

The Impact of European Works Councils on Management Decision-Making in UK and US-based Multinationals: A Case Study Comparison

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Abstract

The operation of European Works Councils (EWCs) is taking management and employee representatives in MNCs into uncharted territory. In particular, for companies headquartered in Anglo-Saxon economies there is little domestic tradition of statutory employee consultation. Drawing on comparative case studies, this article investigates the impact of EWCs on the process and outcomes of corporate-level management decision-making in UK and US-based MNCs. Variation in EWC impact arises from the interaction of structural factors, such as business focus, management organisation and pre-existing industrial relations arrangements, and agency factors, including management policy and the cohesion of employee representatives.

1. Introduction

The operation of European works councils (EWCs) is taking management and employee representatives in multinational companies (MNCs) into largely uncharted territory. This is particularly so for companies headquartered in the Anglo-Saxon, 'liberal market' (Hall and Soskice 2001), countries. In these economies, which account for more than one-quarter of the 1865 MNCs estimated to be covered by the European Union's 1994 EWCs Directive (ETUI 2002), there are, as yet, no statutorily based general frameworks providing for employee information and consultation through works-council-type arrangements.¹ Their 'outsider' systems of corporate governance prioritize shareholder value and provide few if any mechanisms for granting other stakeholders, including employees, 'voice' rights of the kind

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that are common among the 'insider' systems that prevail in the 'co-ordinated market' (Hall and Soskice 2001) economies of continental Europe.² For these reasons, American and British companies were particularly prominent in opposing the adoption of the EWCs Directive (Gold and Hall 1994: 178). The way in which managements in MNCs based in the Anglo-Saxon economies have responded to the establishment of EWCs, whether EWCs in these companies have developed as effective mechanisms for the exercise of the 'voice' rights that the Directive confers, and how far this is dependent on firm-specific characteristics all remain largely unexplored (Müller and Hoffmann 2001). In particular, the actual impact of EWCs on management decision-making has yet to be given systematic attention. This paper does so by drawing on findings from eight in-depth case studies of the operation and impact of EWCs, four each in UK and US-based MNCs.

Under the EWCs Directive, MNCs with an international work-force of at least 1000 employees within the European Economic Area can be required to establish EWCs — pan-European bodies bringing together employee representatives and group-level management for information disclosure and consultation purposes. Reflecting the Directive's approach of encouraging negotiated, enterprise-specific arrangements, the EWCs now in operation in over 600 MNCs have been established under agreements between management and employee representatives. Their remit is confined to transnational decisions, i.e. those affecting companies' operations in more than one European country, and includes their right to be informed about and consulted by group-level management about strategic issues, among them the progress and prospects of the business, employment trends and cross-border restructuring initiatives.

The aims of the paper are two-fold: to assess the nature and extent of the impact of EWCs on management decision-making; and to account for the variation in impact observed between companies. The next section considers how the impact of EWCs on management decision-making, and variations in the nature and extent of this impact between companies, might be analysed. Section 3 describes the research and provides summary data for the eight case companies and their EWCs. Findings on the impact of the eight EWCs on the process and outcome of management decision-making are presented in Section 4. Section 5 accounts for the variation in the extent of the impact observed among the eight cases in terms of the combined influence of the structural conditions and behavioural factors identified in Section 2. Section 6 draws some conclusions.

2. Analysing the impact of EWCs

Discussion to date on the impact of EWCs on management decision-making has focused on the perceived benefits and costs to management of these new transnational structures (Gold and Hall 1992; Nakano 1999; Weber *et al.* 2000; Wills 1999) and has tended to gauge anticipated as much as realized

costs and benefits. The literature is largely silent on the impact of EWCs on the process and outcome of management's decision-making (Müller and Hoffmann 2001). This gap is not confined to debates on European-level information and consultation. With the exception of Visser (1995), contributors to an international volume on the experience of national works council arrangements (Rogers and Streeck 1995) report findings from survey data on perceived costs and benefits to management, but are silent on the actual impact of works councils on management decisions. Frege (2002) only touches on the question in her review of research on German works councils. And the most recent wide-ranging study into employee involvement and participation in Britain contains no treatment of the impact on management decision-making (Hyman and Mason 1995).

Assessing the Impact on Management Decision-Making

In analysing any impact of EWCs on management decision-making, it is helpful to distinguish between impact on the *process* of management decision-making and impact on the *outcome*. On process, some authors have been alert to the more general implications of EWCs for management co-ordination and cohesion across different levels (European, national and local) and functions (e.g. operations and human resources). Lecher *et al.* (2001) note the way in which EWCs can promote internal management cohesion by bringing together national managements from the different subsidiaries, often for the first time. Also, as Weston and Martinez Lucio (1997) suggest, the upward communication which the EWC can prompt means that central management may have better knowledge than hitherto of the situation at local business levels. Lamers (1998) finds that the EWC can facilitate communication between management functions and between management in different business streams. Accordingly, the establishment of new structures or mechanisms of management co-ordination as a result of the EWC constitutes one type of impact on the process of decision-making. A second type of impact on the process can also be envisaged, stemming from a need for signalling mechanisms which ensure that the individual businesses alert central management to upcoming decisions that have a transnational dimension, and which potentially need to be tabled at the EWC.

The impact of EWCs on the outcome of decision-making can also usefully be further differentiated. Arguably, the strongest form of impact is where the *substance* of a management decision is changed as a result of intervention by the EWC. A more limited impact is where *implementation* of a business decision is changed as a result of EWC intervention. Visser (1995: 94) implicitly makes just such a distinction in assessing the impact of Dutch works councils on management decisions. Citing a study by Looise and de Lange (1987), which found works council involvement in decision-making to be strongest towards the end of the decision-making process, Visser notes the existence of a 'participation paradox' because, although the probability of participation is higher, the magnitude of impact at the implementation stage is smaller.

Accordingly, instances in which EWCs have had some impact on the implementation of management decisions might be expected to be more common than those where the substance of a management decision has been changed. A third form of impact on outcomes is also conceivable: where management changes the way in which decisions are framed from the outset, in the light of the requirement to engage with the EWC. In practice, this is likely to prove hard to detect.

EWC impact on the outcome of decision-making might also vary according to the issue involved. An early large-scale comparative study of employee participation across Europe (IDE 1981) productively distinguished between two types: 'short-term', including working conditions, working time, pay and job classifications, and 'long-term', covering matters such as rationalization and restructuring, investment projects and business plans. In general, the influence of employees and their representatives was found to be markedly less over long-term than short-term issues, which concern the employment relationship more immediately. Although the remit of EWCs is to focus on 'long-term' matters, the implication of the IDE findings is that employee representatives might be more concerned to exercise influence through EWCs over those long-term matters that have an evident impact on employment, such as rationalization and restructuring, than on other issues.

Explaining Variation between Companies

The impact of EWCs on management decision-making is likely to vary between companies according to a range of influences. Research on the factors shaping the effective operation, or 'capacity to act' (Lecher *et al.* 1999), of EWCs, and especially the comparative studies compiled by Lecher and his colleagues (Lecher *et al.* 1999, 2001), is helpful in identifying these. These authors argue that EWCs' capacity to act is shaped by the dynamic interplay of four different 'fields of interaction': interaction between the (employee side) EWC and management; interaction among EWC employee members; interaction between the EWC and national structures of employee representation; and interaction between the EWC and trade unions. A fifth interaction is also relevant — between central and business and local-level management — although Lecher *et al.* do not investigate this in any depth. Arguably too, Lecher and his colleagues do not pay sufficient attention to the influence of structural pre-conditions in constraining or facilitating developments.

For present purposes, six sets of factors that have the potential to influence EWC impact on management decision-making are identified. The first three are structural conditions, which may serve to facilitate or constrain the development of an effective EWC, and thereby the nature and extent of its impact. The second three bring considerations of agency into play.

1. *Business alignment.* The first set of factors relates to the nature of the company's business operations. Three considerations are relevant. First, if

business operations are largely concentrated in one country, then the transnational dimension of decision-making — and hence the relevance of the EWC to both management and employee representatives — will be less salient than where the company's operations are spread across several countries. The second point concerns whether the company is engaged in a single line of business or several. In companies with multiple business lines, potential problems of interest aggregation on the employee side and co-ordination on the management side could impair the effectiveness of EWCs compared with those companies having a single business focus. Third is the extent to which operations are integrated across borders (Marginson 1992). Cross-border interdependency of operations is likely to promote both more intensive international management co-ordination and an identification of common interests among employees. The 'business alignment' of EWCs in companies whose operations focus on a single business, are spread across countries and are integrated across borders is closer than that in companies where none or only some of these considerations apply.

2. *Management structure.* The second set of factors concerns the existence and nature of a European management structure. Lamers (1998) reports that the absence of a European management organization below the global level in some of her cases meant that the EWC was established at a level where there was no counterpart in the management structure. Further, in multi-business companies, European-level management structures may well exist within the individual business streams, but there may be no European-level structure across the group to act as a counterpart to the EWC. In either case, there is a lack of 'fit' between management structures and the EWC which is likely to impair the EWC's effectiveness, and therefore its impact.

3. *Industrial relations platform.* The third set of structural conditions concerns the existence of an industrial relations 'platform' on which the EWC can build. Two considerations are relevant. First is the existence of national group-level structures of employee representation in the largest countries of operation. Such structures are noticeably more widespread in, for example, Germany and France than they are in the UK. The absence of any national-level group structure in the UK to act as a 'springboard' may prove a constraint on the effectiveness of EWCs in UK-based MNCs (Marginson 1998). Second is whether there was a pre-existing international network among employee representatives which is likely to facilitate the development of an effective EWC.

These three sets of structural conditions can be expected to constrain or facilitate the effectiveness of the EWC, and thereby its impact on management decision-making. Beyond this, the nature and extent of an EWC's impact will be determined by the organization and policy approaches of the actors involved — management and employee representatives.

4. *Management policy.* The approach taken by management towards EWCs can be differentiated between a minimalist approach, driven primarily by the need to comply with the EWCs Directive, and a more pro-active

approach, which aims to make the EWC ‘work for the company’. Under a minimalist approach, a central concern for management is the containment of EWCs (Weston and Martinez Lucio 1997) by, for example, maintaining strict control over the agenda-setting process, providing only very general information on business performance and prospects, minimizing the scope for external (i.e. trade union) influence, and pre-empting the development of independent co-operation on the employee side. In contrast, Hancké (2000) finds that, among EWCs in the automotive sector, management’s approach has evolved to co-opt the EWC as an instrument to help secure the acceptance of management initiatives and restructuring decisions, in which intensification of internal competition between sites and introduction of new employment and working practices are to the fore. Another consideration is the role of the managers involved in the EWC — whether the management side is HR- or business-management-led. EWC effectiveness might be expected to be greater where business management is centrally involved.

5. *Employee-side organization.* Lecher *et al.* (1999, 2001) pay particular attention to the fifth set of factors, which concern the organization and cohesiveness of the EWC’s employee side, the interaction between the employee side and structures of employee representation at national and local level, and the extent to which the employee side mobilizes trade union resources in support of its activity. Organization and cohesiveness is likely, in turn, to be shaped by several considerations. These include: (i) the nature of the steering committee — whether it is, in Lamers’s (1998) terms, an ‘agenda’ committee, whose activity is confined to meeting preparation, or an ‘executive’ committee, which has ongoing liaison between members and with the wider employee side and ongoing contact with management, and which acts as a first point of contact for the provision of information and dialogue on emerging transnational decisions; (ii) the cohesiveness of the employee representatives in the face of national and business-based differences; (iii) the existence of effective means of communication such as e-mail, and the extent of language barriers; (iv) the propensity of the employee side to engage in networking activity; and (v) the resources they can draw on, including their propensity to utilize the experts to which they are entitled to have access (who tend to be either European or national-level trade union officers). All these considerations are likely to shape the effectiveness of the EWC and the capacity of the employee side, through the EWC, to have an impact on management decision-making.

6. *EWC interaction.* The sixth set of factors concerns the nature of the interaction between management and the employee side. In part at least, this may be dependent on the five other sets. Lamers (1998; 119–20) notes the positive assessments of both managers and employee representatives involved in EWCs that operate in ‘a spirit of co-operation’, even though both sides also often recognize that conflicts can and do arise. Lecher *et al.* (2001) find that the nature of the interaction between the EWC (employee side) and management — the extent to which it is open and ongoing, and whether it

is constructive or adversarial — is a distinct and important influence on the EWC's capacity to act.³

3. The research

According to the European Trade Union Institute (ETUI 2002), 93 UK- and 101 US-based MNCs have established EWCs. Between them, these UK- and US-based firms account for almost one-third of the total of 639 companies with EWCs,⁴ and almost all those in MNCs based in the Anglo-Saxon economies (194 out of 206). Our study comprised eight comparative company case studies in UK and US-based MNCs, four headquartered in each country. The companies were drawn from three sectors: chemicals and pharmaceuticals, engineering, and food and drink. As the issues on which the research focused were regarded as sensitive by management, negotiation of access was in some cases a protracted process, and a condition of the relatively open access we were able to secure was the use of pseudonyms to protect the companies' identities when reporting results.

The case studies, tracking two annual cycles of activity in each EWC from mid-1999, involved interviews with key management and employee representatives, examination of relevant documentation and, in the six cases where it proved possible, observation of meetings. Each case was conducted on the basis of a common template covering the origins, functioning and impact of the EWC and contextual data about the business strategy and management structure of the company and industrial relations arrangements in the main country operations. Interviews, which were semi-structured, focused on management and employee representatives who were 'insiders' in the EWC process. Management representatives interviewed included the senior manager(s) with co-ordination responsibility for the EWC, and other senior (business and HR) managers regularly involved in the EWC's functioning. On the employee side, employee representatives who were members of the EWC's smaller select or steering committee (numbering between three and five representatives) were interviewed, and where we were able to observe EWC meetings additional employee representatives were also interviewed. In those cases where the employee side drew on expert advice from a senior trade union official, interviews were also conducted with the official concerned. The number of respondents interviewed varied between the companies, ranging from six to 15.

Tracking EWC activity over a two-year cycle enabled a portrait to be constructed on a 'long exposure', better capturing the range of issues that tend to arise and the ways in which they are handled than a single, moment-in-time, snapshot would have done. This involved periodic contact and repeat interviews with the senior management personnel regularly involved in the EWC and employee representatives on the steering committee, particularly the chair and/or secretary, and ongoing scrutiny of EWC documentation.

This combination of methods enabled us to address the central question of the impact of EWCs on management decision-making which has eluded earlier studies, for reasons of either method — reliance on postal questionnaires (Nakano 1999; Wills 1999) or snap-shot interviews (Weber *et al.* 2000) — or timing — in that structures were too recently established to have accumulated experience in handling transnational decisions (Lamers 1998).

The eight cases are introduced in Table 1. Summary data on the structural and behavioural factors identified in Section 2 for the eight EWCs are set out in Table 2. The latter table was compiled from information in documents, such as company reports and EWC agreements, and data from the programme of interviews and observation of meetings.⁵

Three aspects of Table 2 merit comment. First, variations in practice were not attributable to differences in agreements' formal status (first column) as either Article 13 agreements, concluded before the Directive came into force, or Article 6 agreements, negotiated under the Directive's procedures. Nor did differences in the specific provisions of agreements account for variations in practice. The terms of agreements, at best, configure, but do not determine, EWC practice (Gilman and Marginson 2002). Second, notwithstanding the absence of a general, statutory framework for employee information and consultation in the UK, national group-level employee representation structures were present in the UK in four companies (seventh column). Also, reflecting the generally permissive nature of the legislative provisions concerning supra-workplace consultation arrangements in other EU countries, such group-level structures were far from universal among the continental operations of the eight companies. Third, as the descriptions in Table 1 indicate, practice in the EWCs is evolving in most if not all of the cases. Take, for example, management policy (ninth column). Respondents in two other companies (USChem and USEng1) reported a shift before the study commenced from a 'minimalist' to a more 'pro-active' approach similar to that observed at GBChem2. The evolution of management policy and changes in other aspects of EWC practice are further elaborated elsewhere (Hall *et al.* 2003).

4. EWC impact on management decision-making

This section reports findings on the impact of the eight EWCs on the process and outcome of management decision-making. For each of the two types of impact, the discussion is sequenced according to the extent of influence, moving from instances where the impact of the EWC has been relatively modest to those where it has been greater.

TABLE 1
The Eight EWCs: Introductory Overview

<i>Company/EWC</i>	<i>Comments</i>
GBChem1	GBChem1 is a global UK-based company organized into two divisions, each of which comprises several distinct and independently run businesses. There is no European HR function at group level, but there are European HR directors within the three largest businesses. This is the youngest EWC covered by our research. Moreover, the implications of the company's integration into another global company has dominated its proceedings and has inhibited the development of cohesion on the employee side.
GBChem2	GBChem2 is a global single-business company based in the UK. During the course of our research, co-ordination within the European region increased noticeably, with the creation of new European-level management structures including HR. Manufacturing is also being integrated at a global level. The steering committee members are in frequent contact with each other and with central management. EWC activity, and cohesion on the employee side, has increased in the face of some major transnational decisions.
GBDrink	This is the most UK-centric of our case study companies. There are no European management structures, or integration of production and/or services across borders. The EWC is based on a UK-wide consultative forum. At the end of our research, GBDrink divested itself of its most 'transnational' division but made major acquisitions in two other EU countries. The fact that the EWC straddles very different divisions, as well as the relative absence of transnational issues, has held back the development of a clear role for the EWC.
GBEng	The GBEng EWC extends across four international business divisions. There is no group-wide European-level management structure, and divisional-level management structures have a global remit. There is little systematic contact among steering committee or EWC members between meetings with management, and significant reliance on management-provided organizational support. Employee-side cohesiveness is also hampered by the divisional/business focus of employee representatives.
USChem	USChem is a global US-based company consisting of 14 separate business units covered by a European management structure including the HR/IR function. Manufacturing within the businesses, and group services across businesses, are integrated across borders. The EWC is relatively active, having faced a series of business restructurings, spin-offs and a major acquisition. It now meets twice a year. The core of the employee side works closely together and is in frequent contact with management.
USDDrink	Although USDDrink has a European-level management structure, including the HR function, it is still run largely as a set of national subsidiaries with little coordination across borders. The core of the employee side of the EWC co-operates fairly closely, but there remains an uninvolved periphery. There is periodic contact between management and the employee side. Against a backdrop of some incipient cross-border activity and changes in top management approach, this EWC is still finding its feet.
USEng1	USEng1 is a major global US-based engineering group. Within Europe, it is highly integrated along functional lines across companies and countries; HR is co-ordinated across borders. The employee side of this active EWC is largely driven by representatives from Germany and the UK. There is frequent contact between management and employee representatives. Alongside a strong consultative role, the EWC has also been responsible for negotiating Europe-wide framework agreements concerning restructuring issues.
USEng2	USEng2 is a global division of a major US-based engineering conglomerate. After the EWC was set up, USEng2 removed its EU-level management structure and introduced more globalized strategic decision-making. Employee-side contact is sporadic, but the cross-border integration of USEng2's operations has prompted a series of special meetings over restructuring issues. EWC meetings are comparatively adversarial, with the boundary between 'national' and 'transnational' issues regularly contested.

TABLE 2
Profile of Each Case Company and its EWC

<i>Company</i>	<i>EWC: origin and coverage</i>		<i>Business profile</i>			<i>European-level management structure</i>
	<i>Date established (Article 13 or Article 6 agreement)</i>	<i>No. of countries covered</i>	<i>European country with most employees (approx. %)</i>	<i>Single or multiple business</i>	<i>Cross-border production integration</i>	
GBChem1	1998 (Art. 6)	16	UK (40%)	Multiple	Yes, within businesses	(Yes) business level only
GBChem2	1997 (Art. 6)	16	UK (>50%)	Single	Yes	Yes
GBDrink	1996 (Art. 13)	6	UK (80%)	Multiple	No	No
GBEng	1995 (Art. 13)	7	UK (<50%)	Multiple	(Yes) within one business	(Yes) within one business
USChem	1995 (Art. 13)	17	UK (30%) D (20%)	Multiple	Yes, within and across business	Yes, at group & business level
USDrink	1998 (Art. 6)	5	UK (50%)	Single	No (but prospective)	(Yes) limited role
USEng1	1996 (Art. 13)	18	D (50%)	Single	Yes	Yes
USEng2	1996 (Art. 13)	13	F (25%) D (20%)	Single	Yes	No

Note: country abbreviations used in columns 3 and 7 are as follows: B — Belgium; F — France; D — Germany; UK — United Kingdom.

The Process of Management Decision-Making

EWC impact on the process of management decision-making was evident in six of the eight companies, as the first column of Figure 1 shows. Impact, in the shape of mechanisms by which central management attempts to ensure that upcoming decisions in the individual businesses entailing a transnational dimension are signalled in advance, was evident at GBChem1, GBChem2 and USChem. Stimulation of greater cross-border co-ordination of national and business management by central management in implementing transnational decisions was apparent at GBChem2, GBEng, USChem, USEng1 and, in a

<i>Industrial relations platform</i>		<i>Management Policy</i>	<i>Employee side Organization</i>		<i>EWC Interaction</i>
<i>National company-level employee rep structures</i>	<i>Pre-existing international network of employee reps</i>		<i>Degree of cohesion, networking</i>	<i>Nature of select committee</i>	<i>Nature and frequency of interaction</i>
No	No	Minimalist	Low, infrequent contact	(Executive)	Management-led, ongoing
Yes (UK, D) No (F)	No	Minimalist→ Pro-active	Medium, increasing contact	Executive	Joint/management-led, ongoing
Yes (UK)	No	Minimalist	Low, little contact	Agenda	Management-led, limited
No (UK) Yes (D)	No	Minimalist	Low, little contact	Agenda	Management-led, limited
No (UK) Yes (D)	No	Pro-active	Medium, periodic contact	Executive	Joint/management-led, ongoing
Yes (B) No (UK)	No	Minimalist	Medium, periodic contact	(Executive)	Joint/management-led, ongoing
Yes (D, UK)	Yes	Pro-active	Strong, frequent contact	Executive	Joint, ongoing
Yes (F, D, UK)	No	Minimalist	Strong, periodic contact	Executive	Contested, ongoing

different way, USDrink. No impact on management decision-making processes was evident at GBDrink or USEng2.

Concerning upwards signalling, at GBChem1 upcoming announcements by the management teams in the eight business streams were systematically filtered by central management for a transnational dimension, so as to identify matters that should be placed before the EWC. At GBChem2, the EWC chair saw liaising with business management and identifying potential EWC issues as a key part of his role. Central management at USChem utilized existing management structures to sensitize business management to the European-level information and consultation requirement. According to the

FIGURE 1
EWC Impact on Management Decision-Making

<i>Company</i>	<i>EWC Impact on:</i>		
	<i>Process</i>	<i>Outcome — Implementation</i>	<i>Outcome — Substance</i>
GBChem1	✓		
GBChem2	✓	✓	
GBDrink			
GBEng	✓		
USChem	✓	✓	
USDrink	✓		
USEng1	✓	✓	✓
USEng2		✓	

EWC's management co-ordinator, '[t]he business managers need to be reminded that the [EWC] is there.' They know that if the management co-ordinator is informed he is not going to be 'throwing rocks into their pool' in the decision-making process.

Turning to strengthened cross-border co-ordination, the most marked changes were those occurring at GBChem2. This company has until recently been a set of distinct and relatively autonomous national subsidiaries within Europe, but it is now moving towards greater integration under a new European management structure. According to the EWC's management chair, 'In a culture which is decentralised and where you're trying to integrate, it's [i.e. the EWC] helpful. . . . The EWC forces us to think about the implications of [giving] different messages in different countries. The EWC forms a link between business management and HR.' Faced with implementing the outcome of a global review of the company's manufacturing operations, involving extensive restructuring, the EWC was used by group management to drive forward a co-ordinated European approach. In contrast, management structures for cross-border co-ordination were already well developed at USEng1. None the less, these management structures have come under pressure to ensure that the dissemination of information to local level is more even across countries. Central management's response has been to take steps

to ensure that lower levels in the organization are adequately informed of upcoming transnational decisions.

At GBEng, in what is a relatively decentralized company in terms of its decision-making structures, the existence of the EWC has provided an impetus towards greater central co-ordination of managerial processes. A particular concern for central management has been to ensure that information disclosure and discussion at EWC level is co-ordinated with similar processes at lower levels. A special EWC meeting prompted by an exchange of operations between a US-based company and one of GBEng's divisions required unprecedented co-ordination of, respectively, group and divisional, and European and national-level management approaches to the necessary information and consultation. The sequencing of information and consultation at European and national levels, in the light of differing legal requirements at European level and across countries, has also been a focal point for central management's co-ordinating activities at USChem.

Another kind of co-ordination, around an aspect of employment policy, was evident at USDrink. At the 1999 EWC meeting, a proposal to approach health and safety — previously seen as a local issue — from a European perspective was put forward by employee representatives. A joint task force was set up to devise a template for best practice comparisons of all sites across Europe. The results of the study, and recommended measures, were presented to the following year's EWC meeting.

The Outcome of Management Decision-Making

As was established in Section 2, any EWC impact on the outcome of management decision-making can range from intervention resulting in changes to the implementation of a decision, to a change in management's substantive decision. Further, the existence of the EWC might change the way in which a decision is framed by management in the first place. In practice, tracing the latter aspect proved beyond the scope of our field research, and we concentrate on findings on the first two forms, which are summarized in the second and third columns of Figure 1. In four cases — USEng1, GBChem2, USChem and USEng2 — the implementation of one or more management decisions was reported to have been modified as a result of the EWC process. And in one of these cases, USEng1, EWC intervention has also changed the substance of a management decision. In the other four cases the EWC has had an impact on neither the substance nor the implementation of management decisions.

Where the EWC has had some impact on the outcome of management decisions, the extent and frequency of the influence exercised varied. Commencing with the least extensive instance, management and employee representatives at USEng2 cited one occasion where the EWC influenced the implementation of a management decision. This involved a two-way transfer of production between sites in France and Spain being made 'job-neutral' in terms of headcount at either site. At GBChem2 aspects of the

implementation of a major restructuring of the company's manufacturing operations across Europe were modified in the light of dialogue at the EWC. At USChem a similar picture emerges, recurrent over time. Management is prepared to amend its approach to implementing a decision in response to EWC representations: in the words of the employee-side chair, it 'is open to suggestions' (a perception shared by the management co-ordinator). This was evident in the implementation of restructuring proposals in three different divisions over the period of the study. For example, the number of redundancies across countries was reduced as a result of exploring other options. The employee-side chair observed that 'You can't stop the process; how you deal with it is important', adding that the scope to influence management decisions depended on whether they originated from the United States, when it tended to be less, or European headquarters, when it tended to be greater.

At USEng1, the impact of the EWC on the implementation of management decisions, and also on their substance, was of a different and more magnified order. Management decisions have been changed on two occasions. In 1996 the planned introduction of a single European internal hotline through which employees, on an anonymous basis, would be asked to report irregularities at the workplace was blocked following co-ordinated action by the EWC's employee representatives. Subsequently, further action co-ordinated through the EWC succeeded in stalling a benchmarking exercise of manufacturing processes, organization and logistics, which was seen to have potentially significant implications for work-force numbers and deployment, and which was being rolled out across the different European manufacturing sites. As a result of the EWC's intervention, the exercise was shelved. Both sides commented that this had proved a turning point in relationships, prompting a shift in management approach towards a more open and 'pro-active' stance characterized by early provision of information and ongoing liaison between the key players, and paving the way for the negotiation of the European-level framework agreement described below.

On other matters, the EWC at USEng1 has developed a distinct influence over the implementation of management decisions. Faced in 2000 with a major business re-engineering programme, employee representatives in Germany had successfully established a role in the process on the grounds of the employment, qualification and work organization implications arising. Co-ordinated activity through the EWC enabled the employee side to secure assurances from management that local representatives in all countries would be accorded similar scope to be informed and consulted.

In the same year, European-level management and the employee side of USEng1's EWC negotiated a pioneering framework agreement which protected the employment status, rights and representation structures of employees moving into a new joint venture that had been spun off from the main business. The agreement provides for the employees concerned to be accorded the same treatment in all countries. According to a UK manager involved in the EWC, the joint venture was a 'significant pan-European issue which affects everybody the same'. Although different levels of management,

particularly at country level, needed a lot of convincing, it became clear that a solution had to be negotiated centrally, at European level, because in addition the employee representatives were co-ordinating their response. The UK manager observed: 'If we hadn't had the [EWC] we would have had to invent it.' An HR manager at European headquarters commented on the extension of the EWC's role that was entailed: 'Other employers won't be too happy to hear it, but we did negotiate [at European level] and it was good that we did.' Employee representatives hailed the agreement as a ground-breaking example of company-level European collective bargaining. Subsequently, in early 2001, a second framework agreement on handling the consequences of the restructuring of European capacity was concluded through the EWC.

Summary

The nature and extent of the impact of the EWCs in the eight companies vary considerably, as Figure 1 indicates. In one case, GBDrink, no tangible impact on either the process or the outcome of management decision-making was discernible. At GBEng, GBChem1 and USDrink, some impact on the process of management decision-making was identified, but not on the outcome. At USEng2, while no impact on the process of management decision-making was evident, some influence on the implementation of decisions was found. At GBChem2 and USChem, the EWC has had an influence on both the process of management decision-making and the implementation of specific management decisions. Finally, at USEng1 the process of management decision-making has been affected by the existence of the EWC and there has been a marked impact on the substance, as well as the implementation, of management decisions.

5. Explaining variation in EWC impact

Our analysis indicates that the precise ways in which the six sets of factors identified in Section 2 operate in shaping EWC impact differ as between the process and the outcomes of management decision-making. In explaining the variation in EWC impact portrayed in Figure 1, our focus is on the outcome of management decision-making and the interaction between the factors that shapes this interaction.⁶ It was also suggested that any EWC impact on outcome might be conditioned by the nature of the issue at stake, and this possibility is addressed first.

In the four cases where the EWC was seen to have had some impact on the outcome of management decisions, the issues involved fall under two broad headings: cross-border restructuring decisions, which have consequences for employment security (USEng1, GBChem2, USChem and USEng2); and transnational decisions, which impinge on employees' rights and/or working conditions (USEng1). It might be conjectured that the actual occurrence of decisions on such issues is the crucial factor separating the four cases where

some impact was observed from those where no impact was evident. However, there is no consistent picture among the second group of companies. USDrink had experienced no major cross-border restructuring, while at GBDrink and GBEng cross-border restructuring had taken place, but in ways that did not threaten employment security at sites remaining within the two companies. At GBChem1, however, decisions involving extensive cross-border restructuring and rationalization with negative effects on employment had occurred but without any influence being exercised by the EWC. Concerning employment rights and working conditions, the kind of management decisions involving benchmarking exercises and transfers of operations to new joint ventures over which USEng1's EWC intervened were also on the EWC agenda in other companies (GBChem2, USChem and GBEng), but without tangible influence being exercised on the decisions involved by the respective EWCs. The nature of the issue at stake would seem to be a necessary but not sufficient condition for the exercise of EWC influence over management decisions.

In accounting for variation in EWC impact on the outcome of management decision-making, the six sets of factors appear to operate as three critical thresholds, in which considerations of structure and agency interact. As shown in Figure 2, the extent of EWC impact becomes greater moving across the thresholds. At a first threshold, whether or not there is 'business alignment' in terms of the focus, spread and cross-border integration of business activities distinguishes those cases where the EWC has no impact on outcome from those where it has some impact. GBEng, GBDrink, GBChem1 and USDrink, where there is relatively low 'business alignment', are differentiated from the other four cases, where 'business alignment' is closer. Among those

FIGURE 2
Factors Shaping EWC Impact on the Outcome of Management Decisions: Three Thresholds

Extent of Impact on Outcomes					
EWC	No Impact	→	Some Impact	→	Stronger Impact
	GBChem1 GBDrink GBEng USDrink		USEng2 GBChem2 USChem2		USEng1
FIRST THRESHOLD — Business Alignment	PARTIAL OR ABSENT		CLOSE		CLOSE
SECOND THRESHOLD — corresponding European Management Structure — Management Policy	NO MINIMALIST		NO YES MINIMALIST PRO-ACTIVE		YES PRO-ACTIVE
THIRD THRESHOLD — Industrial Relations Platform	NO		NATIONAL ONLY		NATIONAL AND INTERNATIONAL
— Employee-side Organisation	WEAK, FRAGMENTED		CO-ORDINATED		STRONG, INTEGRATED

companies where the EWC does have some impact, the absence of a European-level management structure is crucial in circumscribing that influence. So too is management's approach to the EWC.

Management structure and management policy together constitute a second threshold, separating USEng2 from GBChem2, USChem and USEng1. Distinguishing the extent of the influence exercised by the EWC to embrace an impact on the substance, as well as the implementation, of management decisions is the strength of the employee-side organization, allied to the presence of an industrial relations platform on which the EWC builds. In conjunction, these two sets of factors constitute a third threshold, which distinguishes US Eng1 from GBChem2 and USChem. Finally, the nature of the interaction between management and employee-side changes with progression across the three thresholds.

Business Alignment: The First Threshold

The first threshold, constituted by the 'business alignment' set of factors, distinguishes the companies where the EWC has had some impact on the outcome of management decision-making from those where no impact was evident. GBChem2, USEng1 and USEng2 are single-business companies, with substantial operations in several countries where — in manufacturing at least — there is significant integration across national borders within Europe. 'Business alignment' with the EWC in these cases is close. USChem is a multi-business company, with substantial operations in several countries, cross-border integration of manufacturing operations within individual business streams and also growing integration of group-level services across countries: 'business alignment' with the EWC is reasonably close.

Of the four companies where no impact was observed, USDrink is a single-business company, with substantial operations in several countries but crucially (currently) no cross-border sourcing of production. 'Business alignment' with the EWC is weaker than for the other three single-business companies. GBDrink was, until a major disposal in 2000, a multi-business company with its largest business concentrated in a single country (the UK). 'Business alignment' with the EWC is low. GBEng and GBChem1 are both multi-business companies and 'business alignment' is comparatively low. Within Europe, only the largest of GBEng's businesses is integrated across national borders and some others are predominantly focused on the UK. In GBChem1, operations in its different businesses are spread across several countries and in some of these production is integrated across borders. In these respects it appears similar to USChem, but unlike USChem integration at group level through the provision of common services is less developed.

Management Structure and Management Policy: The Second Threshold

The second threshold is the first of two that progressively differentiate between the four companies where the EWC has some impact, according to

its extent. Specifically, it differentiates USEng2, where EWC impact is the most circumscribed, from GBChem2, USChem and USEng1. It comprises two sets of factors: management structure and management policy. This second threshold also reinforces the first in differentiating cases with some impact from those with no impact.

Among the cases where the EWC has some impact on outcomes, three have group-wide European-level management structures, but the fourth does not. USEng1 has a well established, European-level management structure which exercises considerable authority over the country-based operations, although less markedly so in the HR and IR functions. Within IR there is exchange of information on collective bargaining matters and some co-ordination across countries before national bargaining rounds. At GBChem2, company strategy to integrate the different country operations across Europe has been accompanied by the creation of a new European-level management structure, including a small HR function, to facilitate the process. At USChem, a well established European-level management team brings together the European heads of the individual business streams and group-wide functions, including HR and IR. At USEng2, however, the European-level management structure was dismantled in 1997 as part of a world-wide restructuring and the European operations were re-organized into three clusters of countries, thereby setting this case apart from the first three. The 'fit' between company management structures and the EWC in the first three companies is close, but there is no such 'fit' in the case of USEng2.

Bringing considerations of agency into the picture, management policy towards the EWC also separates GBChem2, USChem and USEng1 from USEng2. Among the first three cases, management has taken the view (although not necessarily from the outset) that the EWC can be made to work positively for the company. Evidence from GBChem2 was cited in Section 4. At USChem, the management co-ordinator described the EWC as a 'watch-dog'. Referring to its impact on the handling of cross-border restructurings in two of the businesses, the same manager commented:

'First, it results in a lot of clarity about the reasons behind the restructurings. It also reflects critically on management — how management have over-estimated or under-estimated things. Second is the "how" question. Discussion focuses on what is the potential for early retirements? Will there have to be enforced redundancies? The employee members come with good questions.'

In contrast, at USEng2 management's approach has been minimalist, providing only the information it regards as necessary to fulfil its obligations. This has led to frequent, minuted, complaints from the employee side about the lack of information and consultation. According to the trade union official acting as an expert to the EWC, the company has 'never volunteered consultation on any restructuring issue. The [employee side] always have to push'.

Of the four cases where the EWC has had no impact on outcomes, GBDrink has no European-level management structure at group level or for its main business stream. USDrink does have an embryonic European-level

management structure, but hitherto its main activity has been confined to reporting. GBEng has no group-wide European-level management structure, although there is an important European level of management co-ordination within the major business which is integrated across borders. GBChem1 has European-level management structures within each of its business streams but no group-wide structure at European level. The 'fit' between company management structures and the EWC in these four companies is either absent (GBDrink) or only partial (USDDrink, GBEng, GBChem1). Management's approach in the same four companies tended to be minimalist. In both GBEng and GBChem1, management had deliberately opted to establish the EWC at group-wide level, with the aim of confining the agenda to general group-wide issues, rather than the possible alternative of a set of EWCs for the different businesses, where the 'hard' transnational decisions are largely taken.⁷ At USDDrink, management's approach has been to tightly delineate the role and competence of the EWC, striving to keep issues off the agenda on the grounds that they are local rather than transnational.

A further consideration is the functional role of the managerial personnel routinely involved in the EWC. This differed in terms of whether HR or business management was leading. Among the eight cases, some tendency for the involvement of business management to be associated with EWC impact was apparent. At USChem, operations management and HR work closely together in leading the management side of the EWC. The same applies at GBChem2, while at USEng1, HR management leads but works closely with business management. In contrast, at USEng2 the management side is HR-led with no consistent involvement of business management. In three of the four 'no impact' cases (GBEng, GBDrink, USDDrink), the management side of the EWC is very much HR-led.

*Industrial Relations Platform and Employee-Side Organization:
The Third Threshold*

The third threshold further differentiates between the four companies on which the EWC has had some impact, according to the extent of the influence exerted on implementation and whether it extends to the substance of management decisions. Specifically, it differentiates USEng1, where EWC impact has extended to substance and been strongest on implementation (including European-level negotiation), from GBChem2 and USChem (and also USEng2). It combines the existence of an industrial relations platform on which the EWC could build and the organization and activity of the employee side. This third threshold also reinforces the first.

Considering first the existence of an industrial relations platform, at GBChem2 there were pre-existing national-level structures of employee representation within two of the three major functional areas in the UK. And in the third, manufacturing, there was an embryonic network of plant-level trade union representatives. Group-level structures also existed in Germany, although not in France. There were no pre-existing international contacts

among employee representatives in different countries. At USChem, group-level structures of employee representation existed in Germany, but not in the UK or the Netherlands. There was no pre-existing cross-border network among employee representatives. At USEng2 there were national-level structures of employee representation in France, Germany and the UK but no cross-border network of employee representatives. In these three cases, the impact of the EWC has been confined to the implementation of management decisions. In the fourth case, USEng1, where the impact of the EWC is most marked, there were both group-level structures of employee representation in the major countries concerned (Germany and the UK) and a pre-existing international network of employee representatives from different European countries that had a history of activity.

The organization and activities of the employee side has a crucial bearing in further differentiating the extent of the EWC's impact at USEng1 from the other three companies. There is a high degree of cohesion among the employee representatives, reflecting a focus on a common business which is highly integrated across borders, and reinforced among the strong manufacturing contingent by a second annual meeting of EWC manufacturing representatives. The steering committee members of the EWC are in frequent contact with each other and with management; they receive information on an ongoing basis and are a first point of contact for issues arising between meetings. There is ongoing contact between the EWC and national employee representation structures. In short, there is extensive networking. The employee side, and in particular the steering committee, draws on resources from national trade unions — one of whose officials is part of the inner group that regularly liaises with management — and from the works council in Germany. A coherent strategy has been developed which attempts to generalize the level of information available to the German works councils, and 'best practice' found in local agreements, across the European operations. It is this degree of organization and activity that has persuaded management both to change the substance of some decisions and to negotiate at European level, through the EWC, over the implementation of others.

Such a degree of organization and activity on the employee side is not evident among the other three cases where the EWC has had some impact. Yet there are features that distinguish these three cases from the four where no impact was observed. At GBChem2, the employee side is becoming more cohesive as the company integrates its operations across Europe. The steering committee members are in regular contact with each other and with central management representatives; contact of both kinds is increasing as the EWC faces a growing number of transnational decisions. It receives information from management on an ongoing basis, and is the first point of contact when an issue arises. But systematic relations with national structures of employee representation are less well developed than at USEng1. Neither trade union nor local works council resources have been consistently drawn on — instead, the employee side has relied more on management assistance and goodwill for logistical support and early warning of upcoming issues. A

similar picture pertains at USChem. At USEng2, these considerations are important to understanding how the EWC has had some (limited) impact despite the removal of the European-level management structure and in the face of a 'minimalist' management approach. Because of the single business focus, the employee side readily recognizes common challenges arising from the company's business strategy. The EWC's steering committee members are in contact with each other whenever they perceive a potential transnational issue arising from country-based management decisions. Contact with the wider employee side tends to be limited between meetings. None the less, a degree of cohesion is evident and the employee side has drawn on trade union expertise to press home its right to meet with management in exceptional circumstances on several occasions.

Of the four cases where the EWC has not had an impact, a group-level structure for employee representation was to be found only in the country with the largest operations in GBDrink. In none of these cases was there any pre-existing cross-border network among employee representatives. As for employee-side organization, at GBEng, in the face of several different businesses, there is poor cohesion. The steering committee is largely an 'agenda committee' (Lamers 1998), with little ongoing role between EWC meetings either in terms of contact between members or with management. What networking there is tends to be among the representatives from the most integrated division across borders. Employee-side reliance on management in respect of logistical matters is considerable. At GBDrink also there is little ongoing activity on the employee side between EWC meetings. At GBChem1 there is some ongoing activity between meetings, focused on the employee-side chair, but less than in the four 'impact' cases. The exception to this pattern is USDrink, where employee-side organization and activity is closer to that found in GBChem2 than to GBEng and where some EWC impact was evident in the generation of European-level activity around policy issues such as health and safety, referred to in Section 4.

Patterns of Interaction between Management and the Employee Side

The nature of the interaction between management and the employee side appears to reinforce the three thresholds identified. The incidence and extent of EWC impact is associated with the extent to which the practice of the EWC is joint, the nature of relations between central management and the steering committee and experience in handling transnational issues. A four-way contrast between GBEng, USEng2, GBChem2 and USEng1 — chosen to represent cases positioned differently in relation to the three thresholds — serves to underline our findings.

At GBEng the agenda, although formally joint, is largely management-controlled. Contact between management and the core of the employee side is sporadic, and there has been little experience in handling transnational issues. At USEng2 agenda-setting is formally a joint process, and there is ongoing contact between the two sides, but the relationship is noticeably

adversarial. A series of restructuring issues have been discussed at the EWC, but the 'transnational' dimension of management decisions tends to be contested. At GBChem2 the agenda is formally jointly determined, although in practice it is driven by matters placed on it by management. There is ongoing contact between central management and the employee-side chair and steering committee, regarded by both sides as a constructive relationship. Experience in handling transnational issues is growing. At USEngl the EWC's agenda is jointly determined, with both sides placing issues on the table; there is frequent contact between the key management personnel and the core of the employee side, reflecting what both sides regard as a constructive relationship, and the EWC has accumulated considerable experience in handling transnational matters.

6. Conclusions

The impact of employee information and consultation structures on management decision-making has rarely been addressed. In the case of EWCs, we have found evidence of impact on the process of management decision-making and on the outcomes. Considerable variation in the incidence and extent of the two forms of impact was apparent among our eight companies. Our findings on process are consistent with Lecher *et al.*'s (2001) observation that EWCs can promote internal management cohesion. Where EWCs have an impact on the outcome of management decision-making, this tends to be limited to the implementation of decisions rather than to changing their substance, in line with research on Dutch works councils (Visser 1995).

In explaining the variation observed in the extent of the impact of EWCs among the eight companies, our analysis underlines the salience of the issue involved. EWC influence is typically exercised in the face of cross-border restructurings, which negatively affect employment, and over transnational decisions, which impinge on employees' rights and working conditions. Structural conditions are crucial in facilitating and constraining the exercise of influence as well as the nature of the actors' behaviour, on which Lecher and his colleagues focus (Lecher *et al.* 1999, 2001). Such structural conditions embrace the business activities and organization of the company; the nature of international — and in particular European-level — management structures; and the existence of an industrial relations platform at national company level — and among employee representatives across countries — from which the EWC can develop. As for behavioural factors, our analysis underlines the importance of management policy towards the EWC in determining the nature as well as the extent of any impact. It also confirms the salience of employee-side organization and activity, emphasized by Lecher *et al.*, to the EWC attaining influence over management decision-making. In accounting for the observed variation in EWC impact, the paper

has demonstrated how these structural conditions and behavioural factors interact.

If firm-specific characteristics are important, what of those of the 'liberal market' (Hall and Soskice 2001) institutional systems in which our companies are embedded? Is the largely modest extent of EWC impact on management decision-making observed among our eight companies attributable to their base in Anglo-Saxon systems of industrial relations and corporate governance, in which there is little tradition of mandatory structures for employee information and consultation and employees are not formally recognized as 'stakeholders'? Research on employee representatives' experience of the practice of EWCs suggests that the provision by management of information deemed 'useful' by representatives and the occurrence of consultation are both less widespread among MNCs based in the UK and the USA than among companies headquartered in continental European countries (Waddington 2001). Accordingly, it might be inferred that the impact of EWCs is correspondingly less in MNCs based in the Anglo-Saxon countries than in those headquartered in the 'co-ordinated market' economies of continental Europe.

Although confirmation of such a conjecture will have to await research similar to that reported here in companies based in continental Europe, there is some support for it from our eight case companies. The relevant evidence also cautions against treating companies based in the Anglo-Saxon countries as a homogeneous group. Some impact on the outcome of management decision-making tended to be more evident among the (mainly US-based) companies, where the majority of employment in Europe lay outside the UK, than among the (mainly UK-based) companies where UK employment accounted for the largest part. In so far as the operations of US-based MNCs are concentrated in continental Europe, their European-level management will be more familiar with representative-based structures for employee information and consultation than their counterparts in UK-based MNCs. Hence, as we show elsewhere (Hall *et al.* 2003), they tend to be comparatively more open to influence from employee information and consultation structures, including EWCs. The implication is all the more striking given the prominence of US-based MNCs in opposing the EWCs Directive in the period before its adoption.

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Notes

1. In the UK and Ireland, there are issue-specific statutory rights for employees to be informed and consulted on some matters, notably health and safety, collective redundancies and business transfers. None the less, until the EU's 2002 Directive on Employee Information and Consultation at National Level is implemented in the two countries (from 2005), there is no general statutory framework.
2. Instances of companies in 'outsider' systems where such 'voice' rights have been voluntarily embedded, such as GM's Saturn subsidiary, are unusual and the subject of ongoing controversy (Kochan and Rubinstein 2000).
3. One of the referees raised the matter of the potential influence of any pre-existing culture of co-operation with employees. This is a difficult issue to investigate, as the interaction between management and employee representatives at any given EWC will be shaped by several such pre-existing cultures deriving from practice in the different operations of a company across countries, and even — especially in the absence of national, group-level structures — multiple pre-existing cultures in the different business operations in any one country. Such depth of investigation was largely beyond the scope of the present research. However, pre-existing cultures of co-operation are captured, to some extent, through several of the elements comprising the 'industrial relations platform' and 'employee-side organization' factors.
4. The ETUI reports that the total number of EWCs is 739, since some MNCs have established more than one EWC based on their different international business streams.
5. The contents of the table were cross-checked with the lead respondents at each of the companies.
6. Limitations of length preclude inclusion of an account of the interplay of factors in shaping EWC impact on process. This is available from the authors on request.
7. An internal management briefing paper pre-dating the establishment of the EWC at GBCChem1 concluded that a single group-wide EWC had the advantage of making it easier to contain the effects of consultation, because the employee representatives would have less direct influence over, and interest in, the corporate level information disclosed.

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