Chapter IX

IT-Based Integration of HRM in a Foreign MNC Subsidiary: A Micro-Political Perspective

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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, that is, 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.
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). 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 is often accompanied with a fundamental re-think in how HRM is delivered, which 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, they 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, INTRACOM.

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.

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