

# Glocal Dilemmas: Multi-National Corporations in the Chemical Complex of Tarragona (Spain)

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## Abstract

*This explorative article looks at the complex relationships between multinational firms and production subsidiaries in Tarragona. Both the organizational and the institutional dimensions are considered in relation to the two most relevant systems: the business and the labor systems. From a non-teleological and naturalistic perspective the analysis is organized around a series of dilemmas and tension on logics surrounding the two dimensions and the two systems. The conclusion reached is that for the time being the dilemmas have been resolved towards the logics and narrow interests of global multinational firms, despite an emerging potential counter-balance, especially at the European level, towards more collaborative relations between the global and local actors in the sector.*

*Keywords: global-local relations, institutional logics, globalization.*

## Resumen

*En este artículo se explora la complejidad de las relaciones entre empresas multinacionales y las filiales situadas en el complejo químico de Tarragona. Se examinan especialmente las dimensiones institucionales y organizativas respecto a los dos sistemas mas relevantes: el sistema empresarial y el sistema laboral. Desde una perspectiva no-teleológica y naturalista se discuten una serie de dilemas sobre lógicas en tensión en torno a las dos dimensiones y los dos sistemas mencionados. Se concluye que de momento los dilemas parecen haberse resuelto a favor de las lógicas y los intereses de las empresas multinacionales globales. Sin embargo, se reconoce que algunas emergentes dinámicas en la dirección contraria, especialmente en el contexto de la Unión Europea, parecen impulsar hacia la colaboración entre actores globales y locales en el sector.*

*Palabras clave: relaciones globales-locales, lógicas institucionales, globalización.*

# 1. Introduction: the *glocality* of the MNC-based chemical complex of Tarragona

As in many other countries, the chemical industry in Spain is highly geographically concentrated into so-called complexes (*polos* or *polígonos* in Spanish). In Spain, the largest of these complexes is located on the outskirts of the city of Tarragona, in southern Catalonia. This particular complex is occupied by a high percentage of large firms, many of them foreign multinationals. The chemical complex of Tarragona is the largest complex of its kind in Spain and is the fifth largest in Europe. It is responsible for 44% of all plastics produced in Spain and for 15% of the gross domestic product (GDP) of the province of Tarragona (with approximately one million inhabitants). The Tarragona Chemical Business Association, created in 1977, is currently comprised of 33 firms. According to 2007 data published by this association, the 33 firms have about 5,800 direct employees (about 36% technicians and office employees and 61% plant and service workers) and 3,100 indirect employees, and are responsible for 21,000 jobs in induced employment in about 1,500 service companies.

There is no question that multi-national corporations (MNCs) are among the most significant actors on the global stage. Generally, social sciences have viewed MNCs as agents of change and modernization, bringing economic progress, organizational rationality, technical innovation, etc. However, recent search on MNCs has provided new evidence on organizational and institutional factors affecting their operation. Two main traditions can be found in the literature. First, within the organizational perspective, considerable emphasis has been placed on formulating types of MNCs according to the organizational structure of the group and the management of subsidiary networks (Guillén, 2006 and Köhler and González, 2004 refer to Prahalad and Doz, 1987; Porter, 1990; and Barlett and Ghoshal, 1990). Four different types are suggested: *multinational*, *global*, *international*, and *trans-national*, each with its specific strategic method of tackling internationalization. Each type of MNC is argued to have a different logic and strategy in its relationship with its host country and with subsidiaries and suppliers. In this line of research, Ferner *et alii* (2006) published a volume that contributes to our understanding of how MNCs construct transnational business and organizational practices. Second, within the institutional perspective, based on sociological, historical and comparative dimensions, the national business systems approach emphasizes that national or regional features frame different logics of competitiveness and institutional complementarities, and in this way challenge the convergence thesis of socio-economic systems under increasing globalization. Morgan *et alii* (2001) analyze MNCs using comparative organizational analysis and the national business systems approach and provide a qualitative step forward in the empirical analysis of

MNCs. Valuable research has also been undertaken using the comparative capitalisms perspective (HALL and SOSCIKE, 2001). Hall and Soscike distinguish two main types of capitalism or market economies: the liberal model, typical of the United States of America (USA) and United Kingdom (UK), where firms enjoy broad discretion and autonomy in their strategic decisions; and the coordinated model, typical of European countries, especially Germany, where firms are embedded in a network of public and private collective intermediaries with which they need to coordinate with.

Bringing together these two approaches, Kristensen and Morgan (2007) discuss the relationships between MNCs and the models or varieties of capitalism, and argue that national-regional systems and their level of inter-complementarities between labor, training, finance, etc. provide the framework from which subsidiaries relate to international-global MNC groups. To these authors, the dialectic relationship between global MNC groups and the national systems of competitiveness is critical in understanding how MNCs and national economies face the challenge of a globalizing economy. In their view, most MNCs have so far operated under a neo-liberal logic, based on a USA-UK liberal model, which is criticized for ignoring the characteristics and potentials of firms in the countries belonging to a coordinated-market economy. These authors indicate that in normative terms, MNCs should become more authentically multi-national actors, and thus learn to integrate and develop the best advantages of each national and local system.

To sum up, the abovementioned literature has inspired a more comprehensive analysis, focused on both organizational and institutional dimensions. This type of analysis is expected to show that several MNCs belonging to the same sector and located together at a logistics and chemical complex in Spain can provide interesting data to fuel debates on important issues such as the convergence-divergence dispute, and the role of the *local* in the globalization process. This article is structured as follows: first, the main organizational and institutional dimensions and dilemmas are presented, two in the business system and two in the labor system; next the MNCs located in the chemical complex of Tarragona are described; third, the two dilemmas concerning the business system are analyzed: global multi-national corporations (MNCs) vs. local small and medium-sized enterprises (SMEs), and national logics vs. sector logics; fourth, the two labor system dilemmas are discussed: unions vs. work councils, and local logics vs. international logics; finally, a concluding analysis is presented and the role of local actors within globalizing games and trends is discussed.

## 2. How are the *glocal* dynamics of MNCs analyzed?

The relationships between global and local actors are a critical issue in the current era of globalization, and within this context, theoretical and empirical analyses sometimes conflict. This article aims to provide a theoretically comprehensive and empirically oriented analysis of the relationships between MNCs as global and local actors and systems in order to gain a clearer understanding of how they really function. For analytical parsimony, a double entrance matrix is proposed, in order to observe how the two main logics (organizational and institutional) operate in conflicting tensions within the two main systems (business and labor), as illustrated in table 1.

**Table 1. The two main organizational and institutional dilemmas**

	Organizational logic	Institutional logic
Business System	Global MNCs vs. local SMEs	National vs. sector
Labor System	Unions vs. work councils	Local vs. international

### Business System

Comparing national business systems has advanced the empirical understanding of how firms work within their nation-state contexts. In this perspective, Whitley (1999) stresses four structural features affecting a firm: a) the state, and especially the dominance of its willingness to share risks with private owners, its antagonism toward collective intermediaries, and the extent of formal regulation of markets; b) the financial system —whether it is dependent on capital markets or credit-based—; c) skill development and control system —the strength of public training and state-employer-union collaboration, the strength of independent trade unions and labor organizations based on certified expertise and the centralization of bargaining—; and d) trust and authority relations —the reliability of formal institutions governing trust relations, the predominance of paternalistic authority relations, and the importance of communal norms governing authority relations—. Different degrees and combinations of these features will result in different systemic features, most of them at the nation-state level. However, these nation-state based structural features are increasingly combined with two other dynamics: the importance of the local-regional settings for socio-economic development and corporate strategies (Crouch *et alii*, 2001), and the increasing importance of globalization and cross-national production sectors (Morgan *et alii*, 2001; Marginsson and Sisson, 2006).

*Global MNCs vs. local SMEs.* Relationships between SMEs and large-scale enterprises (LSEs), both national and international, seem to be increasingly important in this era of globalization. The role of LSEs has been recognized as one of hubs and drivers of SMEs, creating «networked firm» systems, and generally as key motors of local-regional economic development (Crouch *et alii*, 2001). Moreover, it has also been observed that MNCs can benefit from different fiscal, labor and regulatory advantages within the global market of national socio-labor systems. In this more critical approach, Christoferson and Clark (2008) criticize the assumption that MNC-local SME relationships tend to favor cooperation and mutual benefit, providing a long-term effect for the SME. In analyzing the role of MNCs in the photonics industry in Rochester New York, these authors conclude that a transnational firm's access to resources that are critical to innovation, including university research and skilled labor, indirectly negatively affect SMEs and reduce their potential for innovation. As far as MNC headquarter-subsidary relations are concerned, multiple complexities and differences have been identified. Elger and Smith (2006) propose an analytical model for studying the relationships of subsidiaries with headquarters based on the combination of three dimensions (systemic, societal and dominance). Moreover, Kristensen and Zeitlin (2006) analyze the relationships and micro-politics of conflict and cooperation of three subsidiaries and their embedded local context in three different countries (UK, USA and Denmark) with the headquarters of a British MNC in the sector of machinery for dairy production. This research shows the different patterns that subsidiaries can develop within MNC groups based on their local-national institutional systems of resources, alliances, actors, regulations, etc. Additionally, much research on MNCs has focused on industrial groups in industrial manufacturing with medium or high levels of vertical production disintegration through long value and supply chains. The chemical sector does not seem to present this pattern of vertical disintegration, and this is expected to influence the relationships between global MNCs and local SMEs.

*National vs. sector.* Whereas national factors have long been recognized in the literature, sector factors are increasingly being acknowledged as an important aspect in understanding the strategies and behaviors of MNCs. There are two basic national factors. First, the *country of origin effect* is based on the argument that an MNC's country of origin imposes various organizational features and traditions on the management of the group. Whitley (2001) argues that despite internationalization and transnationalization, the country of origin of the MNC where its headquarters are located has a significant influence on the corporate strategies of the MNC. For the MNC management team, the national systems of finance, training and skill development, labor relations, etc. of the home country tend to become the basic systemic and nor-

mative reference to look toward when formulating strategic decisions and modeling behavior within the group. Second, the *host country effect* can have a considerable influence on the internal organization and management of the subsidiary. The criteria for MNC location strategies tend to be derived from the competitive national labor systems market, skill and training, labor costs, etc. Moreover, despite these economic and cost-related aspects, research into comparative labor relations has long pointed out meaningful cross-national differences in the internal workings of enterprises. Therefore, aspects such as the organizational system of employees, forms of representation, traditions of labor regulation, skill-work systems, bipartite or tripartite collective bargaining, etc. are critical factors in understanding the internal workings of subsidiaries within MNC groups. Finally, as opposed to the two previous national factors, it is argued that *sector variables* can affect how the work process is organized and the labor divided. Firms within the same sector share production technologies, markets, work processes and work organization, inter-firm relations and state-firm relations. All of this can also imply higher or lower levels of vertical integration of the work process and value chain, thereby affecting the type of interdependent relationships among subsidiaries, and between subsidiaries and suppliers. Among the most frequently researched sectors (i.e. electronics, machinery, capital goods and manufacturing), original engine manufacturers (OEMs) have high levels of interrelation both among subsidiaries and between subsidiaries and local SMEs, along value chains or suppliers of components. However, in the chemical materials sector (plastics and raw materials) — a sector traditionally linked to quasi-monopolies and closely related to state policies — other kinds of organizational integration and physical concentration can be expected. In terms of the globalization and convergence debate, this discussion can highlight the dynamics of sector convergence as opposed to national convergence, and the subsequent hypothesis of sector convergence in cross-sector national divergence.

## Labor System

A labor system can be defined as a set of complementary logics and actors, by which labor is undertaken in organizational settings, and the conditions that collectively regulate employment. In a broad sense, it is a combination of labor relations and employment systems, paying special attention to the collective actors and agencies participating in the system. MNCs need labor to produce, and within the concept of labor there are significant cross-country differences in how employees and work are organized and how careers are developed. From the beginning of the cross-national comparative labor relations studies, an important issue that has frequently been analyzed is the dif-

ferent roles played by unions and work councils as the representative and intermediary voices of employees (Poole, 1986; Bean, 1994; Rysseveldt *et alii*, 1995; European Commission, 2006). In today's world in which the decentralization of collective bargaining with firms is on the rise, especially in LSEs and MNCs, unions are facing critical problems in redefining their role in extending inter-employee solidarity beyond individual firms, towards sectors, whole countries, and even across countries. Moreover, employees working at MNCs or subsidiaries are frequently confronted with contradictory dilemmas between local employment strategies by unions and public institutions, and global employment factors within the increasing international division of labor. Here unions and work councils face the challenge of how to construct multi-level systems of relations, coordination and collaboration across countries and internationally in the same way as MNC management does. However, the union movement lacks the international framework needed to facilitate such a construction of multi-level employee and union coordination. Labor systems are still highly embedded in their nation-state institutions and traditions.

*Unions vs. Work Councils.* In European labor systems both unions and work councils play a role in workplace representation. There are therefore several forms of dual channels and divisions of labor between work councils and sector-professional and local-national unions. Large firms like MNCs have pushed harder to decentralize collective bargaining in the last few decades in an attempt to gain autonomy in dealing with labor and cost issues. Thus, work councils have been pressed to redefine their relationships with unions, and whereas some have moved towards increasing autonomy and distance, others have stayed in close collaboration with unions. However, in countries where unions have been assigned additional institutional representative (representation plus for non-unionised employees), as is the case of Spain, these conflicts and dilemmas are more evident. In Spain, employee representation has a double but coordinated channel. In large and medium-sized firms, representation tends to be shared by a union section inside the firm and a work council elected by all workers, whereas in SMEs between 10 and 100 employees union sections are non-existing and work-councils are rather weak. The general system of representation is not via membership but via electoral audience, i.e. through relatively high employee participation in electing representatives for work councils. The two most important union confederations, the UGT (*Unión General de Trabajadores* – General Workers Union) and the CCOO (*Comisiones Obreras* – Labor Committees) have a clear majority in the work councils (approx. 70-80%). They also have union sections in many large and medium-sized firms, especially in industry. In Catalonia, the CCOO has evolved independently within the Spanish confederation, and has received a little more support than the UGT in work council elections. From its space of autonomy, the CCOO in

Catalonia has increased and improved its support to union sections and work councils in many industrial firms.

*Local vs. International.* As mentioned above, the employment and labor strategies of unions and MNCs are asymmetrical: unions tend to operate in local logics, whereas MNCs tend to operate globally. The constant changes in ownership that characterize MNCs give rise to an on-going process of corporate, divisional and portfolio adjustment, and consequently the constant buying and selling of subsidiaries with the subsequent pressure on employment, work, etc. The position that a subsidiary occupies in the global MNC group can be a determining factor for the future of the subsidiary within both the selling group and the buying group. In this volatile system of on-going changes it is difficult for local employees to grasp the international dimension of their work and employment. There is a lack of international frameworks and institutions to help local unions to understand the dynamics of the new international division of labor. Unions have long been divided across ideological traditions. The European Trade Union Confederation (ETUC) began to integrate the different traditions of unionism in Europe in the mid 1970's. Within the ETUC, 11 sector federations make up the core and the driving force of European cross-national unionisms, pointing to the importance of the sector dimension in labor and the economy. At the international level, the creation of the International Trade Union Confederation (ITUC) in Brussels in 2007 was a significant step toward constructing such an international framework. In order to counterbalance a global voice similar to the voices of capital and MNCs, the ITUC's collaboration with sector-oriented global unions seems to be of strategic importance.

Perhaps one of the most well developed cross-international frameworks can be found in the European Union. The initiatives of the socially-oriented EU Commission in the early and mid 1980's experienced timid but accumulative development in the 1990's in the emerging process of European labor relations. Perhaps the most incisive development was the directive on European Work Councils (EWCs), which directly affected MNCs (Keller and Platzer, 2003; Marginsson and Sisson, 2006). Since the approval of the EU directive on EWCs in the mid 1990's, a number of such councils have been created in Europe.<sup>3</sup> Lecher *et alii* (2003) identify four main types of EWCs: symbolic, service provider, project-oriented, and participatory, on a scale ranging from a low to high level of content and activity. The majority of EWCs belong to the symbolic and service-provider types. The Spanish labor system does not have the most suitable features and capacities to actively participate in EWCs, basically due to one primary reason: its limited experience in constructing management-labor collabora-

3 In Spain the constitution of EWCs by Spanish MNCs has been very low. According to union data in Köhler and González (2004), considering all Spanish MNC groups which could be affected by the directive to create a EWC, the coverage rate in 2000 was 7%, whereas the EU average was 45%.

tion spaces and practices. Within the Spanish institutional context, work councils in MNC subsidiaries are expected to display a defensive attitude that combines general obedience with opposition in critical situations and events, instead of employing more collaboration-oriented proactive strategies. However, with increasing inter-union strategic collaboration and «unity of action» by the two main unions since the late 1980's, and the complementary balance between union sections and work councils, the Spanish labor system has also embarked on a process of learning how to negotiate with MNC headquarters and of constructing complex relationships between subsidiaries and MNC headquarters.

### **3. *Glocal* dilemmas around the MNCs in the complex of Tarragona**

In Catalonia, MNCs have played a very important role over the past. Between 1985 and 2005 Catalonia received 30% of all foreign direct investment (FDI) in Spain, second only to the Madrid region, which received 45% (Busom, 2006). However, FDI in Catalonia has been on the decrease over the last decade, with only 15% of the Spanish total received in the region between 2000 and 2005, contrasted with an increase in Madrid (65% for the 2000–2005 period). FDI in Catalonia has always had a clear industrial orientation. During the 1993-2003 period, FDI in Catalonia was divided as follows: 41% went toward financial and credit activities, 10% was invested in electronics and high technology, 9% in traditional manufacturing, 4% in the chemical industry, 1% in the machinery and automotive industries, and 35% in services (transport, tourism, real estate, etc.). In 2004, of all the MNCs present in Catalonia, 40% were involved in traditional manufacturing and 22% in the chemical industry. So the industrial orientation of FDI in Catalonia is clear and its relevance is even greater in the chemical industry. In 2005, as Belzunegui (2008) indicates from official statistics, 12% of all firms in Catalonia had foreign capital, and in the group of firms with more than 100 employees this percentage reached 34.3%. Within the group of firms with foreign capital, 62.6% of them were 100% foreign owned. To sum up, foreign MNCs play a very important role in the Catalan industrial and business system.<sup>4</sup>

The Tarragona complex is characterized by its very high proportion of MNCs. In 2007, out of the 33 firms in the complex about half of them were part of a foreign multinational group. The MNCs that have been sector leaders with facilities in the complex include five from the USA, three from Germany, two from France, one from

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<sup>4</sup> This high presence of FDI and foreign firms in Catalonia during the last three to four decades and its effects on the regional economy and industry is a matter that has yet to be analyzed.

Belgium and one from Switzerland. The local community of Tarragona, in its different fields of public authorities, labor, education, politics, etc., has developed relations and collaboration with the MNC-based chemical complex.

This research focuses on the most important MNCs in the Tarragona complex. In Spain, Tarragona is the main site of the three big German chemical firms (Bayer, BASF, and Hoescht-Clariant). The BASF group has the most European and German profile.<sup>5</sup> BASF Española S.A. started operating in Tarragona in 1969, and currently employs about 700-750 employees producing several different products.<sup>6</sup> The Bayer group is one of the largest chemical companies in the world, with more than 120,000 employees. Its internationalization has combined increasing dependency on the global financial stock markets and German control of the group's headquarters.<sup>7</sup> The Bayer site in Tarragona, which has now been converted into a chemical park, is Bayer's primary site in southern Europe, with a workforce of 230 employees. Another important German firm is Lanxess, which was created as a sub-division of Bayer in 2004 for the production of special chemical products and which maintains historical roots in the German city of Cologne. Lanxess employs about 250 workers in Tarragona.<sup>8</sup> In addition, the Clariant group (formerly the Hoescht group), whose headquarters have been located in Switzerland since 2007, is also a leader in what are termed special chemical products. With headquarters in Muttenz (Switzerland), the Clariant group has over 100 companies and employs more than 20,000 people, of which about 150 work at the Tarragona site. Among the USA-based MNCs, Dow Chemical has a special significance, both in terms of employment (about 600 workers) and in terms of institutional collaboration with the local university, and other local institutions. Finally, the oil and petrochemical company Repsol is one of the largest Spanish MNCs, with more than

5 Its German nature was clear to Lane in 2000 (2001). Lane emphasizes its attachment to the principle of *Verbundforschung* (research network) as a social mechanism for medium-long term and hierarchy-based inter-organizational collaboration. Although its internationalization has already started to weaken the German power in the group, R&D and the main CEOs were still in German hands. Europe represents 60% of turnover and the largest percentage of the workforce. Out of its approximately 100,000 employees worldwide, about 64% (61,000 employees) are in Europe. In the 2007 BASF became a European Company (under the corresponding EU directive), and at that time its 61,000 employees were divided into two groups: Germany (47,000) and the new European Company BASF SE (33,000). This distinction and overlapping between BASF Germany and BASF SE indicates the German-European balance that BASF is trying to develop.

6 Basell was a part of BASF until 2004. Basell was constituted in October 2000 as a 50-50% joint venture between BASF and Shell for the production of polyolefin products. Basell, with its headquarters in Hoofddorp (The Netherlands), is a key producer of polypropylene. In August 2005 BASF and Shell sold their shares to the Access Industries Group, the current owner of Basell. In Spain Basell has all its production sites in Tarragona and employs about 330-340 workers.

7 According to Lane (2001) in its ownership structure 12-14% was in the hands of employees and 44% belonged to investors outside Germany. However, the Central Board of Directors had a high degree of control and decision-making power and in the Supervisory Board 90% of the votes were in the hands of German banks.

8 With roots in Leverkusen and greater Cologne, Lanxess is one of Germany's largest stock market-listed specialty chemical groups. Around ten percent of Lanxess's employees in Germany are in Cologne, the capital of North Rhine-Westphalia (NRW). In 2008 Lanxess had 44 sites, employing about 15,100 staff in 21 companies.

50% of its workforce outside Europe, mainly in Latin America. Repsol employs about 1,100 people in Tarragona (700-750 in the oil division, and 550 in the chemical division). Another important Spanish firm is Ercros, with about 400 employees in Tarragona and about 300 at the Flix site, about 70 kilometers west of Tarragona. These seven MNCs are argued to be the most relevant MNCs in the Tarragona complex, and are the focus of this research.

## **4. *Glocal* dilemmas in the business system**

### **Global MNCs vs. local SMEs**

There is clear evidence of the dilemma between *global MNCs vs. local SMEs* in Tarragona.<sup>9</sup> Belzunegui (2008) analyzes subcontracting data from the survey on «statistics, production and account of the industry, 2005» by the Catalan Statistics Institute. This survey states that the chemical industry (3%) and material transport industry (2.8%) are the two sectors that subcontract the least, much less than the Catalan average of 6.7% and a lot less than in traditional manufacturing sectors such as textiles, footwear, etc., which subcontract more than 20% of their work, and the diverse machinery industry which subcontracts 13-15%. The percentage of work subcontracted by the basic chemical sub-sector is 1.8%. The sub-sector of basic and raw chemicals dominated by MNCs therefore displays a production system focused on special logistic areas, and with high vertical integration at medium-sized sites.

A survey carried out in 2007 at 20 chemical firms located in the complex (Belzunegui, 2008) concluded that relationships between MNCs and local firms are very low value-added and very limited to non-core service subcontracting. The approximately 3,000 indirect jobs and 20,000 induced jobs (these in about 1,500 service SMEs) weigh relatively little in the value-chain of chemical MNCs. The fact that the number of direct employees (approx. 6,000) is twice the number of indirect employees (3,000) indicates the low level of subcontracting and key supplying among MNCs. Although it is still too early to know exactly what their effects will be, some small dynamics have emerged in terms of the spin-off effects of MNCs concerning small firms specializing in specific chemical processes. In analyzing the authority and relational systems of MNCs, Belzunegui (2008) identifies the main axis in the industrial-business group. According to the survey, the business group's headquarters is the key source of corporate strategy concerning policies with regard to human resources, trade, innovation, quality, etc. for the Tarragona subsidiaries. The business group is also the

<sup>9</sup> This is based on a survey conducted in 2006 at 20 firms in the chemical complex of Tarragona, with both closed and open questions (Belzunegui, 2008).

manager of inter-subsidiary relations, even beyond long geographical and cultural distances. Likewise, labor mobility inside the group is one of the main stimuli of intra-group relations, as it is conceived as one of the strategies for the promotion of managers and intermediate and skilled professionals. In fact, 85-95% of promotion plans are aimed at these medium and high positions. Finally, as far as innovation processes are concerned, survey results indicate that between 2000 and 2005, disregarding the 30% (six firms) that claimed not to have done any product innovation during the period, the business group is reported as the main reference and source of product and process innovation. In product innovation 55% (11 firms) and in process innovation 80% (16 firms) of the companies stated that the group is where these innovations take place. Only 15% (3 firms) recognize having collaborated with other firms or institutions in innovation activities. Of the financial resources for innovations, internal sources make up the largest percentage of such backing for all the firms. Only 40% of the companies (8 firms) have received external funding for R&D activities from public institutions.

## National vs. sector

Concerning the dilemma between *national vs. sector* logics it can be deduced that sector logics are increasingly important in the chemical sector for various reasons. It is a sector with few companies at both the international and European levels, and with a handful of large companies per country. This concentration promotes mutual control and cross-national competition, thereby stimulating converging dynamics at the sector level. At the European level, despite the importance of the German chemical business groups, the process of internationalization has weakened the logics attached to the German features, and reinforced the particular characteristics of the sector worldwide, especially regarding regulations on the environment, hazards and safety, and product markets.

## 5. *Glocal* dilemmas in the labor system <sup>10</sup>

### Unions vs. Work Councils

At the chemical MNCs in Tarragona, unions have only been able to coordinate work councils in Spanish and European companies. Whereas in Spanish firms, the tradi-

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<sup>10</sup> Data come from secondary data analysis, observation and interviews with unions and work council representatives.

tional strength of union sections has been maintained, in German companies unions have mobilized to participate in the constitution of European work councils, as individual work councils did not have either a common strategy or enough resources to take part in the strategic constitution of EWCs. In most work councils the traditional disputes between the UGT and the CCOO were resolved in 2000, when the two unions decided to collaborate in EWCs. Later, faced with the challenge of participating in EWCs, work council representatives were in need of assistance from their union offices on matters such as language, information, coordination, etc. Finally, in USA-based MNCs, unions have increasingly lost control and coordination to work councils. Here, the traditional American strategy of union avoidance has resulted in a weak and confused union and work council system, with MNC management successfully building barriers between unions and work councils.

## **Local vs. International**

When the EWC directive was approved in 1994, the UGT and the CCOO took up different positions.<sup>11</sup> Because unions were not accorded significant roles within the framework of the EWC directive, the UGT was more opposed to it than the CCOO. The UGT believed that its tradition of union presence in work councils was marginalized, and claimed that the EU directive contradicted the Spanish Law of Union Freedom of 1984, which established the presence of the most representative union in companies, based on the percentage of representatives elected in work councils. These regulations strengthened the role of large unions like the UGT. The Worker Statute approved in 1980 was reformed in 1994, and thus started a process of liberalization and decentralization of labor relations to the firm level, and strengthening of bipartite collective bargaining as a tool in labor regulation. More importantly, this reform perpetuated the dual system of representation through union-work councils, and therefore helped the two Spanish unions to take a more positive attitude towards the EWC directive. The new regulations gave the UGT arguments to defend the role of unions in EWCs.

As EWCs were being constituted in MNCs with subsidiaries in Spain, the Spanish unions faced a series of organizational and institutional challenges. Organizationally, the CCOO and the UGT have developed different practices. Catalonia's CCOO had more maneuvering space, based on its traditional autonomy within the union confederation. It developed a specific secretariat for international affairs in Barcelona, where dedicated and enthusiastic union representatives in some industrial MNCs

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<sup>11</sup> For an account of the regulatory aspects of the EWC directives and the dynamics, see Lecher *et alii* (2002), and, in Spanish, Köhler and González Begega (2004).

such as SEAT-Volkswagen and Tyco-Electronics developed collaborative practices on EWC issues, such as information-sharing, training, etc. The UGT, however, had a higher organizational dependency in the more centralized UGT union confederation. The UGT's international secretariat was in Madrid, and thus the peculiarities of the EWCs in industrial and chemical MNCs in Catalonia did not receive the level of attention they required. Furthermore, throughout Spain institutional relations between the UGT and the CCOO underwent a clear change in 1997, when they agreed to strengthen their collaboration and join efforts within the concept of concerted action, both generally and strategically targeted at collective bargaining dynamics. This strategic collaboration has worked without any critical problems; it has reduced the ideological profiles of union confederations, and has increased the technical dimension of union work. Generally, it has also opened up the possibility of an even larger union or even a merger between the two union federations. By 2000, this collaboration had also affected EWCs. In about that year, industrial MNCs in Spain, and more evidently in Catalonia, began outsourcing production to emerging countries. This was a catalyst for inter-union collaboration. In 2000 the UGT and the CCOO entered into a collaboration agreement regarding union organization and employee representation in EWCs. The agreement stated that if the Spanish representative was only one person, that person should be from the popularly elected union. If there were two representatives, there should be one from each union; if there were three, two would be from the most popular union and one from the other union.<sup>12</sup>

## 6. Conclusions

In this article exploring the dilemmas around the chemical MNCs and their subsidiaries in Tarragona (Spain), the organizational and institutional dimensions have been comprehensively discussed in relation to labor and business systems. The conclusion is that the various dilemmas today are clearly governed by certain logics. Table 1 indicates the main dominant patterns in the dilemma relations.

**Table 2. The dominant structural patterns**

	Organizational logics	Institutional logics
Business System	Global MNCs	Sector
Labor system	Work Council	Local

<sup>12</sup> The evolution of the 3 EWCs in these firms is specifically analyzed in another paper.

As far as the glocal relations in the chemical pole of Tarragona are concerned, the conclusions are clear. Within the business system, the global MNCs appear to be substantial and powerful actors in this era of globalization, capable of imposing their own organizational and sector logics. Therefore, they have a very limited spill-over effect on the local SME-system. Within the labor system, the MNCs in the Tarragona chemical complex have been observed to shape the traditional Spanish labor system and therefore reinforce work councils whose autonomy from union offices is on the rise. At the same time, unions and their representative bodies have slowly advanced towards more international coordination, due to a lack of interest on the part of MNCs to facilitate unions to develop global counterparts. MNCs do not facilitate such processes, because they feel that they can operate with greater ease and freedom without such global labor coordination and organization.

To sum up, the case examined suggests that global actors are significantly stronger than local actors in the two dimensions analyzed. Concerning the dynamics of the business system, I have emphasized that global MNCs have a much stronger influence than local SMEs, and tend to impose their logics and interests, while sector logic is becoming increasingly more important than national regulations and institutions. In terms of the effect of MNCs on SMEs, this research adds to the evidence describing the problematic relationships between MNCs and local businesses. The expected positive effects are difficult to find and, when present, they are weakly embedded. If an MNC decides to shut down and leave, how much knowledge does it leave behind? How much knowledge has been acquired or absorbed by local SMEs? In other words, how much knowledge has been localized and embedded? Regarding the labor system dimension, I have argued that work councils seem to have gained more organizational power than unions, and that the local level tends to dominate public policy and union strategies without much consideration for international challenges and possible collaborative solutions. In short, alternative win-win solutions to the inherent tensions in the economic globalization game have systematically been ignored both consciously and unconsciously by the contending actors.<sup>13</sup> However, looking at how each has evolved reveals certain potential lines of increased collaboration that can be exploited to work towards more positive outcomes among the main contending actors in economic globalization.

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13 Kristensen & Zeitlin (2005) discuss the issue of the narratives that can arise when interpreting the tensions and power struggles between the head-quarter's management and the subsidiaries of the MNC they studied. Inspired by literary and historiographic studies, in conjunction with historical-deterministic narratives of foreshadowing and backshadowing, they propose using sideshadowing narratives, based on an alternative and contingent vision that is possible within the historiographic tradition of historical alternatives developed, among others, by Zeitlin.

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