

A MICRO-POLITICAL PERSPECTIVE OF E-HRM INTEGRATION IN A FOREIGN MNC SUBSIDIARY

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ABSTRACT

The design and implementation of a globally integrated e-HRM system within a multinational corporation (MNC) requires different parties to reach some form of agreement on which HR processes must be standardised and which must be locally adapted. In this respect, the IT-based integration of HRM presents an intriguing setting in which to study micro-political behaviour during HRM integration, i.e. how parties promote their own interests and the strategies they use during negotiations. Accordingly, the study's aims were to identify those issues which generated the greatest degree of conflict during the IT-based integration of HRM, the key actors involved and the resources that were deployed during negotiations. A longitudinal, in-depth case study approach was used, and followed the integration of a global e-HRM system in the Finnish subsidiary of a large European-owned MNC over a period of nearly two years. Qualitative data was collected via semi-structured interviews with key subsidiary HR personnel and was complemented with company documentation. The findings indicate that the key areas of conflict were system design, the standardised use of English, and grey areas of HR policy. Three key parties were identified as being involved in subsequent negotiations. These parties utilised a range of negotiation resources including business case logic, technical know-how, internal benchmarking, local constraints and ignorance.

Keywords: e-HRM, multinational corporation, micro-politics

1. INTRODUCTION

One weakness that has been highlighted in the extant literature on HRM in multinational corporations (MNCs) is the over-emphasis on structural explanations of HRM practices in foreign subsidiaries and insufficient consideration of the role of organisational politics (Edwards & Kuruvilla, 2005). Indeed, recent case-study research suggests that our knowledge about how and why HRM integration takes place will remain incomplete if the contested nature of parent-subsidiary relations is not taken into account (Ferner, 2000; Ferner *et al*, 2005). These arguments essentially refer to the significance of subsidiary attitudes and the strategic responses that are open to subsidiary managers in the face of pressures to integrate parent HRM practices. Oliver (1991) cites this lack of attention to organisational self-interests as one weakness of institutional theory explanations of subsidiary behaviour and suggests that it should be complemented with a resource dependence perspective, which better acknowledges the strategies and tactics subsidiaries might use to resist institutional pressures.

In particular, these case studies highlight the seemingly important role that power relations and micro-political processes play in determining the use and effectiveness of different HRM integration mechanisms (Martin & Beaumont, 1999; Ferner, 2000). Empirical work by Ferner *et al*. (2004, 2005) elaborate further by presenting a dynamic view of HRM integration whereby mechanisms of HRM integration, centralisation in particular, are subject to continual negotiation between parent and subsidiary and are thus better viewed as contested processes of 'oscillation' between global integration and local responsiveness. The role played by subsidiary managers as interpreters of the local HRM environment is seen as a key determinant in patterns of HRM integration in this respect.

As will be argued throughout this paper, the implementation of an e-HRM system presents an excellent opportunity to observe how the global integration of HRM is negotiated and contested in MNCs. In essence, this is because e-HRM implementation requires a fundamental re-think in how HRM is delivered and requires the parties involved to reach some form of agreement, in a relatively short period of time, on what must be globally standardised versus what must be locally adapted, and why.

Thus, adopting a micro-political perspective, the study's main objective is to explore the ways in which the IT-based integration of HRM is negotiated and contested within a foreign MNC subsidiary setting. More specifically, the study aims to identify those issues which generate the greatest degree of conflict during the IT-based integration process, the key actors involved and the resources that are deployed by those actors during negotiation. The setting of the study is a Finnish subsidiary of a well-known European MNC, INTRACOM¹.

The paper starts by reviewing the literature on the mechanisms used by MNCs to achieve greater integration of HRM practices within foreign subsidiaries. The focus is then turned to the field of e-HRM as an IT-based mechanism of integration and the micro-political perspective. Following a description of the methods used, the paper presents the results on the key areas of conflict and the resources used in negotiation. The paper concludes with a discussion of the findings and some suggestions for future research.

2. LITERATURE REVIEW

2.1 HRM integration in MNCs

Evidence suggests that MNCs are shifting their attention more and more towards the integration and cohesion side of the integration-responsiveness tension (Ghoshal & Gratton, 2002). This trend would also seem to be having widespread implications for how the HR function and its contingent HRM practices are coordinated (Taylor, 2006). Indeed, from an evolutionary perspective, it is argued that the required organisational levels of coordination now necessary to execute global strategies has provoked the emergence of a strategic global HRM agenda (Kiessling & Harvey, 2005).

The case for global HRM notwithstanding, the majority of research on HRM in MNCs has focused on the characteristics of HRM practices in foreign subsidiaries and those factors that lead to either greater parent or local firm resemblance. A feature of this literature is that unlike most other business functions, HR is generally regarded to be the most culture- and institution-specific and thus the most difficult to integrate, typically requiring higher levels of local responsiveness (Tayeb, 1998). Accordingly, contributions to this literature have drawn on a range of theoretical approaches in trying to provide explanations for patterns of HRM integration and/or local responsiveness, including resource dependency theory (e.g. Hannon *et al*, 1995), cultural theory (e.g. Gill & Wong 1998), institutional theory (e.g. Björkman & Lu 2001), and the national business systems approach (e.g. Ferner & Quintanilla 1998).

Whilst the above contributions provide a detailed list of structural factors (e.g. MNC characteristics, parent-subsidiary relations) and contextual factors (e.g. country-of-origin, isomorphic pressures) that are likely to affect patterns of HRM integration and local responsiveness, the research is comparatively silent on those factors associated with the process (the 'how') of integration (Smale, 2007). In this regard, a wide variety of organisational mechanisms have been documented in the literature, including expatriation (e.g. Björkman & Lu, 2001), internal benchmarking (Martin & Beaumont, 1998), global expertise networks and HR centres of excellence (Sparrow *et al*, 2004), and IT-based integration (e.g. Hannon *et al*, 1996; Tansley *et al*, 2001; Ruta, 2005), to which we now turn.

2.2 IT-based integration of HRM

For the purpose of clarity, this paper distinguishes between the use of IT in human resource information systems (HRIS) and e-HRM. In line with the definitions provided by Ruël *et al* (2004) and Reddington and Martin (2007), whilst HRIS refers to the automation of systems for the sole benefit of the HR function, e-HRM is concerned with the application of internet and web-based systems, and more recently mobile communications technologies, to change the nature of interactions among HR personnel, line managers and employees from a face-to-face relationship to one that is increasingly mediated by such technologies. Based on a study of human resource articles published in the top HRM journals from 1994 to 2001, only one percent of the articles focused on the influence of IT in HR (Hoobler & Johnson, 2004). Although the field of e-HRM has started to mature, historically academics have paid insufficient attention to the impact of IT on HR (Lepak & Snell, 1998).

The case for the adoption of integrated e-HRM systems have been argued from a number of different perspectives. From a business case perspective, three drivers of integrated e-HRM systems have been cited (Stone & Guetal, 2005, Reddington & Martin, 2007). Firstly, e-HRM systems can reduce HR transaction costs and headcount. Secondly, e-HRM can substitute physical capability by leveraging digital assets, i.e. HR information can be used flexibly on an infinite number of occasions at little or no marginal cost. And thirdly, the effective use of integrated e-HRM systems can transform the HR "business model" by e-enabling the HR function to provide strategic value to the business that it previously could not do.

From a control perspective, e-HRM has been identified as facilitating the greater integration of HRM practices in foreign subsidiaries in three main ways (Smale, 2008). Firstly, e-HRM can serve as a form of bureaucratic control by establishing procedural standards about how the system is used (Clemmons & Simon, 2001) and thus how HRM processes are carried out. Secondly, e-HRM presents an opportunity for output control in its role of communicating goals and monitoring them through an array of management reporting functions. Thirdly, e-HRM can accommodate varying degrees of control via centralisation by restricting access rights and introducing layers of transaction authorisation.

The arguments for adopting integrated e-HRM systems notwithstanding, case study evidence indicates that firms have been active in their implementation (e.g. Tansley *et al*, 2001; Shrivastava & Shaw, 2003; Ruta, 2005). Collectively, however, this body of research appears to have more to say about the problems encountered in implementation, especially in terms of end user acceptance (e.g. Fisher &

Howell, 2004), than any far-reaching transformation of the HR function. Indeed, there is a danger that the adoption of e-HRM may even have negative consequences for HR professionals and their internal clients if change management and technology acceptance issues are handled ineffectively (Reddington *et al.*, 2005).

Given the potential that e-HRM has for the transformation of HR, it is reasonable to expect that the sizeable changes required, both in organisation and mindset, are likely to provoke resistance from various end users. At the very least, since e-HRM models of HR delivery encourage a fundamental re-think about how HRM is carried out, there exists a big incentive for various end users to ensure that their own interests are considered in subsequent decisions regarding e-HRM design and implementation. This is not least true for foreign MNC subsidiaries which must communicate convincingly their interests to the parent – a task that undoubtedly involves conflict and negotiation.

2.3 A micro-political perspective on the IT-based integration of HRM

Compared to the dominant economic and deterministic approaches to studies on MNCs, the socio-political dimension of managing MNCs has been largely neglected in the international business literature (Ferner, 2000; Geppert & Williams, 2006). Conceptualisations of MNCs as hierarchical structures based on formal authority relations between headquarters and subsidiaries are becoming increasingly inappropriate given the complex interdependencies that characterise the modern MNC (e.g. Doz & Prahalad, 1993). Indeed, MNCs have come to be described as ‘loosely coupled political systems’ where power games and political influence over decision-making are useful in explaining the nature of internal processes (Forsgren, 1990).

Organisational micro-politics has been defined in general terms as “*an attempt to exert a formative influence on social structures and human relations*” (Dörrenbächer & Geppert, 2006: 256), but is suggested more specifically to focus on “*bringing back the actors and examining the conflicts that emerge when powerful actors with different goals, interests and identities interact with each other locally and across national and functional borders*” (2006: 255). In this sense, studies on micro-politics are argued to provide a deeper understanding about internal processes within MNCs and managing the complexities associated with transnational reorganisation by concentrating on the strategies of local/subsidiary actors (Mense-Petermann, 2006). One common theme within the micro-politics literature, which is also the focus of the present study, is where concepts, systems and/or practices developed elsewhere require subsidiaries to engage in local adaptation and translation – processes that often involve conflicts.

With regards to studies in the field of HRM in MNCs one major critique concerns the assumptions made about how HRM practices become established in foreign subsidiaries and the roles played by different actors in the integration process. In this regard, Edwards *et al.* (2007) suggest such studies should adopt a political economy approach. This conceptual approach, they argue, integrates a focus on markets, distinct national institutional frameworks, and the micro-political activity of multinationals. The *market-based* approach focuses on the competitive pressures firms face to transfer ‘best practices’ and is rooted in resource-based explanations of HRM in foreign subsidiaries (see e.g. Taylor *et al.*, 1996; Bae *et al.*, 1998). The *cross-national comparative* approach focuses on the influence of distinct political and socio-economic structures in shaping an MNC’s international HRM activities (see e.g. Rosenzweig & Nohria, 1994; Gooderham *et al.*, 1999). Lastly, the *micro-political* (or power-based) approach focuses on “*how actors seek to protect or advance their own interests, the resources they use, and the resolution of conflicts*” (Edwards *et al.*, 2007: 203).

Rather than adopting all three conceptual approaches, this paper predominantly focuses on the micro-political approach in its study of the IT-based integration of HRM. The reasons for this are firstly, that this paper shares the view of Geppert and Mayer (2006) when they state that,

Only rarely, if ever, does the literature engage in more than a passing way with the agency of actors in shaping the lived 'reality' of corporate coordination and control mechanisms and in defining the adoption – and adaptation – of organizational and managerial practices as they move throughout the organization, particularly across national boundaries (2006: 2).

In this sense, the paper seeks to contribute to this under-researched approach on HRM integration in MNCs and extend it to the specific field of e-HRM. The second reason for adopting the micro-political approach concerns the IT-based integration of HRM specifically. It is argued here that the IT-based integration of HRM presents a somewhat unique setting in which to observe how the global-local dilemma plays out in foreign MNC subsidiaries. This is because the design and implementation of an integrated e-HRM system explicitly requires the parties involved to reach some form of agreement in a relatively short period of time on what must be standardised versus what must be locally adapted, and why. Accordingly, the IT-based integration of HRM will typically involve the relevant parties to enter into systematic negotiations regarding the system's appearance, content and processes – potentially on the full range of HRM practices. This would appear to be particularly fertile ground on which to conduct an investigation into how parties promote their own interests during the IT-based integration of HRM and the resources that each party uses during the ensuing negotiations.

3. METHOD

3.1 Research design

This paper adopts a single, in-depth case-study design. The unit of analysis is the IT-based integration of HRM in a Finnish subsidiary owned by a well-known, European MNC. The study can be classified as holistic (Yin, 2003) since it concerns the integration of HRM into the focal subsidiary and no further sub-units of analysis. In connection with the 'how'-type question of the study, which itself justifies a case-study approach (Ghauri & Grønhaug, 2002), the study's analytical focus is on issues of process – in this case the process of negotiation during the IT-based integration of HRM and the involvement of key actors. Ferner *et al* (2005) argue that an emphasis on processual issues favours an in-depth case-study approach, especially when the aim is to unravel the dynamics of bargaining processes between HQ and subsidiary. Moreover, the single case-study method is instructive when the issue of contextuality, crucial to studies on subsidiary-headquarters relations, is of key importance in interpreting the data (Yin, 2003). Lastly, the use of exploratory research methods has especially been advocated in fields within HRM such as technology due to its relative infancy (Hoobler & Johnson, 2004).

According to Yin (2003), single case-study designs are appropriate if they fit one of five circumstances or rationale. In order of importance, the study firstly falls under the rationale of the *longitudinal* case where interest lies in how the phenomenon develops over time and how certain conditions may change, thus allowing for a deeper understanding (Ghauri, 2004). Secondly, the study contains elements of a *representative* or typical case in its acknowledgement that the IT-based integration of HRM has become increasingly commonplace yet has remained under-researched.

3.2 Data collection and analysis

The study was conducted over a period of almost two years (2006-2007), approximately one year after the decision was made to include INTRACOM Finland in the global, IT-based integration process (see below for details). Since the study's emphasis was on uncovering how local actors shape the lived 'reality' of corporate control and coordination mechanisms (Geppert & Meyer, 2006), the key informants were the HR personnel of the Finnish subsidiary. This foreign subsidiary 'view from below' (see e.g. Ferner *et al.*,

2004) allows for the more accurate identification of conflict areas and the resources used in negotiation, which are central to the micro-political approach.

Data were collected using in-depth face-to-face interviews with the HR personnel of the Finnish unit and via a detailed review of company documentation on the integration process. In total, five in-depth, face-to-face interviews were conducted with the Finnish Country HR Manager, the HR Account Manager and the HR Advisor at even intervals over the two years. In addition, the Nordic HR Manager and one of the e-HRM third-party consultants were also interviewed. The interviewees were invited to comment on their own experiences of the HRM integration process. In particular, interviewees were asked to state which issues produced the greatest conflict and how they sought to resolve these issues with the parties involved. Interviews were conducted in English, lasted an average of sixty minutes and were all recorded and *verbatim* transcribed. The company documentation included presentations from INTRACOM headquarters, Nordic presentations on the integration process, minutes of the project meetings, as well as communication on the main problem areas and subsequent actions taken.

The data was content-analysed, coded and categorised into groups relating to the conflicts identified. Further analysis within these groups enabled a detailed identification of the conflicts, the parties involved and the resources used in negotiation. Collecting data from multiple sources within the Finnish subsidiary allowed for the comparison of personal experiences and the identification of where responses converged and diverged thus enhancing the validity of the research via informant triangulation (Denzin, 1978). Direct citations of the raw data are used to illustrate and support the analysis presented in the results.

3.3 Introduction to INTRACOM

INTRACOMⁱ is a well-known European MNC, operating in over 100 countries and employing more than 100,000 people. Having grown via acquisitions into a large and diversified MNC with operations dispersed on a global scale, INTRACOM found that it had become a collection of semi-autonomous subsidiaries with insufficient integration between businesses. The complexity and weaknesses of this multidomestic structure and strategy came to a head in the late 1990's and prompted a significant organisational restructuring effort whereby INTRACOM launched its new 'Global Organisation' approach. Features of this 'Global Organisation' included, amongst other things, the streamlining of its core businesses, a matrix structure organisational design, and far-reaching efforts at process standardisation. In short, INTRACOM's focus was on reducing complexity, speeding up decision-making, creating economies of scale and changing the culture.

In recent years the above 'global' strategic realignment has led to an equally sizeable transformation in INTRACOM's Group HR strategy. The three major goals of the new group HR strategy have been HR's greater functionality in how it serves INTRACOM's newly defined lines of business, the greater standardisation of HR processes and the creation of a single global HR system.

Integral to the achievement of these three goals has been the global, IT-based integration of HRM. More specifically, IT-based integration in the case of INTRACOM has meant the design and implementation of a globally integrated e-HRM system (SAP HR), referred to hereafter as their 'global e-HRM system'. In addition to the three goals of the Group's new global HR strategy, the rationale behind adopting the global HR system included; (i) HR process simplification, alignment and standardisation as a necessary step prior to setting-up HR shared service centres (a Nordic service centre is already in operation with plans to migrate to a single European service centre within three years); (ii) to increase employee and manager self-service roles, and thus accountability, allowing for a focus on more value-adding HR activities by HR representatives; (iii) to improve HR strategic decision-making via more sophisticated management reporting tools (e.g. identifying talent pools throughout the Group); and (iv) to reduce compliance costs by assuming greater control over HR processes and monitoring them.

Group-wide implementation of the global HR system commenced in 2001 and, after a failed attempt to roll it out globally at the same time in all locations, has been introduced in the different foreign operations in order of their strategic importance to the Group. INTRACOM Finland was established nearly 100 years ago and currently employs around 350 people across more than 200 service outlets. The HR department consists of three full-time personnel (all included in this study). Being a relatively small foreign unit, involved in fewer strategic lines of business, INTRACOM Finland began implementing the global e-HRM system in the summer of 2005. This study reports the experiences of the HR personnel in INTRACOM Finland throughout the integration process and their dealings with other key parties involved.

4. RESULTS

In line with the study's aims, the results are structured in such a way so as to indicate the key areas of conflict, the key parties involved, and the resources used in negotiation. Content analysis revealed that the key sources of conflict revolved around three main issues; (i) system design components, (ii) the standardised use of English, and (iii) institutionally 'grey areas' of HR policy. The parties involved in negotiations and the tools they used are summarised in Table 1.

Omitted from the above list is the initial decision to integrate the system in the Finnish subsidiary in the first place. Although this presented an opportunity for the subsidiary to resist and negotiate, the reason for its omission is because the Finnish HR personnel accepted the decision as ultimately a positive thing. As described by the Country HR Manager,

My Line Manager told me last August "I have good news. You are going live with the (system) in six months time." Of course my first reaction was that I started to scream "no, we're not going to do it!" Then I said, "Oh, good. Good to be part of the family." He said afterwards that he had been very surprised about my reaction, and that he had prepared lots of arguments that he could have used had I started to argue that we can't do it.

Table 1. Areas of conflict, key parties and resources used in negotiation

<i>Area of conflict</i>	<i>Key parties</i>	<i>Resources used in negotiation</i>
System design components	-Group HR; -Finland HR; -System consultants	- Business case (cost), internal benchmarking, authority, use of third-party consultants - Business case (operational), local constraints - Systems know-how, Group mandate, ignorance
Standardised use of English	-Group HR; -Finland HR -System consultants	- Strategic mandate, business case (cost), no resource allocation for translation services - Business case (operational), linguistic ability, employee discontent, contradictions in Group policy - Group mandate, ignorance
Grey areas of HR policy?	-Group/Nordic HR; -Finland HR	- Steering committee, verifying local 'interpretations', internal benchmarking - Local norms, local legislation

Another reason for the decision of integrating the system not provoking a round of negotiation was the explicit use of authority- (or hierarchy-) based resources from the outset by INTRACOM Group HR. As the Country HR Manager vividly recalls,

The number one HR person in the INTRACOM Group said that “one hour used up talking about whether to have (the system) or not is an hour wasted”. So, I think it was quite clearly put! We knew what was expected from us. It was repeated so many times that we finally understood it.

Indeed, the Finnish subsidiary response to the decision quickly turned to acceptance as the integration process appeared to be inevitable. Interestingly, this response was described to differ noticeably from that of the Swedish subsidiary, which was reported as sitting in meetings discussing all the possible reasons for not adopting the new system. Certain HR colleagues in other INTRACOM units interpreted this as Finland's high power distance and subservience to hierarchy, or that they just didn't understand the implications. From the Finnish perspective, however, their lack of resistance reflected their belief that the decision had already been made. The only issues that were offered up for negotiation at this stage were the amount of extra resources needed to facilitate the system implementation and the reasons why they might not be able to complete it in the given time schedule. These issues are explored next in connection with the three substantive areas of conflict.

4.1 System design and components

The first substantive area of conflict was the design of the new e-HRM system. More specifically, there was disagreement over which HR modules should be included in the system and which ones should be left out. This was most evident in the case of the payroll function. Most other components of the system, with some exceptions such as the leaning module (i.e. booking training events), were stipulated as compulsory. However, payroll was less clear cut and invited the parties involved to discuss the relative merits of including payroll processes under the new system.

The parties involved in this particular negotiation were Group HR representatives and the Country HR Manager. The primary resource used by Group HR in the ensuing negotiation was the business case, which followed that the costs of integrating the payroll module into the system would be too costly in relation to the size of the Finnish unit. Internal benchmarking was also used as a tool in negotiation whereby Group HR reinforced its business case argument through the use of comparisons with other similar sized units. In response, the Finnish Country HR Manager argued the case for including payroll also based on the business case, but from an operational perspective,

It was more or less a given fact that the figures show it is cheaper to run (payroll) by building an interface. [...] They (Group HR) were more or less giving the figures and there was not much resistance from our side. We tried, because we saw the complexity of having two systems with only a one-way interface. But the discussion was more or less stopped.

Nearly two years later it is interesting to note that the costs of running the interface have been higher than anticipated and the inclusion of payroll is back on the agenda. Nevertheless, whilst INTRACOM Finland did not succeed in negotiating the inclusion of payroll, they were successful in negotiating more autonomy in certain other HR processes. In this regard, the third-party system consultants employed by the INTRACOM Group played a key role in conflict generation and negotiations. Indeed, the e-HRM system consultants could be considered as being, on the one hand, a resource used by Group HR in

negotiating the tighter integration of the system, and on the other hand, as being influential actors themselves with their own interests and negotiation resources.

Regarding the latter, the consultants were sometimes perceived as having their own agenda and, in reference to their systems know-how, were seen to shape the system's design in ways that were in conflict with what Finland HR wanted. For example,

I felt that we had agreed that “OK, this is the scope” and suddenly we started getting business process procedures, describing processes that we had already said that we don’t want to have in the system. So there were some consultants who thought, if I want to look at it positively, that we wanted to have something we didn’t know we wanted to have. We had to fight back and say “sorry, we said that we don’t need this bit. It doesn’t work here”.
(Country HR Manager)

In these cases the negotiations were between INTRACOM Finland HR personnel and the third-party consultants. The negotiation resources used by the consultants typically rested on systems know-how and repeating what they had been instructed by their client, the INTRACOM Group (Group mandate). When those resources failed to resolve the conflict, consultants were perceived to resort to ignorance in the sense that they lacked sufficient knowledge of the local environment and made little efforts to learn or adapt,

One example was our (production) plant, where there are fifty blue-collar workers, who don’t have their own individual PC’s. [...] The recommendation from the consultants was that, at the beginning of every month, they would fill out themselves the shifts they have worked during the previous month. We just imagined those fifty guys queuing for this one PC [...]. The solution from the consultants was “well, go and buy more PC’s”, but we knew it wouldn’t work in that environment so we said “we won’t be taking that part of the system”.
(Country HR Manager)

When we had meetings, they (consultants) would say “yeah, you should really take this”. They didn’t consider what’s suitable for Finland. I think it was a problem in many cases that they didn’t really know how payroll in Finland works, or annual leave issues, or any HR issues in Finland.
(HR Advisor)

As reflected above, the reasons used by Finland HR in negotiations again centred on the operational case and the local constraints connected to certain HR processes. In essence, the consultants’ lack of local HR knowledge was a source of conflict with Finnish HR personnel, but at the same time it provided the HR personnel with an opportunity to resist certain components in the system's design.

4.2 Standardized use of English

The second key area of conflict centred around the strict, standardised use of English in the new e-HRM system. Indeed, the use of English was so standardised that the system did not recognise certain characters within the Finnish alphabet. As a result, Finland HR repeatedly used the business (operational) case in negotiating with the consultants for some local, linguistically-related modifications. The reasons varied from people not being able to enter their own names and employee's salary slips being lost in the post because the system didn't allow for the correct spelling of addresses. Eventually, the consultants conceded and added a separate field for addresses, but all other language-related change requests were rejected. Again, Finland HR felt that the resources consultants used in negotiations were more or less borne out of ignorance. For example,

It was very difficult to explain to the consultants that in Finnish we have Scandinavian characters and the system doesn’t recognize them. And they said, “Well, if there’s a name with dots, just write it without dots.” They didn’t understand that the word could have a totally different meaning. [...] So that’s

something we will now have to enter in two places.
(Country Manager)

(Country HR Manager)

The seemingly straightforward decision to use English throughout the system had the accumulative effect of handing all necessary translation tasks to local HR personnel. Although one of the key objectives behind the globally integrated e-HRM system and shared-service model was to free HR personnel from administrative duties, local HR personnel claimed that these duties were more than being replaced with their new role as translators. This role included translating global HR policies, providing detailed notes to payroll staff regarding what different fields in the e-HRM system meant and taking telephone calls from employees who could not understand, for example, their own pay policy.

For example, the pay policy document is sixty pages and in addition to that we have a local policy for blue-collar workers. We don't apply the global pay policy for blue-collar workers, because they are so attached to the collective bargaining agreement. So, that's really a challenge, how to balance the global and local policies and what to translate into English and what then to translate into Finnish.
(HR Advisor)

Interestingly, the standardised use of English transformed the role of local HR personnel into that of a communication filter. Since many subsidiary employees struggled to understand English, local HR personnel were forced to make quick judgements about what HR information, policies and processes needed to be translated and what did not. Consequently, the source of this communication and the designers of the e-HRM system had to rely on the personal judgement and linguistic skills of local HR if the messages were to get across. This was sometimes described to be extremely challenging given technical nature of the terms and legal jargon.

From the perspective of local HR staff, the stance of Group HR towards language was self-evident in their decision to provide no extra provisions or resources to the translation work. In a sense, this was a resource used in negotiation – you cannot do what you don't have the resources to do. One consequence of this decision was for Finland HR to include English language skills into all recruitment and selection criteria for new employees. The second key resource used by Group HR was the re-emphasising of the strategic mandate behind the introduction of the e-HRM system, in this case the pursuit of process standardisation and data integrity. By adopting a common language these two goals could be more easily achieved. To follow up this argument in negotiations, access rights to the system in many areas were reduced to viewing only.

However, in reference to certain strategic goals like freeing HR personnel from more administrative tasks not actually being achieved, the standardised use of English was contested by Finland HR on the grounds that it contradicted other INTRACOM goals. This was also evident in Finland HR's concern that the standardised use of English sat in direct contrast to the Group's recent large-scale promotion of workforce diversity and inclusiveness. In their view, using a language many employees found difficult to understand was having precisely the opposite effect.

This language issue comes up every time we have a staff council meeting. [...] There are lots of people that feel excluded, because they can't understand what is being talked about and there are thousands of e-mails and intranet messages arriving in English. And we really don't have the resources in HR, or in any other departments, to do the translating.

In terms of negotiation outcomes, the arguments for local system adaptations for linguistic reasons have largely been unsuccessful regardless of the resources used in negotiations. Evidently, the costs of adaptation and the threat to process standardisation and data integrity have outweighed local, operational concerns and apparent contradictions in Group policy.

4.3 Grey areas of HR policy?

INTRACOM's Group HR strategy clearly spelt out the need for greater HR process standardisation and the movement towards a single, global HRM system. Taken together, the strategic mandate from the Group's perspective did not leave much room for manoeuvre in terms of local adaptation. However, they did acknowledge the need to adhere to local regulations. The Finland Country HR Manager interpreted the Group approach as follows:

We're moving towards having more global processes in HR, and then some local processes. The local (processes) are the ones we refer to as being defined in collective bargaining agreements or local law. But there should actually be nothing in between. (Country HR Manager)

Indeed, subsidiary HR came to understand that this approach really meant that everything will be standardised up until the point where it is deemed illegal. Over time, Finland HR personnel thus found it increasingly difficult to negotiate for greater flexibility due to this approach of global, local and nothing in between. Their scope for negotiation was effectively limited due to the Group's stance that there should not be any grey areas.

In reality, of course, this approach was not so easy to follow and a number of resources were used by the different parties either to convince the other that something was or wasn't illegal, or that it really is or isn't a grey area of HR policy. One of the tools used in such negotiations was HR steering committees, which were used as a forum to present arguments for local adaptation and process standardisation and return a decision on how to proceed. The steering committee consisted of HR representatives from the different European regions and Group HR. The logic was that serious local requests for deviating from the standard process would be discussed by the committee. Over time, Finland HR came to learn which arguments never succeeded in this process (e.g. language) and which ones stood a chance. Based on experience, the Nordic HR representative would also sometimes refuse to put certain subsidiary requests on the committee table knowing that they were not convincing enough. In addition, the bureaucratic nature of the decision-making process itself seemed to act as a disincentive to formulate a case for adaptation. Collectively, the INTRACOM Group appeared to have used their resources in negotiation in such a way so as to persuade Finland HR to not enter into negotiations in the first place.

Another important feature of the steering committee was its use as an internal benchmarking tool. Via a process of coercive comparison (Ferner & Edwards, 1995), the committee would compare the experiences and arguments of similar units and use them as a resource in negotiating for greater standardisation. In other words, if one unit could standardise the process or adopt English as the common language without any problems then the others could too. Sometimes as a result, supposedly grey areas looked a lot more clear-cut.

The definition of what contravened local law and what didn't was strictly verified by Group HR. By explicitly requiring Finland HR personnel to provide independent legal proof that a certain part of Group HR policy was illegal, including which paragraph of the law, INTRACOM was effectively reducing Finland HR's ability to 'interpret' the local context in their favour – a potentially powerful resource for subsidiaries in such negotiations.

You can only deviate from (Global HR policy) if you have a legal reason. And we actually need to confirm it through our Head of Legal Affairs, that this is a legal requirement in Finland. It isn't enough that the answer comes from us. (HR Advisor)

In some cases the Group's tough stance in negotiations has forced Finland HR to shift their emphasis from operational arguments or arguments based on local norms to legal arguments. One example of this

was the letters sent out to new employees. The new e-HRM system, to be used shortly by the shared service centre, was designed so that standardised 'new joiner' letter templates were sent out in English. Rather than argue that certain employees would not understand the letter or "that wouldn't be the way things are done here", which would most likely have been insufficient reasons, instead Finland HR have had to find the appropriate piece of local legislation that stipulates that firms are obliged to provide such letters in Finnish and/or Swedish.

5. DISCUSSION AND CONCLUSION

By adopting a micro-political perspective, the main objective of the present study was to explore the ways in which the IT-based integration of HRM is negotiated and contested within a foreign MNC subsidiary setting. The specific aims of the research were to identify those issues which generate the greatest degree of conflict during the IT-based integration process, the key parties involved and the resources used by those parties during negotiation. In doing so, the study acknowledges the potentially significant role of micro politics in the MNC's use of control mechanisms in general (e.g. Geppert & Meyer, 2006) and HRM integration in particular (e.g. Martin & Beaumont, 1999; Ferner *et al.*, 2004; Edwards *et al.*, 2007).

The study's findings provide broad support for the argument made here that the implementation of a globally integrated e-HRM system not only provides fertile ground for revisiting the HRM global-local debate, but furthermore, that it generates a somewhat transparent forum in which to observe key actors forced to come together in a relatively short period of time to make their case for either the standardisation or local adaptation of a range of HRM practices. Accordingly, researchers are presented with a fairly unique opportunity to investigate where the most conflict arises, what arguments each party is using, and the resources each party deploys to advance their own interests.

Three issues were identified as generating the most conflict. Firstly, the e-HRM *system design* generated conflict perhaps because it represented the first genuine opportunity for parties to shape local HRM practices and processes. Accordingly, system design negotiations involving three main parties – Group HR, Finland HR and the IT system consultants – were characterised by all parties deploying multiple negotiation resources. In terms of the parties involved, the role of the third-party consultants was particularly significant. On the one hand, the consultants commanded a powerful negotiating position by being able to switch from Group orders (or mandate) to technical know-how to plain ignorance in resisting requests for local modifications from subsidiary HR personnel. On the other hand, the consultants' lack of local contextual knowledge also handed subsidiary HR with additional bargaining power. Indeed, scholars have identified the potentially unconstructive and powerful role played by consultants who may be trying to sell inappropriate e-HRM packages as part of a broader ERP solution (Walker, 2001; Lengnick-Hall & Lengnick-Hall, 2006). Supported by the findings of the present study, critical investigation into the roles of consultants in e-HRM system design and integration would be a constructive area for further research.

The second area of conflict was the *standardised use of English*, which caused widespread discontent throughout the Finnish subsidiary. Despite the number of negotiation resources deployed by Finland HR personnel, the strategic mandate (process standardisation, data integrity etc.) and the business case of cost seemed to outweigh most obvious language-related concerns. In terms of designing an effective globally integrated e-HRM system, which in turn facilitates moves towards a shared service model of HR delivery, the standardised use of English is a logical decision. However, the far-reaching implications of a strictly standardised language policy such as end users failing to understand what they are expected to do and lack of clarity and resources concerning translation responsibilities points to the pervasive role of language in multinational management and how it is often overlooked (e.g. Marschan *et al.*, 1997). This is not to mention the feelings of exclusion that result.

Globally integrated e-HRM systems are not well suited to addressing potentially *grey areas of HR policy*. Instead, the huge costs associated with adaptation together with the system's key strengths in streamlining HR processes, are more likely to encourage a black and white approach to HRM standardisation and local adaptation. This was clearly evident in this study whereby the black and white

approach was reinforced by questions of legality. Indeed, in terms of negotiation resources, the message being communicated by Group HR was that only verified legal constraints will suffice in negotiating deviations from Group-wide HR policies and processes. An interesting question warranting further research in this respect is whether the MNC parent uses certain arguments (or negotiation resources) more when seeking to achieve global integration via e-HRM systems compared to other situations. In this study the issue of cost, as a business case, played a significant role. Thus, there appeared to be connections to the cost-minimisation approach to the HRM global-local decision presented by Schmitt and Sadowski (2003), who argue that MNC decisions on this issue can be explained by applying rational economic thinking about the relative costs of achieving HRM centralisation and decentralisation.

On a more general note, the present study reported an MNC's attempts at greater HR process standardisation, facilitated by the global integration of an e-HRM system. In reference to the international HRM literature, this is an intriguing development given HRM's reportedly high cultural sensitivity (e.g. Tayeb, 1998). However, it is also worth noting here precisely what is being standardised and what is not. As Schuler (1992) argues, there are various levels of HRM ranging from HRM philosophies to HRM policies and practices. Research has since shown that the extent of HRM integration and responsiveness is likely to differ between these levels (e.g. Tayeb, 1998; Sippola & Smale, 2007). From this perspective, e-HRM systems may be able to standardise certain levels of HRM such as the philosophy behind its delivery and a range of transactional HRM processes, but it may be less successful in achieving the global integration of certain institutionally sensitive HRM practices.

In the IT literature we have come to understand that the key strengths of large-scale IT systems, such as ERP-based solutions, risk being undermined by excessive concessions and local modifications. This study has demonstrated at least that there can be few sufficiently compelling reasons for local adaptation. In this sense, will globally integrated e-HRM systems of this kind become somewhat of an oxymoron and lead to a disappointing uptake by end users, or will local HR personnel have to assume additional responsibilities in ensuring that end users do not become disenfranchised. Either way, it would appear that although HR professionals might benefit from such systems by allowing them to hand over more routine administrative HR transactions (e.g. Reddington & Martin, 2007), these tasks could just as easily be replaced not by more strategic roles, but by other administrative tasks aimed at limiting the negative impact of the system itself. If this is the case, the transformational effect of e-HRM systems on the HR function will be limited.

6. LIMITATIONS AND FUTURE RESEARCH

Any interpretations or conclusions based on the present study must of course be made in light of its limitations. Nevertheless, the limitations outlined below can also serve as potentially fruitful avenues for future research. Firstly, in order to establish a picture of the lived 'reality' of corporate control and coordination mechanisms (Geppert & Meyer, 2006), the study only drew upon the experiences and perceptions of subsidiary HR personnel. To alleviate potential respondent bias, interviews with representatives from headquarters and third-party consultants would have provided a more balanced account and served as an effective means through which to gain insights about each party's responses to the other's tactics and political stratagems (Oliver, 1991). Future studies in this area might therefore benefit from viewing HRM system integration outcomes as the result of complex negotiations between these different parties.

Secondly, and related to the first limitation, some of the findings of the study could be explained by the relatively small size of the Finnish subsidiary and its institutional setting. However, the aim of the study was not to explain negotiation outcomes, but rather to identify the main areas of conflict, which parties were involved and which negotiation resources were used. In this sense, it would be interesting to investigate whether these issues of conflict and use of negotiation resources differ across subsidiaries of different size and background. Furthermore, future studies could go on to evaluate the effectiveness of

various negotiation resources in terms of their ability to promote interests and successfully achieve more room for manoeuvre.

Lastly, the findings are based on data from one MNC. As is typical to any single, in-depth case study, the generalisability of the findings is limited. However, when positioned methodically as a longitudinal and representative case (Yin, 2003), this paper has contributed to our understanding about how HRM integration is negotiated between different key actors and the role that micro politics plays in this process. More specifically, it is demonstrated here that the introduction of a globally integrated e-HRM system offers academics in the field of HRM a rare opportunity to observe how HRM practices are established and controlled in MNC subsidiaries as well as the rationale used.

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ENDNOTES

- 1 For confidentiality reasons a pseudonym is used and certain details concerning the organisation's titles have been kept vague.

KEY TERMS & DEFINITIONS

Micro-political perspective: Shed light to the conflicts that emerge when powerful actors with different goals, interests and identities interact with each other locally and across national and functional borders

Standardization: Process of establishing a standard procedure or practice for optimising economic use of resources

Localization: Is a mean of adapting system to different languages, customs, symbols and regional differences.

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