-national level (cf. Phelps and Alden, 1999; Graham, 2003). Arguably the primary driver and embodiment of globalisation is the MNE. Today, there are some 78,000 MNEs in the world with more than 780,000 foreign subsidiaries. The employment statistics are even more remarkable reaching some 73 million in 2006, an increase of 48 million since 1990 (UNCTAD, 2008a).

Like many other economies, the MNE plays a critical role in Australia which has Foreign Direct Investment (FDI) to Gross Domestic Product (GDP) ratio of almost 35 per cent, considerably higher than the 27 per cent average for comparable developed countries (UNCTAD, 2008b). Australia serves as both a major importer and exporter of FDI with 2007 inward flows of US$22,266 million and outward flows of some US$24,209 million (UNCTAD, 2008b). The total inward FDI stock was US$312,275 million with an outward FDI stock of US$277,917 million. The US is Australia’s single most important source of inward FDI (accounts for almost one quarter of all inward FDI) as well as location for Australian FDI abroad accounting for almost 43 per cent of all Australian outward investment (Foreign Investment Review Board, 2008). The UK, Japan, New Zealand and European Union countries represent the other most critical sources of FDI with varying degrees of importance with respect to inward and outward investment. Of interest is the failure of China to yet emerge as a key player in terms of FDI in Australia in spite of the publicity received in the popular media regarding trading links between both countries, most notably China’s recent involvement in mining sector investment.

MNE research in Australia: what has been done?

We undertook a systematic analysis of all research published on MNEs in Australia in the area of human resource management and employment relations. We adopted a broad definition of what was included under the terms of employment relations and human resource management so as to ensure an extensive picture of current research was depicted. Consequently, aspects of the HR function, HR policies and practices, employee/union – management relations, expatriation and so forth. The review focused on all A*, A and B journals according to the Australian Business Deans Council Ranking System (see Table 1) incorporating 50 journals. We had identified 52 journals of potential relevance but did not have access to two of these and hence were left out of our search. The search period was confined to the past two decades (i.e. January 1990 to August 2009). However there were a small number of journals where the search conducted did not stretch as far back as 1990, either due to the journal starting post 1990 or a lack of access. Searches were performed journal by journal using the terms ‘Australia’ and ‘multinational’ using the ‘full text’ function. To ensure that all articles would be included, follow up searches were conducted where ‘multinational’ was replaced with ‘multi-national’, ‘MNC’ and ‘MNE’. We did not use any other terms due to wanting to ensure relevant articles were not excluded at this point.
Each article that came up in these searches was then analysed to establish if the article involved empirical based research (i.e. first hand empirical data collection rather than drawn from secondary data sources) on the broad themes of employment relations and human resource management related to MNEs in Australia or Australian-owned MNEs operating here and/or different host contexts. While this was a time-consuming activity, we believed it to be a more accurate means of capturing previous research than undertaking a keyword search on databases such as Business Source Premier, Emerald or Proquest. Table 1 graphically illustrates the paucity of empirical research on the MNE sector in Australia.

Table 1: A review of MNE research in Australia

<table>
<thead>
<tr>
<th>Journal Name (Deans Council Ranking)</th>
<th>Number of articles</th>
<th>Journal Name (Deans Council Ranking)</th>
<th>Number of articles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academy of Management</td>
<td>2</td>
<td>Management Learning</td>
<td>0</td>
</tr>
<tr>
<td>Administrative Science Quarterly</td>
<td>0</td>
<td>New Technology, Work and Employment</td>
<td>0</td>
</tr>
<tr>
<td>British Journal of Industrial Relations</td>
<td>0</td>
<td>Organization</td>
<td>0</td>
</tr>
<tr>
<td>Human Resource Management</td>
<td>4</td>
<td>Organizational Dynamics</td>
<td>0</td>
</tr>
<tr>
<td>Industrial Relations: A Journal of Economy and Society</td>
<td>No access</td>
<td>Work, Employment and Society</td>
<td>0</td>
</tr>
<tr>
<td>Journal of Management</td>
<td>0</td>
<td>Australian Journal of Management</td>
<td>1</td>
</tr>
<tr>
<td>Journal of Management Studies</td>
<td>0</td>
<td>Business Strategy and the Environment</td>
<td>0</td>
</tr>
<tr>
<td>Journal of Organizational Behavior</td>
<td>0</td>
<td>Employee Relations: The International Journal</td>
<td>3</td>
</tr>
<tr>
<td>Management Science</td>
<td>0</td>
<td>Human Resource Development International</td>
<td>1</td>
</tr>
<tr>
<td>Organization Science</td>
<td>0</td>
<td>Human Resource Development Quarterly</td>
<td>0</td>
</tr>
<tr>
<td>Organization Studies</td>
<td>1</td>
<td>Industrial Relations Journal</td>
<td>0</td>
</tr>
<tr>
<td>Organizational Behavior and Human Decision Processes</td>
<td>0</td>
<td>International Journal of Cross-Cultural Management</td>
<td>0</td>
</tr>
<tr>
<td>Strategic Management Journal</td>
<td>0</td>
<td>International Journal of Manpower</td>
<td>4</td>
</tr>
<tr>
<td>The Journal of Business</td>
<td>0</td>
<td>International Studies of Management and Organization</td>
<td>1</td>
</tr>
<tr>
<td>Academy of Management Perspectives</td>
<td>0</td>
<td>Journal of General Management</td>
<td>0</td>
</tr>
<tr>
<td>British Journal of Management</td>
<td>1</td>
<td>Journal of International Management</td>
<td>0</td>
</tr>
<tr>
<td>European Journal of Industrial Relations</td>
<td>0</td>
<td>Journal of Management Inquiry</td>
<td>0</td>
</tr>
<tr>
<td>Gender, Work and Organization</td>
<td>0</td>
<td>Journal of Labour Research</td>
<td>No access</td>
</tr>
<tr>
<td>Group &amp; Organization Management</td>
<td>0</td>
<td>Journal of Management and Organization</td>
<td>1</td>
</tr>
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<td>Human Relations</td>
<td>2</td>
<td>Labour and Industry</td>
<td>0</td>
</tr>
<tr>
<td>Human Resource Management Journal</td>
<td>1</td>
<td>Leadership and Organization Development Journal</td>
<td>0</td>
</tr>
<tr>
<td>International Journal of Human Resource Management</td>
<td>8</td>
<td>Organization Development Journal</td>
<td>0</td>
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<tr>
<td>Journal of Industrial Relations</td>
<td>7</td>
<td>Personnel Review</td>
<td>1</td>
</tr>
<tr>
<td>Journal of World Business</td>
<td>0</td>
<td>Thunderbird International Business Review</td>
<td>1</td>
</tr>
<tr>
<td>Management International Review</td>
<td>4</td>
<td>Total Published Articles</td>
<td>47</td>
</tr>
</tbody>
</table>

Although, there have been some excellent research studies published that been very informative, the overall number of published papers is low. In total, we found 47 peer-reviewed journal articles published in B or higher ranked journals over the past 19 years.
Some 19 per cent (n = 9) of these were in A* outlets, 49 per cent (n = 23) were A ranked and the remaining 32 per cent (n = 15) were published in B ranked journals (n = 15). A positive aspect of these findings is that the majority (89 per cent) have been published post 2000 suggesting that some researchers have identified the knowledge deficit in Australia and are attempting to redress the situation. The *International Journal of Human Resource Management* (8 articles) represents the most common source of articles with the *Journal of Industrial Relations* (7 articles) particularly popular with respect to the few published works on industrial/employment relations. The low number of articles in the main national and regional management journals was a surprise with only one relevant article found in the *Australian Journal of Management* and two articles in the *Asia Pacific Journal of Management*.

From our analysis of these articles, we find that a significant number are predominantly focused on the individual in terms of expatriates and repatriates (cf. Hutchings, 2003; De Cieri, Sheehan, Costa, Fenwick and Cooper, 2009) rather than analysing practice at the organisational level. However, there are a number of papers that explore differences in HR practice and policy between foreign owned MNEs and indigenous firms (cf. Walsh, 2001; McGraw and Harley, 2003), the transfer of HR practices in MNE subsidiaries (cf. Purcell, Nicholas, Merrett and Whitwell, 1999; Kostova and Roth, 2002), knowledge management/transfer in MNEs (cf. Hocking, Brown and Harzing, 2007; Yamao, De Cieri and Hutchings, 2009), headquarters and subsidiary relationships (cf. Chung, Gibbons and Schoch, 2006; Bouquet and Birkinshaw, 2008) and labour and management relations (cf. Fairbrother and MacDonald, 2000; Bartram and Cregan, 2003). Further, it is markedly evident that industrial relations issues are particularly under-researched although not a uniquely Australian characteristic (Collings, 2008). These are surprising results when one considers the growing influence of MNEs and the number of employees that their activities impact on. In addition, there is great importance of understanding their activities for policy makers. For instance, we have little knowledge on the extent to which MNEs in Australia organise in the context of the institutional arrangements they face and/or the part they play in constructing the Australian IR environment.

A further point of note is that many articles are not necessarily focused on the fact it is a MNE under investigation. For instance, the case study may happen to be an MNE but the nature of the organisation is not really the key area of focus. Papers were also identified which mentioned Australian MNEs but there was no attempt to discern the results to demonstrate what foreign MNEs in Australia of Australian owned MNEs are doing. Another thing found relatively common was the integration of Australia into an Anglo-Saxon category, often for statistical reasons. These papers which do not disaggregate Australian data are excluded from the figures in Table 1 because they do not advance our knowledge about MNEs in Australia. Indeed we point to the contention of Geringer, Frayne and Milliman (2002: 7) who noted [in a global context] that “there are still relatively few systematic empirical studies of international HRM practices”.

Turning now to the methodologies employed in these 47 peer-reviewed articles. Some 40 percent were based on one case study or a small number of case studies. Almost 45 per cent of papers based their empirical findings on surveys with the remaining 15 per cent being semi-structured interviews in a number of MNEs. Further, a number of papers used the same case or survey for more than one of the papers identified here. For example, there were two papers based on the *Australian Workplace Industrial Relations Survey (AWIRS)* (McGraw
and Harley, 2003; Walsh, 2001), CRANET (Gooderham, Nordhaug and Ringdal, 2006; Fenton-O’Creevy, Gooderham and Nordhaug, 2008), and also on the Best International Human Resource Management Practices Project (BIHRMP) (Huo, Huang and Napier, 2002; Lowe, Milliman, De Cieri and Dowling, 2002). The case studies and semi-structured interviews represent a growing research area in the human resource management and industrial relations domain and thus it is unsurprising to see high usage of these methodologies. Indeed considering the areas under investigation in many of these studies it was clear that in-depth enquiry was required due to limited knowledge in the specified subject matter.

The representative gap in MNE research

While we are witnessing increasing numbers of qualitative methodologies being used across the human resource management and employment relations disciplines of multinational enterprise (MNE) research, quantitative studies continue to be the prevalent form of empirical enquiry used by academics in the area of organisational research (cf. Church and Waclawski, 2001). The authors believe there are merits in either form of methodological approach, as such a choice is primarily dependent on the research questions adopted, but we contend that quantitative researchers need to give greater attention to population development and sampling in order to provide a more representative and accurate picture of how MNEs are behaving (McDonnell, Lavelle, Gunnigle and Collings, 2007; Edwards, Tregaskis, Edwards, Ferner and Marginson, 2008). Although there has been much research into analysis of response rates in individual and organisational studies (cf. Baruch and Holtom, 2008) due to its importance in determining the validity of results (Campion, 1993), less has been made of how the populations in such studies are collated. Indeed Baruch and Holtom (2008: 1153) recently noted that, “more important [than the response rate] is that the respondents be representative of the population being studied – that they are not systematically different in any meaningful way from the overall group”.

Generally the primary objective of utilising a quantitative study is to be able to generalise the findings from the sample taken to the greater population of subjects. For instance, the Best International Human Resource Management Practices Project, “was large in scale and scope.....an intentional attribute of the research design in order to facilitate generalisability of the findings” (Geringer et al., 2002: 12). Concerns have been raised about low response rates and their negative impact on statistical power (Rogelberg et al., 2003) which will potentially produce biased results while also making it easier for studies to be discounted due to perceived credibility issues (Luong and Rogelberg, 1998). However, a much less discussed issue which has the potential to arguably cause greater damage to a study’s credibility is how the population used for drawing the sample has been derived. Identifying the population is fundamental to any study because the sample drawn is generally intended to be a microcosm of the total population. Thus, if the population is not accurate and reliable the results of the study, no matter how high or low the response rate will call the results into question. This is supported by Cook, Heath and Thompson (2000) who, through meta-analysis of web and internet based surveys found that response representativeness was far more important than the response rate. McDonnell and colleagues (2007) have highlighted this issue of unrepresentative listings in the Irish context when noting that the state industrial development agencies are typically used to derive MNE population listings there and such sources exclude many key sectors meaning an unrepresentative sampling frame is then used. Additionally, Collinson and Rugman (2005) found much of the published work on MNEs is biased towards the largest, most global, well-known, primarily US-based manufacturing firms. When one
concerns that a prominent reason for non-response is over-surveying of some organisations (Weiner and Dalessio, 2006), deriving more accurate populations may actually improve response rates because organisations not typically contacted may be included in the selected sample. Consequently, while some organisations suffer from questionnaire overload, others are very under-whelmed by research access requests.

A further issue in attempting to generalise results is extent of non-response bias, that is, the differences between respondents and non-respondents. Attempting to analyse for non-response bias is an extremely difficult task because it requires one to have readily identifiable strata on which to compare respondents from non-respondents. Four approaches to studying non-responses have been noted; archival approach, follow-up approach, wave approach and the intentions approach (see Rogelberg et al., 2003 for a discussion), however all have major limitations. We argue that one of the best means that will allow thorough analysis of organisational level, practice type surveys is to accurately profile the population (Rogelberg et al., 2003). In other words, to spend time on accurately deriving the population and more particularly to identify a number of key strata that respondents can be analysed against post-fieldwork. This will allow analysis of the organisations that responded versus those that did not. Unfortunately analysing why specific individuals in organisations did not participate is far more difficult but this is arguably of less concern if the survey is about organisational practices. However, if a personal approach is made to organisations it would be useful to gather the reasons why identified persons did not participate. For example, they did not have the time, did not see any benefit for the organisation, or there is an organisational policy not to participate in surveys.

Our review finds that existing quantitative studies in Australia pay insufficient attention to population development. Researchers tend to use an easily available source rather than spend the time and effort in utilising a number of sources and thus more accurately defining the total population (Fowler, 1988; Murphy, 1997). For instance, Bouquet and Birkinshaw (2008) utilised the International CEO Forum of Australia, Harzing and Noorderhaven (2006) used the Dun and Bradstreet publication Who Owns Whom and Chung et al. (2006) used the BRW Top 1000 Corporations List. Purcell and colleagues (1999) noted that there was “no comprehensive listing of Japanese MNEs in Australia” yet in spite of this acknowledgement they only utilised one source in deriving their study population (A Directory of Japanese Business Activity in Australia). Further, our analysis of the methodology sections in published articles on MNEs in Australia shows that almost every study failed to set out how they define a MNE. This is in spite of there being no consensus on one all encompassing definition. Indeed, definitions can vary from the use of employment size criteria, foreign ownership levels, foreign assets and so forth. For example, Maitland, Nicholas, Purcell and Smith (2004) conduct three years of surveys of Japanese MNEs in Australia. They state that the populations were drawn from the Directories of Japanese Business Activity in Australia but there is no indication as to how they defined a Japanese MNE.

Earlier we noted that CRANET, AWIRS and the BIHRMP have been used as sources for a number of papers. However, neither of these studies are exclusively focused on MNEs. These were workplace level studies that included public sector organisations. For example, CRANET was based on workplaces with 100 or greater employees (Brewster, Tregaskis, Hegewisch and Mayne, 1996). Additionally, the results of these studies are now dated with the last CRANET data for Australia being the 1999 survey. Similarly, other surveys are also dated with 1995 for AWIRS and 1994 for the Best International Human Resource Management Practices Project.
Considering the limited scope of these studies and specifically, AWIRS, it was surprising to read the contention by Johnston and Menguc (2007: 791) that the “issue of representativeness was addressed via comparison with the 1995 AWIRS”. This is surprising since AWIRS was not focused on MNEs per se and that their study utilised the Dun and Bradstreet *Who Owns Whom* publication as their sole source for deriving the population, we believe this is a somewhat inflated claim to make. In saying that, they had an excellent response with 313 subsidiaries of foreign-owned MNEs participating. This represents one of the largest studies in the Australian context. However it remains important that we gather a more accurate and comprehensive depiction of what the MNE sector looks like. This must first involve a definition of the MNE concept being applied. Second it should refer to some underlying and established population.

**Discussion and conclusions**

This paper reviewed publications in top international human resource management/employment relations journals (i.e. those ranked as B or above) with respect to Australian owned MNEs or foreign MNEs operating in Australia. What emerged is that there have been relatively few studies on this critical group of organisations in the Australian context. In saying that, it may be that there are a plethora of published works in the lower ranked journals but if this is the case then it raises further questions as to why this research is being published in lower ranking outlets. While this field of research is now vast in a global context, the national business system and likely sectoral make-up of the MNE sector (e.g. the large number of natural resource sector MNEs) and its proximity to and extensive trading relationships with Asia makes Australia a potentially different and interesting context in which to pursue this line of research. Despite its spatial size, Australia represents a small economy in the global due to its relatively small population, the extent of its gross domestic product (GDP) compared to other world nations (Merrett, 2002) and an absence of domiciled MNEs operating across all sectors. We argue there is a need for greater research into the activities of MNEs which will allow analysis of Australian data against the global research agenda. For instance, building on the work of Harzing and Noorderhaven (2006) with respect to the importance of geographic distance, how MNEs in Australia are managing the complex issue of being global but also acting local, the role of corporate global value chains (Gereffi, Humphrey and Sturgeon, 2005), the home and host country effects on management and employment relations practices and so forth. The lacuna of empirical work in regard to industrial relations practices is particularly pronounced. This is something that should be redressed due to the significance of industrial relations issues:

in the determination of labour costs, firm productivity, profits and even sustainable competitive advantage. It is also of significance to employees, trade unions and governments, owing to the significance of MNC location decisions, threats and relocation and regime competition for employees.


Further, research on the role MNEs play in shaping public policy would be worthwhile. Donaghy (2004), in the Irish context, pointed to the strong influence of US MNEs on public policy. For example, he noted their role in rejecting work council arrangements that followed the German model. Collings and colleagues (2008) also noted the strong influence of US MNEs in public policy prominently achieved through government lobbying by the American Chamber of Commerce. However, we have little knowledge on the extent to which MNEs in Australia organise in the context of the institutional arrangements they face and/or the part.
they play in constructing the Australian social and business environment. With further IR changes due to be implemented in Australia in 2010, research that explores the impact of this on MNEs and employees would be welcome.

We make a strong argument for a considerable increase in research activity across the management and employment relations disciplines on the MNE sector in Australia. Further, this research should utilise the increasing range of methodologies available to researchers, thus including both in-depth case research and quantitative studies. In the case of quantitative studies, we argue that researchers need to spend far greater attention on how study populations are derived because by not doing so it calls the usefulness of their results into question. There has yet to be a comprehensive, representative study on this important group of organisations. Indeed the basic characteristics of the MNE sector in Australia is largely unknown. For instance, there is a total lacuna of data on how many MNEs exist in Australia, the sectors they operate, the employment they provide, not to mind how they manage their workforces. We also found that the MNE as a unit of analysis tends not to be defined in papers. We suggest that published works should ensure the MNE be defined so as to better inform future researchers in the suitability of results to compare their own empirical data with.

While we argue for greater attention be paid towards the development of survey populations, we are also cognisant of the time-and-effort issue. As highlighted elsewhere (see McDonnell et al., 2007; Edwards et al., 2008) the most commonly used databases for building study populations suffer from a number of serious deficiencies. Consequently, it has been argued that best practice is to utilise a number of sources and cross-check listings to ensure greater accuracy and reliability. However, undertaking such a process may not always be feasible due to time and resource constraints. Indeed the resource issue is something that is likely to be correlated with the lack of high-quality published output in the business and management field. We analysed the outcomes of ARC Discovery Project awards for the period 2002 to 2009. The ARC Discovery Project is the most prestigious funding source open to researchers across all disciplines in Australia. The results clearly demonstrate that business and management academics struggle to receive funding for research projects. The highest percentage of business and management projects funded in the past eight years has been in 2009 when 1.29 per cent of the total number of funded projects were located in this discipline. This equated to just eleven research projects out of 925 awards. Further, there have been only two funded projects in this discipline that relate to MNEs. An important note that needs to be considered in conjunction with this analysis is that we do not know how many applications are made by business and management researchers. However, we would posit that the number of applications is likely to be far less than among the science disciplines. This assertion is based on the national research priorities set out by the Department of Innovation, Industry, Science and Research which clearly focus on science and technology. While such a focus is expected and consistent with developed economies we contend that the failure to acknowledge the importance of building human capital capacity and management skills as a key priority is short-sighted and indeed goes against the growing acknowledgment of this area by other countries. Further, industrial relations remain a key political issue in Australia and thus we argue are deserving of great focus although the recent award to Professor Russell Lansbury and colleagues will help address some of the paucity in the industrial relations realm.

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1 Data is only available from 2002.
References


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This paper has been peer reviewed by two anonymous referees.