

# Employment Practices of Multinational Companies in an Organizational Context

---

## Summary of Research Project

This project is the first based on a representative sample of MNCs operating in Denmark. In this connection, we carried out a comprehensive survey of employment practices of MNCs operating in Denmark, both Danish- and foreign-owned. The survey provided a picture of employment practices within MNCs, focusing on four key areas of employment practice:

1. Performance management and reward systems
2. Organizational learning
3. Employee involvement and communication
4. Employee representation

The survey findings are being used to test propositions concerning the association between a company's employment practices and organizational factors such as structure, degree of internationalization, nationality of ownership, and sector. The reports will be available at [www.cbs.dk/mnc](http://www.cbs.dk/mnc).

On the basis of the survey, we will proceed to international comparisons, with similar surveys being carried out in the UK, Ireland, Spain, Mexico, Australia, Canada and Norway.

## The accompanying report

This report was produced to accompany company-based benchmarking reports we sent back to our respondents. The aim is to present the profile of multinational companies in Denmark, mainly elaborating on company characteristics and workforce composition.

31 home-based MNCs and 89 foreign-based MNCs participated in the survey.

The table below summarizes the final response rate and population for both foreign and home-based responses.

	<b>Foreign owned</b>	<b>Danish owned</b>	<b>Total</b>
<b>Population</b>	304	113	417
<b>Responded</b>	89	31	120
<b>Response rate</b>	29.28	27.43	28.78

Following issues will be addressed below: country of origin, size of firm, workforce composition, time as an MNC, first significant investment type in Denmark and finally, factors affecting new investments.

## **Basic characteristics**

### **1. Origin by countries and regions**

Of the 120 participating MNCs, the country or region of origin is distributed as following:

- Denmark: 26%
- Nordic Europe (Sweden, Norway, Iceland and Finland): 21%
- Rest of Europe: 31%
- US: 17%
- Rest of world: 5%

(Further details on country and region of origin can be seen in Chart 1 in the appendix.)

### **2. Size of firm**

One measurement of size is by worldwide employment. Taking both Danish-based and overseas-based firms into account, the data show following results: 6 % of the MNCs employ between 500 and 999 employees, 17% employ between 1,000 and 4,999, 56 % employ more than 5,000, and finally 21% responded “do not know”. On average, overseas-based MNCs employ between 30,000 – 59,999 employees worldwide. The data show that the Danish-based MNCs are substantially smaller, on an average employing between 1,000 and 4,999 people worldwide.

Another measurement of size is by Danish employment. Again, taking both Danish-based and overseas-based firms into account, the data showed the following: 8% of the MNCs employ up to 99 employees, 49% employ between 100 and 499, 20% employ between 500 and 999, 19% employ between 1,000 and 4,999, 3% employ over 5,000 employees, and finally 1% do not know.

On an average, overseas-based firm employs between 100-499 employees. Danish-based MNCs are generally bigger than overseas firms by this measure, employing between 500 and 999 employees on average.

### **3. Workforce composition**

In assessing this data we distinguish between managers and non-managers, referred to as the LOG (largest non-managerial occupational group). Definitions of the two main groups of staff are:

- Managers: employees who primarily manage the organization, or a department, subdivision, function, or component of the organization and whose main tasks consist of the direction and coordination of the functioning of the organization. In other words, managers refer to those above the level of the first-line supervision.
- The LOG (largest occupational group): the largest non-managerial occupational group among the employees in the “headcount” in Denmark. For example, in a manufacturing business it might be semi-skilled operators, and in an insurance company it might be call centre staff.

#### Managers

The data show that the majority (30%) of the companies represented in the survey have between 10 and 24 managers employed in Denmark. 17 % employ between 25 and 49 managers, 16 % employ between 100 and 199 managers, 15 % employ between 1 and 9 managers, and 13% employ between 50 and 99 managers. This means that the vast majority of MNCs in Denmark (91%) employ between 1 and 199 managers. (Please see Chart 2 in the appendix for further details).

#### The LOG

The majority (27%) of participating companies employ between 100 and 249 in the LOG in Denmark. Of significant size, 16 % of the MNCs employ between 250 and 499, 12 % employ between 1,000 and 2,999, 11 % employ between 50 and 99 and 10 % employ between 500 and 749 in the LOG. (Please see Chart 3 in appendix for further details).

#### Manager/employment ratio

The above data suggests that the employment/manager ratio for Danish-owned MNCs is 10 to 1; that is, there on average is one manager per 10 employees. In the case of overseas-based MNCs, the employment/manager ratio spans from a ratio of 10 to 1 to one of approximately 20 to 1; that is, on average, there is 1 manager per 10-20 employees.

#### **4. Sector**

Data on sector and industry classifications show the percentage of participating MNCs engaged in specific sectors. The data show that the majority (36%) of the MNCs are engaged in manufacturing, 23% in wholesale and retail trade, and 14% in professional, scientific and technical services. Details on classifications related to additional sectors can be seen in Chart 4 in the appendix.

#### **5. Vintage of the MNC**

The data on “vintage” for foreign-based MNCs show that more than 10% of the participating foreign-based firms have been in Denmark for less than 5 years, nearly 20% for between 5 and 9 years. Almost 25% have had a Danish presence for between 10 and 24 years and approximately 45% for 25 years or more.

The data are not comparable for Danish-based MNCs, since the corresponding question for Danish MNCs, relates to the length of time that Danish MNCs have been present in countries, other than Denmark. The data show that none of the participating firms have operated internationally for less than five years and approximately 10% for between 5 and 9 years. Almost 45% have had operations in other countries for between 10 and 24 years, this equal for firms that have operated for 25 years or more.

#### **6. Investments**

##### First significant investment type in Denmark

Due to the nature of the question, the following is only of relevance to foreign-owned MNCs. Of the first significant investment by the foreign-based MNCs in Denmark, 60 % was made through a merger or acquisition, 25% through a Greenfield investment and 15 % through other types of investment. Other

types of investment include: formation of a subsidiary, own production in existing buildings, franchising and new establishments.

#### Factors affecting new investments or new mandates

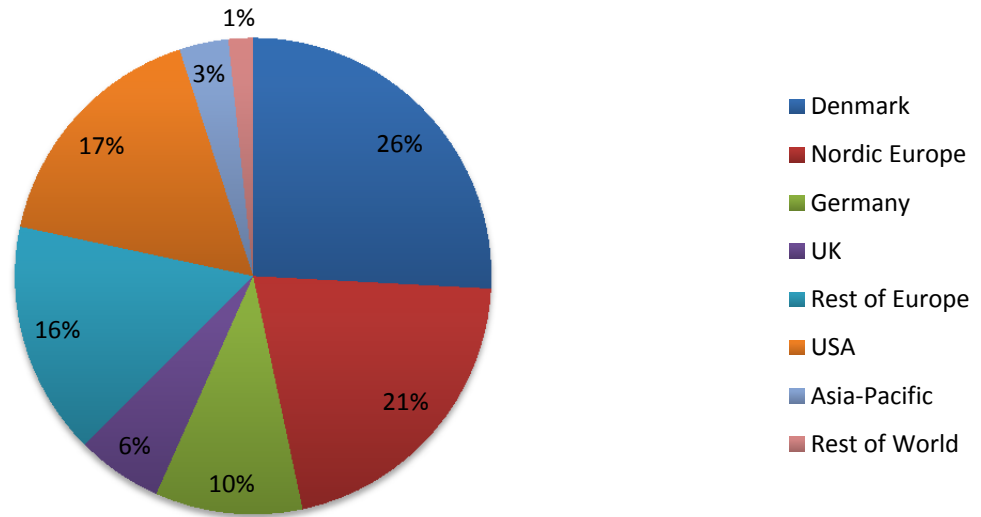
In the survey, the company was asked to rank the importance of seven different factors that potentially affect the company's decisions on new investments or new mandates in Denmark with 1 being the least important factor and 7 being the most important factor.

On an average scale, 'overall operating costs' is the most important factor; both for overseas-owned firms and Danish-owned firms. The most important factors for Overseas-based firms include: labour costs, the capacity of the company to innovate in the development of goods, services and processes in Denmark, financial incentives (including the corporate tax rate) and labour availability.

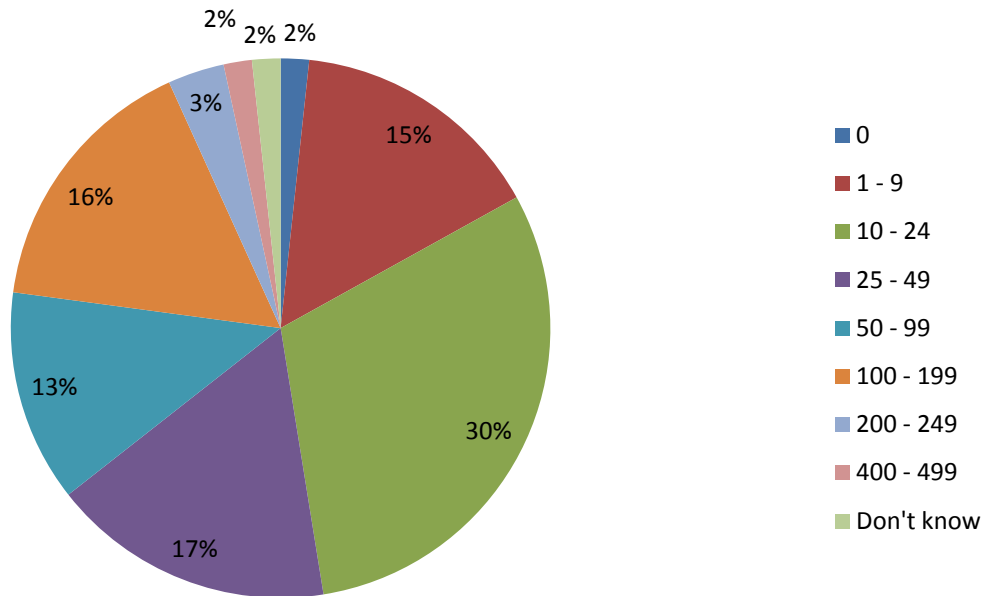
For Danish-owned companies, the degree of importance of these factors is relatively similar to that of the Overseas-owned companies. However, the capacity of the company to innovate in the development of goods, services and processes in Denmark, labour costs, and labour availability, equally figure as the next-most important factor when making new investments or mandates. (Please see Chart 5 in appendix for further details).

Appendix

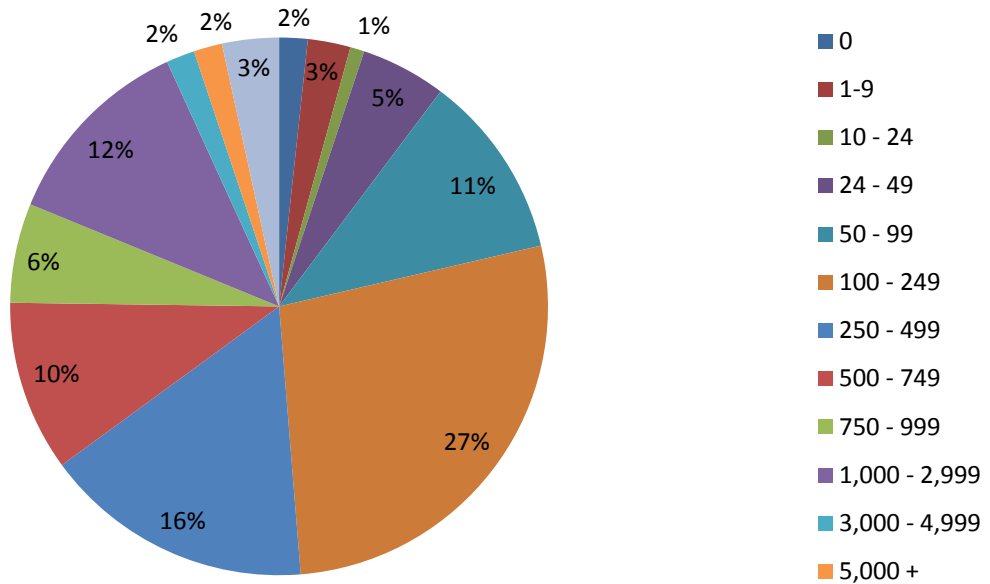
**Chart 1 - Origin by countries and regions**



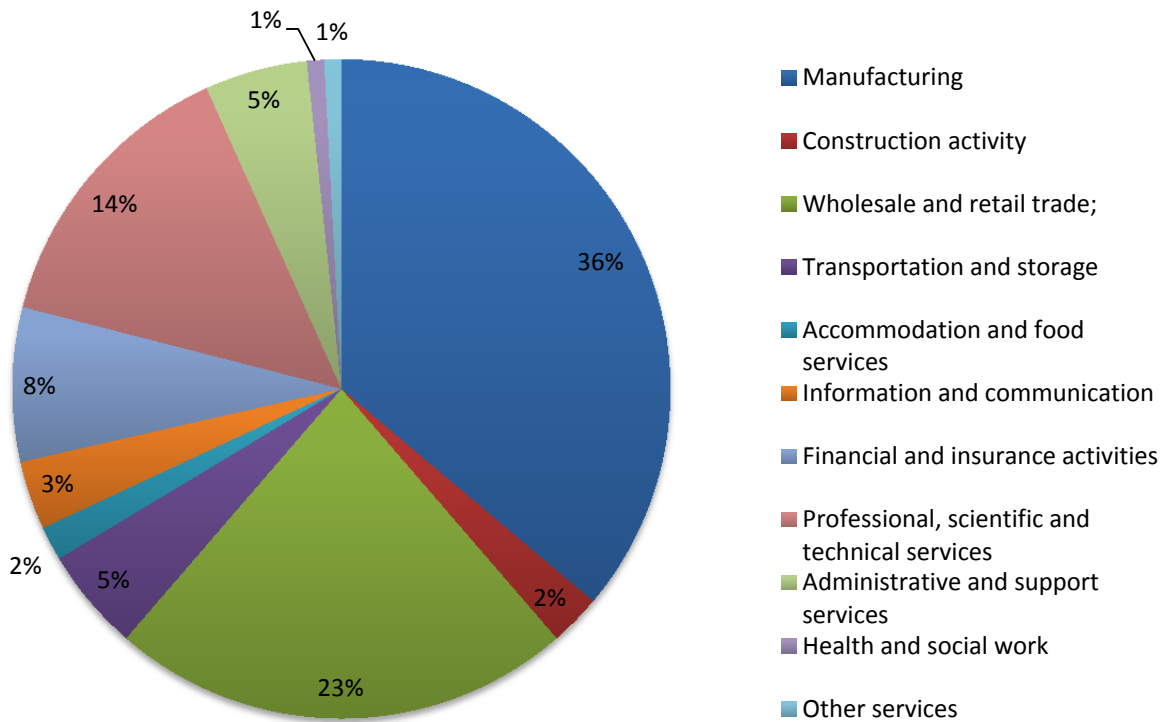
**Chart 2 - Number of managers in Denmark**



### Chart 3 - Number of LOG in Denmark



### Chart 4 - Sectors



**Chart 5 - Factors affecting new investments or new mandates**

