

Geographical and organizational
fragmentation & industrial relations.

The case of FIAT

Giovanni Balcet

Grazia Ietto-Gillies

Transnational companies (TNCs)

Liability of foreignness: (Hymer, 1960; Zaheer, 1995)

Versus

Advantages of multinationality. Evidence/processes in:

- Increase in degree of internationalization
- Technological changes
- Cultural changes
- De-regulation policies

3 dimensions of operating across nation-states

- Spatial/geographical: distance; transport costs
- Cultural/linguistic
- Regulatory regimes

Nation-states regulatory regimes

- Regulatory regimes: sets of all laws, regulations and customs governing the economic, social and political life of a country. It therefore includes the sets of institutions and regulations governing production, markets and the movement of resources across countries.

Specific elements of nation-states regulatory regimes

- Rules and regulations regarding the social security system and in particular different regimes regarding labour and its organisation
- Fiscal regimes
- Currency regimes
- Regime of industrial policy with regard to incentives to businesses
- Rules and regulations regarding environmental and safety standards

Advantages linked to different regulatory regimes

In negotiations with:

- Labour
- Host or home governments

TNCs' advantages towards labour

- Dispersion of labour across different nation-states leads to fragmentation of labour
- Geographical fragmentation makes the organization of labour more difficult
- Less labour solidarity across nation-states
- Application to regions of same nation-state?
North v South of Italy?

Organizational fragmentation of production

Outsourcing presents problems for firms but also advantages in terms of:

- Costs
- Passing on some risks
- Responsibility for labour passed on to sub-contractor
- Workers find it more difficult to organize: labour is more fragmented

Labour fragmentation

Organizational fragmentation can combine with fragmentation by nation-states when outsourcing takes place across nation-states

Fragmentation can also take place across regions of the same nation-state when there are big differences in labour supply conditions across them and/or when regions are allowed to bid against each other for investment.

FIAT: our case study

Multidimensional nature of strategies

- Products strategies
- Process strategies
- Technological strategies
- Commercialization/marketing strategies
- In-house v outsourcing strategies
- Internationalization v domestic strategies
- Localization strategies within Italy
- Governance strategies

Internationalization strategies and modalities: various issues

- Where does demand come from?
- Where is production is located?
- Internationalization of production process such as Fiat project 178
- Internationalization of supply networks
- Alliances, agreements, partnerships, acquisition are made with foreign car makers or component firms.
- Internationalization of managerial culture: managers with international experience

FIAT: background

The decades between WWI and WWII

- A firm shaped by the country context and dependent on the Italian market
- Open to internationalization but mainly via exports rather than FDI
- A firm keen on in-house production
- A family firm with interest in long-term destiny

FIAT after WWII

We consider three main issues in historical context and with focus on their interaction:

1. Geographical location strategies by FIAT:
 - Domestic regional (North v South Italy)
 - International locations (multi-domestic, macro-regional or global)
2. Outsourcing strategies by FIAT
3. Industrial relations

Approximate periods

1950s and 1960s: fordist growth

1970s to 1980s: strong social conflicts;
automation

1980s to c. 2004

From 2004 : the Marchionne years

- Merger with Chrysler
- Confrontation with labour: rejection of national contracts

Structure of research

We shall highlight locational and organizational strategies allowing for their links to technological changes and strategies

We shall put them in the context of industrial relations and highlight possible two-way impact: from location and organizational changes to IR and from IR to strategies of location and outsourcing