



Impact of interfirm relationships - employment and working conditions

Executive summary

Introduction

This study was commissioned by the European Foundation for the Improvement of Living and Working Conditions (Eurofound) in February 2010. Its purpose was the in-depth study of the impact of five types of interfirm relationships – including joint ventures, clusters, public-private partnerships (PPPs), strategic alliances/networks and virtual company networks (VCNs) – on employment and working conditions.

The methodological approach used resulted in the production of an extensive review of literature and case studies, both national and cross-border. The unit of analysis was the interfirm relationship itself (and its implications for employment and working conditions) as exemplified by the views of respondents that are either directly involved, or affected by such relationships.

Each case study comprised a number of interviews with managers and employees based in two or more organisations involved in a particular type of interfirm relationship. In total, 20 case studies were carried out – four case studies per type of interfirm relationship – and 72 interviews were conducted.

Policy context

A number of new forms of interfirm relationships have emerged over the past few decades, each of which is characterised by a degree of boundary permeability and business integration. However, despite the proliferation of new inter-organisational forms of relationships, relatively little research seems to exist on the precise (and varied) impact of these on employment practices, human resource management (HRM) policies, and employment terms and conditions for the workers concerned.

This study was undertaken in order to explore such issues in greater depth, and crucially, to investigate various types

of employment impact depending on the specific type of interfirm relationship. Indeed, this study offers a unique opportunity to identify the additional complexities arising from transfer of practices across national institutional contexts and is an important source of evidence for policymakers engaged in enhancing equity and progress in HRM practices and working conditions across the EU.

Key findings

Although the specific reasons for interfirm collaboration varied between the five types of relationships studied (as well as between case studies belonging to the same type, or even between partners within one case study), the prevalent rationale was directly linked to business survival and competitiveness, with employment and working conditions treated as second order issues.

Even so, all five types of interfirm relationships had, albeit to a different degree, an impact on specific aspects of employment. Training, careers and professional development was one area most affected by the existence of interfirm relationships. The impact on training provision was evident across all types of relationships, although its extent varied between the different forms of business collaboration. Training provision was greater where the development of specialist expertise and capability among firms was an explicit objective of the partnerships, where quality standards and regulations were imposed through supply chains, or where the sector was experiencing rapid changes in skills requirements.

All interfirm relationships influence the pattern of work organisation between partners. This influence is exerted in a number of ways but especially through joint teams working on products/services/projects, supply-chain requirements relating to production and

quality assurance requirements, codes of ethics and matrix management structures, where people from different organisations are pooled for work assignments.

The different types of interfirm relationships appear to have differential impacts on the extent of work intensification and sense of employee well-being, including stress levels. Closer forms of business collaboration are more likely to lead to greater work intensification due to increased workloads for those involved. This, in part, reflects the success of certain business collaborations in generating business; the demands of setting up new relationships which were intense; and the fact that some of the work involved in all five types of interfirm relationships was project-based, involving significant effort to meet deadlines. Moreover, in interfirm relationships where one large partner dominates and is able to dictate conditions, a higher degree of work intensification was reported. The presence of interfirm relationships has also, in some cases, opened up significant career opportunities to employees through the (mostly unintended) development of labour markets between the partners.

Overall, the impact of interfirm relationships on compensation systems varied markedly and was largely indirect rather than direct. These indirect effects came mainly from both HR directors / specialists informally benchmarking with other members.

The type of interfirm relationship also had an impact on employment terms and conditions. Clusters among peer companies and virtual company networks (VCNs), which are looser forms of interfirm relationships, do not have any impact on the employee terms and working conditions in the firms concerned. In contrast, a varied degree of impact was observed in the other three types of interfirm relationships. Information and communication policies were also affected by interfirm relationships, especially as regards the level of communications which may increase as a result of such relationships.

The impact of interfirm relationships on the approach to flexible work and work-life balance policies of partner and member firms and their employees was limited. Working arrangements tended to be affected by the nature and make-up of the workforce, the

sector and type of work undertaken, company size and legislation in the host country. Areas where an interfirm relationship had least impact included employee representation and collective bargaining and grievance and disciplinary procedures, which are still handled at company (and/or sectoral) level. Other aspects of HRM, including health and safety and diversity and equality issues, were influenced more significantly by the presence of statutory regulation (as opposed to the interfirm relationship).

Policy pointers

The study has highlighted a number of areas with clear policy implications. First, more support for firms involved in these relationships is needed in order to help them address the attendant HR implications. Such support, for example, could take the form of legal advice when establishing these relationships.

There is also the need to think about how EU-wide directives are translated into national law and then implemented within organisations involved in interfirm relationships, particularly cross-border collaborations.

There are also some major implications for social partners. In some relationships, there is evidence of a cross-border employee representation gap. In addition, there is also some evidence that employee representation in small and medium-sized enterprises (SMEs), including those involved in interfirm relationships, is weak particularly in sectors such as information technology, or in new Member States. This implies that social partners may wish to consider how they can help improve employee representation along supply chains and across borders rather than focusing on single companies or sectors within a specific Member State.

This study has also found that public funding has been instrumental in the setting up of some types of interfirm relationships, especially between SMEs, most notably clusters and VCNs.

There is, therefore, a need to consider policies to enable networks to become self-sustaining once funding comes to an end. Linked to this is the need to enhance awareness of learning opportunities about HRM practices and promote such learning across SMEs.

Further information

The report, *Impact of emerging forms of interfirm relationships on employment and working conditions*, is available online at <http://www.eurofound.europa.eu/publications/htmlfiles/ef1101.htm>

Irene Mandl, Research Manager
ima@eurofound.europa.eu