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**NATIONAL UNIVERSITY OF IRELAND, GALWAY**

**THE DIFFUSION OF GLOBAL HUMAN RESOURCE INFORMATION  
TECHNOLOGY IN THE SUBSIDIARIES OF A US MULTINATIONAL  
CORPORATION**

**by**

**RALF BURBACH**

**A THESIS**

**SUBMITTED TO THE J. E. CAIRNES SCHOOL OF BUSINESS & ECONOMICS,  
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IN FULFILMENT OF THE REQUIREMENTS FOR THE  
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## **Abstract**

The majority of multinational corporations (MNC) utilise some form of global human resource information technology (GHRIT) to collect, store and analyse employee data. The literature suggests that the use of GHRIT has the potential to add strategic value to the organisation. The MNC as an organisational form and the manner in which MNCs transfer business practices across their subsidiaries has been widely debated in the literature. However, little international and comparative research has to date been carried out into the diffusion of GHRIT in the subsidiaries of a single MNC and the factors that might mediate that process. Using institutional theory as a theoretical lens this research examines the way in which a large US-based MNC has diffused HRIT in its German and Irish subsidiaries. This research builds on existing research to explore actual transfer success, that is, the implementation, internalisation and integration of GHRIT practices. Data derived from twenty seven interviews with key stakeholders in a number of locations and the analysis of documentary evidence. This research makes a number of significant contributions to knowledge by advancing the fields of HRIT, Enterprise Resource Planning Systems, international and comparative HRM and institutional theory. The unique interplay of complex institutional environments within which the MNC and its subsidiaries operate effectuates discernible variations in the level of transfer of particular GHRIT practices not just between the US headquarters and its subsidiaries but also between the subsidiaries themselves. The GHRIT Diffusion Model developed as part of this research demonstrates that the successful diffusion of GHRIT practices within MNCs is shaped by an interchange of various institutional level contexts (external, relational, organisational and individual) of the MNC and its subsidiaries, various social actors, the HR and GHRIT strategy of the MNC, and the level of integration of practices within the subsidiary.

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Last but not least, I would like to acknowledge the unwavering support and expert guidance of my supervisor, Dr. Tony Royle.

## **Dedication**

To my wife Deirdre, daughter Lene, and son Lukas

## Epigraph

*Wenn weise Männer nicht irrten, müßten die Narren verzweifeln.* – If wise men did not err, fools would have to despair.

Johann Wolfgang von Goethe

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## **List of Abbreviations and Nomenclatures**

<i>Abbreviation</i>	<i>Definition</i>
BVG	Betriebsverfassungsgesetz (German Works Constitution Act)
CME	Coordinated Market Economy
CSF	Critical Success Factor
D	Germany
DSS	Decision Support System
e-HR / e-HRM	Electronic Human Resource Management
EMEA	Europe Middle East and Africa
ER	Employment Relations
ERP	Enterprise Resource Planning System
ES	Enterprise System
EWC	European Works Council
GDP	Gross Domestic Product
GHRIS	Global Human Resource Information System
GHRIT	Global Human Resource Information Technology
GME	Global Market Economy
HCM	Human Capital Management
HQ	Head Quarter
HR	Human Resources
HRIS	Human Resource Information System
HRM	Human Resource Management
HRMS	Human Resource Management System
HRSSC	Human Resources Shared Services Centre
ICT	Information and Communication Technology
IDA	Industrial Development Agency
IHRIS	International Human Resource Information System
IR	Industrial Relations
IRS	Industrial Relations System
IRL	Ireland
IS	Information System
IT	Information Technology
LA	Latin America
LME	Liberal Market Economy
Meddevco	The Case Study Organisation
Medgeco	The Pilot Study Organisation
MSE	Market Socialism Economies
MNC	Multinational Corporation
MNE	Multinational Enterprise

<b>MME</b>	<b>Mixed Market Economy</b>
<b>NBS</b>	<b>National Business System</b>
<b>NME</b>	<b>Neoliberal Market Economies</b>
<b>SBU</b>	<b>Strategic Business Unit</b>
<b>SM</b>	<b>Social Market Economy (Soziale Marktwirtschaft)</b>
<b>TAM</b>	<b>Technology Acceptance Model</b>
<b>TM</b>	<b>Talent Management</b>
<b>TMS</b>	<b>Talent Management System</b>
<b>US</b>	<b>United States</b>
<b>USA</b>	<b>United States of America</b>
<b>UTAUT</b>	<b>Unified Theory of Acceptance and Use of Technology</b>
<b>WC</b>	<b>Works Council</b>
<b>WTD</b>	<b>Working Time Directive</b>

## Chapter One: Introduction

It has been suggested that organisations are increasingly confronted by competitive pressures, obliging them to explore new ways to add value, for example developing new products and services, improving customer service, more flexible responses to environmental changes, more emphasis on the value of intellectual capital and greater use of information and communication technologies (ICT) as critical sources of competitive advantage (Jay Barney, Wright, & Ketchen Jr., 2001; Pfeffer, 1996, 1998; Pfeffer & O'Reilly, 2000; Wright, Dunford, & Snell, 2001). ICT, in particular Human Resource Information Technology (HRIT), is increasingly seen as a means to leverage the organisation's human assets and the knowledge such assets possess (Tansley, Newell, & Williams, 2001). HRIT has its origins in organisational systems known as Manufacturing Resource (Requirements) Planning systems, which were later developed as ERP - Enterprise Resource Planning systems (DeSanctis, 1986).

HRIT includes any type of ICT that may be employed to assemble, store, and analyse HR-related information, including interactive voice response technologies, video conferencing, Internet, employee self-service kiosks, Human Resource Information Systems (HRIS), Talent Management Systems (TMS) and/or electronic HRM (Kavanagh & Thite, 2008). The term HRIS refers to personnel information systems that are commonly installed on an organisation's server and accessed over a company network, although recent years have seen a critical development in HRIS, moving away from a client/server-based model towards the provision of web-driven systems. The provision of HR services utilising e-mail, World Wide Web, Intranets, and/or Internet is commonly referred to as e-HR or e-HRM (Ulrich, 2000; Walker, 2001a), although Ruël, Bondarouk and Looise (2004a) advocate that e-HRM does not refer to a process or system but rather to a mindset about how HR should be facilitated. The vast majority of large organisations around the globe are using HRIT of one sort or another (e.g. E. Parry, Tyson, Selbie, & Leighton, 2007).

Proponents of HRIT claim that this technology has the potential to transform the HR function into a strategic business unit by adding value to the organisation and to the HR function through the globalisation, transactional, relational and transformational uses of technology (Bell, Lee, & Yeung, 2006; G. Martin, Reddington, & Alexander, 2008b; Ruël, Bondarouk, & Looise, 2004b; Shrivastava & Shaw, 2003). A prerequisite for unleashing this latent potential and for remodelling 'the HR department into a repository of the new organisational wealth' is an appreciation of the value of gathering and analysing HR information for decision-making purposes rather than the conventional informational roles of satisfying departmental and HR operational needs (Townsend & Hendrickson, 1996, p. 92). The rollout of a global HRIS (GHRIS) is said to offer a host of advantages to a multinational corporation (MNC) in managing a globally dispersed workforce (Hannon, Jelf, & Brandes, 1996; Stroh, Grasshoff, Rude, & Carter, 1998; Svoboda & Schroder, 2001). These prospective advantages encompass the creation of a central repository of all HR related information; streamlining of all HR related processes, policies and procedures across the enterprise; development and analysis of a broad range of HR metrics; introduction of employee and manager HR self-service; and the provision of HR services from centralised locations in the form of

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HR shared services centres (HRSSC) (see for example Gueutal & Stone, 2005; Kavanagh & Thite, 2008; Walker, 2001c). Thus, GHRIT is both a system based on information technology, while a specific application of GHRIT, for instance, e-learning or e-recruitment, is in fact a HR practice as it underpins all HR related activities in a large organisations and, as Hendrickson (Hendrickson, 2003) points out, also enable activities that would not be possible without using technology.

Nevertheless, research evidence has repeatedly shown that even in organisations where a HRIT infrastructure is in place the actual use of these systems often does not extend beyond the automation of routine transactions with little evidence of more sophisticated applications being applied (Ball, 2001; Burbach & Dundon, 2005b, 2009; Kinnie & Arthurs, 1996; Marler, 2009; Maris G. Martinsons, 1994). Existing research also suggests that there is often a considerable difference between the stated HRIT goals of organisations and actual HRIT outcomes (Ruël, et al., 2004b). HRIT outcomes may be categorised as planned positive or negative outcomes and unplanned positive or negative outcomes (G. Martin, Reddington, & Alexander, 2008a; D. L. Stone, Stone-Romero, & Lukaszewski, 2003).

It can also be argued, however, that the introduction of HRIT may be motivated by attempts to increase control over employee behaviour, output and employee surveillance (Stanton and Weiss, 2000), while several authors have also raised privacy, ethical or moral concerns in the application of ICT and HRIT (Paschal, Stone, & Stone-Romero, 2009; Phillips, Isenhour, & Stone, 2008; Stanton & Stam, 2003). This raises the possibility that HRIT could become a source of conflict and decreased employee morale within the organisation rather than a source of competitive advantage as some of the literature might suggest (Aiello & Kolb, 1995; Nebeker & Tatum, 1993; Stanton & Barnes-Farrell, 1996).

### **1.1 Definitions, Rationale for Research and Research Aims**

This thesis aims to conceptualise the factors and processes that affect the (successful) diffusion of HRIT, specifically HRIS, TMS and e-HRM, in the German and Irish subsidiaries of a US-based MNC. The rationale for this research is fourfold.

First, although there is an existing and steadily expanding body of research on the application of ICT in HR service delivery, the majority of that research has been survey- and practitioner-based (Strohmeier, 2007), as there are, apart from a few notable exceptions (e.g. Ruël, et al., 2004a; Smale & Heikkilä, 2009), very few case studies in this area.

Second, an analysis of the existing literature reveals a dearth of published research in an international and comparative context into the diffusion of HRIT in and across the subsidiaries of multinationals. The preponderance of studies into HRIS and e-HRM appears to view large firms as single, unified entities that operate in a global environment where new systems can simply be rolled out; an assumption that is highly

questionable. Numerous publications have shown that international firms operate in rather complex competitive and institutional environments and that corporations and their subsidiaries deal with these sometimes conflicting realities in a variety of ways (e.g. Dörrenbächer & Geppert, 2011b; Matten & Geppert, 2004; Glenn Morgan, Kristensen, & Whitley, 2001; Rugman, 2006). It seems somewhat surprising that studies into the diffusion of HRIT have thus far merely focussed on the extent of its diffusion in particular countries or regions (e.g. Florkowski & Olivas-Lujan, 2006; Keim & Weitzel, 2009; Lau & Hooper, 2009; Nøhr, Andersen, Vingtoft, Bernstein, & Bruun-Rasmussen, 2005; Olivas-Luján & Florkowski, 2009; T. S. H. Teo, Lim, & Fedric, 2007). What is more, these studies have largely failed to address the complexities involved in implementing HRIT within the subsidiaries of individual MNCs. In fact, Florkowski and Olivas-Lujan make precisely this point in the conclusion to their research paper:

*...much would be gained if this [research] were extended to individual business units ... examining intra-firm diffusion patterns ... and rate of HRIT diffusion within particular multinational enterprises (MNEs) would clarify the relative difficulty of expanding use from domestic to international operations (Florkowski & Olivas-Lujan, 2006, p. 705).*

This research aims to fill this considerable research gap. Third, in the context of HRIT, implementation and utilisation models appear not only limited in number but also constrained in the extent to which they can rationalise the diffusion of HRIT within the subsidiaries of an MNC. While respective models by Thite and Kavanagh (2008) and Ruël et al. (2004a) suggest that the organisational and institutional contexts have an impact on how HRIT is utilised, they do not address the variety of institutional contexts present in the home or host country or the divergent organisational contexts at the subsidiary level of the MNC. An HRIS acceptance and effectiveness model developed by Stone, Stone-Romero and Lukaszewski (D. L. Stone & Lukaszewski, 2009; D. L. Stone, Stone-Romero, & Lukaszewski, 2006) merely focuses on organisational and individual factors. Other research focuses on the positive outcomes associated with HRIT, for example innovation in recruitment or training, employer branding, or increased performance of the HRM function in general (e.g. Furtmueller, Wilderom, & van Dick, 2009; Laumer & Eckhardt, 2009; Miller & Cardy, 2000; Emma Parry & Tyson, 2009; Paschal, et al., 2009; Ruël, 2009; Tahssain & Zgheib, 2009; van Balen & Bondarouk, 2009) or the categorisation of these outcomes (Burbach & Dundon, 2008; Lepak & Snell, 1998; Strohmeier, 2009). However, existing publications provide limited insights into how these (sometimes aspirational) outcomes might be procured. For that reason, this study aims to develop an exploratory model vis-à-vis the diffusion of HRIT in MNCs.

Finally, the paucity of research into the diffusion of HRIT practices gives rise to the fourth rationale for this research. The diffusion of HR practices (such as recruitment, training, employment relations) across the subsidiaries of MNCs has long been the subject of academic debate. As MNCs arguably grow in size, number, wealth and political influence on the world stage, a large body of research has emerged examining the intricacies involved in coordinating the transnational activities of their

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operations and in particular attempts to explain the variety of different cross-border HR practices and employment relations that have manifested themselves.

Furthermore, part of the discourse focuses on the transferability of HR, employment and other business practices across their subsidiaries and the possible factors contributing to the transmission of employment relations and human resource practices to their subsidiaries (Edwards & Ferner, 2002; Muller-Camen, Almond, Gunnigle, Quintanilla, & Tempel, 2001; Royle, 2000). The level of diffusion of HRM practices across MNCs appears to diverge considerably and various attempts have been made to understand these differences. Discussions of the dynamics pertaining to the transfer of human resource practices frequently centre on home and host country effects (e.g. I. Clark et al., 2002), sectoral influences (e.g. Royle, 2004), dominance effects (e.g. Pudelko & Harzing, 2007; Royle, 2006; Royle & Ortiz, 2009), the relative strength of national business systems (e.g. Almond, Edwards, & Clark, 2003), reverse diffusion of practices (e.g. Edwards, Almond, Clark, Colling, & Ferner, 2005), 'double breasting' (e.g. Gunnigle, Collings, & Morley, 2005), convergence vs. divergence of practices (e.g. Katz & Darbshire, 2000; Sparrow, Schuler, & Jackson, 1994), isomorphism vs. internal consistency (e.g. Rosenzweig & Nohria, 1994) as well as micro-political power relationships between subsidiaries themselves and / or subsidiaries and the headquarters (HQ) (e.g. Dörrenbächer & Geppert, 2011b; Elger & Smith, 2006; Mense-Petermann, 2006; Glenn Morgan & Kristensen, 2006). These issues will be discussed in more detail throughout this thesis in the context of HRIT diffusion. US multinationals in particular have attracted attention for their reputation as an innovator of HR practices and as a challenger to existing employment relations systems (see for example I. Clark, Almond, Gunnigle, & Wachter, 2005; Gunnigle et al., 2003; Lavelle, McDonnell, & Gunnigle, 2009).

Earlier debates on the transfer of HR practices have frequently been based on Bartlett and Ghoshal's (1989) categorisation of internationalisation strategies, that is, ethnocentric (global), polycentric (multi-domestic), geocentric (regiocentric) or transnational strategies. While these typologies attempt to explain the prevailing attitude towards globalisation in a firm, they are too simplistic. A number of authors have argued that MNCs simply adopt the kinds of practices with which they are most familiar and those practices which guarantee above average rents (P. N. Gooderham & Nordhaug, 2003), something which has also been referred to as the 'cherry-picking' approach (Geppert & Matten, 2006).

Much of the debate on the diffusion of HR practices and business practices in general centres on institutional factors (e.g. Elger & Smith, 2006; Geppert & Mayer, 2006; Glenn Morgan, Whitley, & Moen, 2006). This research will employ institutional theory as a theoretical lens to explore the factors leading to the successful diffusion of HRIT practices within a single MNC. Institutional theory rejects 'economistic' accounts of MNCs and is founded on the premise that the 'social embeddedness of firms in particular contexts shapes their structures and processes' (Glenn Morgan & Kristensen, 2006, p. 1468). Institutions are based on social systems, which themselves are socially constructed. As actions by social actors are repeated over a long period of time and these actions take on a different meaning for different actors, they then become

institutionalised (W. R. Scott, 1987). The researcher will draw on both the business systems approach (or European institutionalism) and the new or neo- institutionalism approach in order to overcome some of the shortcomings in both of the approaches.

European institutionalism places greater emphasis on the disparity of (national) regulative contexts, which have developed over time (see for example P. A. Hall & Soskice, 2001a; Tregaskis & Brewster, 2006; Whitley, 2000) than does the US-based new institutionalism, which focuses more on the socio-political background, the attainment of organisational legitimacy through isomorphism and the use of global practices (see for example DiMaggio & Powell, 1991; W. R. Scott, 2001). However, the latter approach fails to address how these practices are mediated in the local context, even though there is substantive evidence that both local actors and the local and regional business systems can affect diffusion to varying degrees (Edwards, Rees, & Coller, 1999; Elger & Smith, 2006; Ferner, Quintanilla, & Sánchez-Runde, 2006; Geppert & Williams, 2006). European institutionalism, on the other hand, overemphasises factors leading to the divergence of business practices to the detriment of international developments and factors leading to the convergence of national business practices. The convergence versus divergence debate is ongoing in the extant literature (e.g. Mayrhofer, Morley, & Brewster, 2005; Royle, 2006; Royle & Ortiz, 2009; Tregaskis & Brewster, 2006; Vos, 2006). One may argue, however, that the dynamic nature of, and 'varieties of capitalism', can act as a fertiliser of, *and* an obstacle to, diffusion depending on the strength of national business systems and the pressure MNCs can exert on these (Fardale, Brewster, & Poutsma, 2008; P. A. Hall & Soskice, 2001b; Hamann & Kelly, 2007; Glenn Morgan & Kristensen, 2006; Streeck & Thelen, 2005). In consequence, MNCs may influence as well as act under the influence of these national business systems (Edwards & Rees, 2006a; Geppert, Williams, & Matten, 2003; Oliver, 1991). Nonetheless, Tempel and Walgenbach (2007) hold that both theoretical stances can complement each other. The varieties of capitalism approach in particular highlights the diversity of institutions and potential foci for this study. P. A. Hall and Soskice in their book *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* (2001) discuss the complimentary nature of institutional subsystems, such as corporate governance, systems of inter-company relations, industrial relations, or education and training systems. There exists, therefore, a 'multiplicity of institutions, many of which are nested inside others' (P. A. Hall & Thelen, 2009, p. 10). While this research investigates issues relating specifically to issues surrounding education and vocational training and industrial relations, the broad range of institutional factors investigated in this research necessitates a more holistic application of institutional theory.

Established research into the transmission of HR practices has to date commonly overlooked the issue of HRIT. It is therefore unclear whether the transmission of HRIT practices can be understood in the same way as the transmission of other HR practices, as the nature of HRIT could arguably require a high level of integration and standardisation across the MNC in order to achieve the efficiencies and benefits claimed in the literature. In other words, this research aims to add to the international and comparative HRM literature by illuminating the types of factors that may affect the successful transfusion of HRIT practices within the subsidiaries of an MNC.

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The above discussion has already alluded to the phrase ‘successful transmission’ of HRIT practices. The preponderance of HR diffusion studies, however, does not differentiate between the successful or unsuccessful transfusion of practices. In some instances, authors distinguish between direct and indirect transfer (W. Liu, 2004), globally similar and differentiated practices (Mohan, 2006) or refer to the hybridisation of HR practices (Edwards & Ferner, 2004; Meardi & Tóth, 2006; Tregaskis, Heraty, & Morley, 2001). Successful implementation is critical in the context of HRIT diffusion, as internal integration and centralised decision-making is of paramount importance in the operation of global e-HRM systems (Ruël, et al., 2004a). Any deviation from the standard system would arguably compromise the quality of the data collected and ultimately impair the informative value of any subsequent analyses of this data. Be that as it may, it seems that in practice business practices look to be ‘translated, mediated, refined, and sometimes ignored in the process of implementation’ making transfer success a rare event (Sharpe, 2001, p. 214).

The level of transfer of HR practices has been theorised by a number of authors. Morgan and Kristensen (2006), for instance, argue that the larger the institutional distance is the greater the difficulty there would be in transferring practices successfully. For this reason, Whitley (2001) argues, MNCs frequently look for institutional host contexts that resemble their own home context. Kostova (1999) furnishes an empirically tested transnational business practices transfer model, which discriminates between the levels of implementation and internalisation. She suggests that successful implementation and internalisation hinge on three sets of factors under the headings social context (regulatory, cognitive and normative), organisational context (culture) and relational context (commitment, identity and trust relationship with parent organisation). Building on this theme, Björkman and Lervik (2007) put forward three dimensions of ascending levels of (knowledge) transfer success – implementation, internalisation and integration of diffused HR practices. While this model adds another layer of transfer, it appears somewhat restrictive in that it omits the social / regulatory context alluded to in Kostova’s framework. In light of this analysis, it seems evident that the diffusion and implementation of HRIT in the subsidiaries of an MNC ought to be addressed with respect to varying levels of transfer, which are the result of factors arising in the global or national (even regional), internal (the relational context) or external (the institutional context) environment of the firm (Kostova & Roth, 2002). In other words, the term transfer refers to a low level of implementation and perhaps simply symbolic adoption, whereas a practice may be considered diffused, when it has been internalised by organisational members and integrated with existing HR practices. These issues are reflected in the HRIT Diffusion Model developed for this research.

### 1.2 Research Questions and Research Issues

The above discussion underscores the apparent lack of published research and conceptualisation of factors leading to the successful diffusion of global HRIT practices in the subsidiaries of a multinational company and in that sense an explanatory study into the transmission of HRIT practices is certainly warranted. Considering the lack of

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qualitative research in this area particularly in an international and comparative context, this research addresses this research gap by undertaking a single case study of one MNC, (but multiple units of analysis through its subsidiaries in Ireland and Germany) to limit the number of extraneous factors that would be introduced by a multiple case study design (Creswell, 2007). It also serves to illuminate the broad issues that may typically influence diffusion. Thus, this study is also instrumental in nature, as it provides insights into a specific issue (Stake, 2005).

Through a process of purposive sampling, a US MNC in the medical devices sector with over 45000 employees and subsidiaries in 120 countries was selected. The key selection criteria included access to key stakeholders, subsidiaries in different institutional contexts and the (purported) use of global HRIT (GHRIT). Data for this study were derived from multiple sources, including documentary evidence (including company reports, internal presentations and news items) and 27 face-to-face semi-structured interviews. These included the European Compensation and Benefits Director of the case study firm's main US-owned European competitor, a Senior Vice-President of SAP (a major ERP developer and provider) and 15 key stakeholders in the organisation (some of whom were interviewed more than once). The former two interviews provided essential background information concerning the use and implementation of GHRIT and ERP in MNCs and provided a broader context for the case study research and analysis. This data was also supplemented by a large number of telephone conversations and the exchange of e-mails with the Irish HR Director and the Irish HRIS specialist to keep up to date with any changes in the configuration of GHRIT at the company. The data was gathered in the period from December 2003 to May 2010. The data gathering was carried out in Germany, Ireland and the Netherlands, including the Irish and German subsidiaries of the case study corporation, its International HRIS Centre in the Netherlands, and the International HQ in Switzerland. A matched case study approach was applied when the German and Irish subsidiaries were compared.

While the medical devices sector is in some respects highly regulated in the manner in which new products and production processes are approved, the German and Irish business systems provide for rather different institutional environments giving rise to a range of coercive, mimetic, and normative isomorphic pressures for the MNC in question (DiMaggio and Powell, 1983), which may have an impact on decisions governing the use of global HR technology. A common theme among the extant literature on the transfusion of HR practices is the social construction of institutions and knowledge (Björkman & Lervik, 2007; Geppert, Williams, et al., 2003; K. Williams & Geppert, 2006a).

Emanating from the above aims and rationales the following research questions will form the basis of this exploration:

- What decision-making processes affect HRIT diffusion in a multinational corporation and its German and Irish subsidiaries?
- Does HRIT utilisation differ in the subsidiaries and if so in what way?

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- What factors influence HRIT diffusion and utilisation in the MNC's German and Irish subsidiaries?
- How does the MNC manage these factors with regard to diffusing and utilising global HRIT?
- How can the process of diffusion of HRIT in the subsidiaries of the MNC be conceptualised?

### 1.3 Contribution to Knowledge

This research arguably constitutes the first empirical study into the factors and decision-making processes involved in the diffusion of global HRIT practices in the subsidiaries of a multinational corporation. This research makes a number of significant contributions to current knowledge by advancing the fields of HRIT (e-HRM, HRIS, TMS, and HR Shared Services Centres), ERP and international and comparative HRM. The detailed analyses in this thesis of the contexts within which the MNC and its subsidiaries operate have unearthed various influences that are equally complex, dynamic and multifarious in nature. These are analysed in Chapters Four, Five and Six. The unique interplay of these influences in the various subsidiaries, which is discussed in Chapter Six, effectuates discernible variations in the level of transfer of particular global HRIT practices, not just between the US HQ and its subsidiaries but also between the subsidiaries themselves. Based on the application of the GHRIT Diffusion Model developed in Chapter Two and updated in Chapter Six and the discussion in Chapter Seven suggest that the successful diffusion of GHRIT practices in MNC subsidiaries is the result of an interchange of various institutional level factors of the MNC and its subsidiaries, various social actors, the HR and GHRIT strategy of the MNC, and the level of integration of practices within the subsidiary.

#### *1.3.1 Theoretical and Empirical Contributions of the Study*

The contributions of this research include but are not limited to:

- An international and comparative empirical contribution to the transfer of HRM and HRIT practices in multinational corporations
- Greater methodological diversity to a field, which is otherwise dominated by quantitative survey based studies and consultancy reports.
- An extension of existing literature on the use of HRIT to deliver uniform HR practices.
- An identification of the factors that mediate the transmission of HRIT practices in an MNC.

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- A confirmation of findings from other studies pertaining to the factors for diffusion of 'traditional' HR practices and substantiation of previous findings concerning the sustained variation of employment practices in local contexts.
- An analysis of the issues and challenges involved in rolling out standardised HRIT practices across the subsidiaries of an MNC.
- An examination of the strategies used by an MNC to leverage the outcome of HRIT diffusion.
- Evidence to confirm the applicability of institutional theory to e-HRM and HRIS research.
- A diffusion model for HRIT practices in a global operation, which incorporates various contextual layers and increasing levels of transfer. This model can also be applied to ERP research.
- An extension of the international and comparative HRM literature with respect to the diffusion of global HR practices and the complexities involved in managing advanced levels of transfer.
- An enlargement of the debate surrounding ERP implementation with regard to identifying institutional factors as additional critical success factors in implementation.

### *1.3.2 Potential Practical Implications of Study*

The impact of research should not be limited to its theoretical contribution (Silverman, 2005). While this research furnishes a range of theoretical contributions to the body of knowledge in the fields of e-HRM / HRIS and international HRM, the findings from this research also signify a range of implications for the wider community of practice in HR technology solutions. In particular, the findings from this case study will furnish practitioners with insights into the global diffusion of HRIT, which may promote informed decision-making regarding future implementation processes. This analysis thus:

- Advances an implementation model for global HRIT, which differentiates between different levels of transfer and which will provide guidance in the implementation process.
- Highlights the importance of critical success factors in the implementation process, including stakeholder involvement and communication, top-level management support and commitment, change and project management and strategic implementation plan.
- Illustrates the need for sufficient resources and training to capitalise on system functionality and GHRIT practice advantages.

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- Draws attention to internal micro-political power relationships, which may affect the rollout of HR technologies.
- Adduces evidence regarding the ease with which different types of HRIT practices may be transferred, which will aid strategic decision-making in MNCs concerning the implementation of these and other HRIT practices.
- Reveals a substantial incongruence between the initial HRIT goals and HRIT outcomes in this case study MNC. This contribution will support major HR technology rollout decisions with reference to the expected versus the realised return on investment.
- Shows that some local GHRIT customisation is necessary in order to increase user acceptance.
- Illuminates the importance of using a fully integrated GHRIT solution rather than a multitude of subsystems, which will give rise to people and technology issues.

### 1.4 The Limitations of the Study

Although there are other types of ICT which may be employed to gather HR information, for instance interactive voice response technologies or video conferencing, they are not the focus of this study. The all-encompassing “HRIT” nomenclature for this study is carefully chosen, as this is a rapidly evolving area. The swift expansion of the web community and practitioner interest in this field has also led to the development of freely downloadable open source HRIS software applications. Nonetheless, the emergence of cloud computing will perhaps, ultimately alleviate the need for downloadable software entirely. Microsoft for instance has plans to distribute 90 per cent of its applications in the cloud in the next number of years (Foley, 2010). In a keynote address at the 3<sup>rd</sup> European Academic Workshop on Electronic Human Resource Management in 2010, Dr. Theresa M. Welbourne, editor-in-chief of *HRM, the Journal*, stated that new HRM systems ought to be ‘light and fast’ and called for a transition from e-HRM to Fast HRM (Strohmeier & Diederichsen, 2010). In view of these arguments, it is difficult to pinpoint precisely how the terms HRIS or e-HRM will be defined (or what kind of processes they will or will not include) in the future and this lack of clarity is also reflected in different types of literature. For this reason, this dissertation employs the term HRIT as an ‘umbrella’ term, to encompass all forms of ICT in the HR area.

Notwithstanding the significant theoretical, empirical and practical contributions of this research, each study, methodology, researcher and analysis has limitations. While this is one of a few qualitative international qualitative case studies, it is still limited to one US MNC in one sector and its operations in two other countries. It is a single case study and thus does not claim to be representative of a wider population of MNCs. Additional insights into individual user perceptions of GHRIT implementation could have been garnered by extending this research to ordinary employees. However, a

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number of considerations inhibited this line of inquiry. First, it would not have been practical to ascertain individual perspectives every time a new GHRIT practice was introduced in each of the subsidiaries during the seven-year period. This is perhaps the reason why many studies into the use of GHRIT only focus on a single GHRIT practice, such as e-learning, intranets, or e-recruitment as opposed to the entire functionality offered by this technology (Strohmeier, 2007). Second, as the study progressed access to stakeholders became more restricted and access, even to line managers, was rather difficult to obtain (these were interviewed off-site). Third, the interviews with the line managers revealed that their knowledge and access to the GHRIT was rather limited, which may suggest that employees' awareness of this technology is even more constrained. Nevertheless, if and when HR self-service will be introduced in the case study MNC it would be essential to ascertain employee perceptions.

Moreover, Chapter Two points out that a number of other theoretical frameworks, such as agency theory (B. Kim, Prescott, & Kim, 2005), structuration theory (Foster, 2009), innovation diffusion theory (Lau & Hooper, 2009), or path dependency theory (Deeg, 2006), could have been employed to analyse the relationships of factors in this research. Furthermore, this investigation focuses on the diffusion and associated factors of HRIT in a global enterprise and does not address other issues such as the effects of computer usage and computer monitoring on job performance, stress, privacy, and fairness in the workplace (see for example Delbert, Nebeker, & Tatum, 1993; Nebeker & Tatum, 1993; Panina, 2009; Paschal, et al., 2009; Stanton & Stam, 2003).

### 1.5 Chapter Outline

This thesis is arranged in six chapters. **Chapter Two** examines some of the relevant literature on the factors mediating the transfer of HR practices in MNCs to provide a context for the potential difficulties associated with the transfer of HRIT in MNCs. It then presents a detailed review of the key concepts and body of literature in relation to e-HRM, HRIS and HRIT utilisation in general. Finally, the chapter provides a conceptual model, which will be employed to analyse the data collected in the course of the investigation. **Chapter Three** sets forth the suppositions and methods underpinning the data collection and analysis process, presenting the philosophical assumptions, research strategy, research design and research methods. **Chapter Four** provides an analysis of the broader organisational context and expounds issues arising from the organisation's industry sector, the medical devices sector, and the firm's global organisational structure and control mechanisms. **Chapter Five** examines the main findings relating to the transfer and the diffusion of HRIT in the Irish and German subsidiaries. **Chapter Six** discusses the key findings in relation to the conceptual diffusion model identified in Chapter Two and refines the GHRIT Diffusion Model. **Chapter Seven** addresses each of the research questions identified above. It also summarises the main contributions to knowledge and their theoretical and practical implications for this investigation. Areas for further research are also identified.

## Chapter Two: Literature Review

### 2.1 Introduction

As scholars endeavour to understand how MNCs operate and transfer business practices across national borders, international and comparative research and discourse have developed. This discourse follows a number of different trajectories in different, albeit related disciplines, such as politics, micro and macroeconomics, industrial relations and human resource management. However, this thesis focuses on a distinctive and underdeveloped area of research, the diffusion of Human Resource Information Technology (HRIT) in the subsidiaries of an MNC. Yet, this phenomenon cannot be investigated without taking cognisance of the wider dialogue surrounding the cross-national differences of political economies, the role of institutions and transnational actors in the transfer of business practices, and micro-political systems within multinational corporations and their subsidiaries. An understanding of the complexities and factors at play in the 'socio-political construction of transnational spaces' (K. Williams & Geppert, 2006a) should also help us understand the forces that shape the transmission of HR and HRIT practices in MNC subsidiaries.

This chapter will therefore focus first on the existing literature surrounding the roles of different actors in institution-building and diverse types of national institutions and sub-institutions before describing the theoretical foundation of this study, which is institutional theory. Throughout this thesis, national institutional arrangements will be referred to as national business systems (NBS) and their global equivalent as global business systems (GBS). These should not be confused with the national business systems approach promulgated by Whitley (Whitley, 2001, 2006), even though Whitley's arguments form an important part of this discussion. This chapter will then elaborate upon specific features within institutional environments that influence the diffusion of HR and HRIT practices before examining issues pertaining to HRIT utilisation in general. This chapter develops a theoretical model that considers a variety of models and theoretical constructs and that will underpin the analysis and discussion of findings in later chapters.

### 2.2 Institutional Analysis

Smith (2006) asks whether there is a single coherent political and economic entity termed capitalism. He suggests that the answer to this question is 'no', mainly because institutions are socially constructed and have historically evolved and continue to transform the nature of capitalism along different trajectories (Hoffmann, 2004; Höpner, 2003; Streeck & Thelen, 2005). A vast discourse on this topic reveals several distinct varieties of capitalism that are not necessarily unique to a particular country or region. Hall and Soskice (2001b) advocate the existence of two distinct market economies – Liberal Market Economies (LMEs) or Free Market Economies (e.g. Australia, USA, UK, Canada, Ireland) and Coordinated Market Economies (CME) (e.g. Germany, France, Austria). Both are said to be distinguished by a number of features.

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In LMEs, ownership lies at the centre of all economic activity and economic actors operate in a highly deregulated market, in which market equilibrium is determined by supply and demand and competition by firms (P. A. Hall & Soskice, 2001a). Due to the competitive nature of LMEs and the lack of state interference, firms rely on the capital markets for financial support (Hancké & Soskice, 1997). This results in the prominence and preoccupation with creating shareholder value and profitability among businesses often to the detriment of a collaborative and co-deterministic employment relations infrastructure (Katz & Darbshire, 2000).

A CME is said to be characterised by collaborative rather than competitive relationships between actors, with market equilibrium in CMEs being the result of a coordination of interests of various actors in the economy (P. A. Hall & Soskice, 2001a). Hoffmann (2004) argues that Germany, with its 'Rhineland capitalism', is the archetypical CME bearing all of its hallmarks, such as high levels of coordination of economic activity, binding tripartite arrangements between trade unions, employers associations and the state (*Industrieverträge*), a large degree of control of firms through banks' significant shareholdings in companies, and through high levels of codetermination involving trade unions and elected worker representatives at board level of large enterprises. The German economy has been described as a social market economy, *soziale Marktwirtschaft* (SM). An SM is branded by a socio-political orientation and motivation to distribute growth equally among the population, to determine market processes to avouch market stability, to counteract severe structural changes and resulting negative social consequences through government intervention, to furnish social insurance systems in areas where the failure of markets can be predicted, and to introduce policies that ensure the socio-political and socio-cultural development of society (Soziale Marktwirtschaft, 2011).

However, in more recent times the demarcation lines between various types of capitalism have become blurred and various nomenclatures, for instance Neoliberal Market Economies (NMEs), Global Market Economies (GMEs), or Mixed Market Economies (MMEs) can be discerned from the literature. These may also be an indicator of the dynamic nature of business systems. Discussions surrounding the composition and development of NBS in the extant literature can be grouped into three broad categories. Some authors advocate the convergence of NBS towards a dominant global business system, while others endorse the *sui generis* nature and divergence of NBS. A third group of authors field a distinct 'varieties of capitalism' approach. Furthermore, a number of derivatives and subcategories of these approaches can be discerned. The broad distinctions between these themes will be discussed below.

### 2.2.1 Convergence versus Divergence

Before engaging in any meaningful discussion of convergence/divergence, it is important to define the key concepts. While the divergence of employment practices appears to be largely driven by the level to which these practices are embedded in the national business system and its relative strength (Almond et al., 2005), the convergence

## Chapter Two: Literature Review

thesis was, traditionally, founded on the belief ‘that practice would converge towards the most efficient, and therefore ... the US model’ (Tregaskis & Brewster, 2006, p. 115).

In the context of increasing globalisation, a constantly growing body of literature examines the possibilities of convergence of NBS towards an Anglo-Saxon model of capitalism (e.g. Carr, 2005; I. Clark, et al., 2005; Lane, 2003) and the commensurate impact on established practices in national industrial relations (Edwards, 2004; Ferner & Quintanilla, 1998; Royle, 2006). The original convergence argument was put forward by Kerr and colleagues (Kerr, Dunlop, Harbison, & Myers, 1960a, 1960b), who argued that societal characteristics are converging and similarities between cultures will increase. Convergence is also evident at the level of economic systems and organisational management (Pugh & Hickson, 2002). However, there is apparent disagreement, or at least vagueness, in the literature regarding the meaning of convergence. For instance, Marginson and Sisson (2004) advocate four types of convergence, input convergence, output convergence, policy convergence, and process convergence. Similarly, Vos (2006) distinguishes between contextual, institutional, process and outcome convergence. Mayrhofer et al. (2005) introduce the notions of ‘directional’ (likeness of trends of HR practices) and ‘final’ convergence (increasing similarity of HR practices), although Mayrhofer and colleagues (Mayrhofer & Brewster, 2005; Mayrhofer, Brewster, Morley, & Ledolter, 2011) actually found limited evidence of final convergence but increased levels of directional convergence in their research. One of the key drivers for convergence appears to be globalisation (Sklair, 2001). Vos (2006) asserts that in particular the forces of global competition, global capital, global labour mobility, international trade and global labour organisations exert strong pressures on national sovereignty. Globalisation is seen to undermine socio-economic foundations of labour relations, trade union policies and national regulatory systems (C. Smith, 2006; Vos, 2006). Convergence as a result of globalisation may point towards a global best practice model driven by MNCs (cf. Katz & Darbishire, 2000; Pudelko & Harzing, 2007; Royle, 2006).

Convergence can also be seen to influence industrial relations systems (IRS) (Edwards, 2004; Ferner & Quintanilla, 1998). Evidence from Germany and Ireland is of particular relevance to the convergence debate for a number of reasons, some of which comprise cultural and societal dissimilarities, institutional differences, and/or the changing fortunes in economic terms (e.g. Keating, Martin, & Brodbeck, 2004). While the German system of industrial relations has been portrayed as ‘institutionally strong’ (Muller, 1997, 1998), several authors have heralded the demise of the German business and industrial relations system in light of growing internationalisation and an increased focus on shareholder value (Grahl & Teague, 2004; Hassel, 1999; Kurdelbusch, 2002; Lane, 2000, 2003, 2006; Tüselmann & Heise, 2000; K. Williams & Geppert, 2006b). Schulten (2003) posits that developments in collective bargaining in Germany since the 1990s have engendered decentralisation and fragmentation of collective bargaining, which are reflected in decreases in collective bargaining coverage and a corresponding increase in company level agreements. Other authors also support the thesis of a weakening of co-determination and collective bargaining structures in Germany (Hassel, 1999; Kurdelbusch, 2002; Royle, 1998, 1999a, 2004).

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Evidence from Ireland seems to suggest similar trends, particularly with regard to (non-) unionisation and changes in industrial policy to accommodate multinationals (I. Clark, et al., 2005; Gunnigle, et al., 2005; Gunnigle, Collings, & Morley, 2006; Gunnigle, et al., 2003). Other authors argue that convergence is contingent on the HRM practices concerned, that is that some HRM practices are more likely to be subject to convergence than others are (Lane, 2003; Rosenzweig & Nohria, 1994).

The convergence debate receives further impetus from a number of authors who advocate the emergence of a distinctly European model of employment relations (ER) (Arrowsmith & Marginson, 2006; T. Clark & Pugh, 1999; Gill & Krieger, 2000; Hoffmann, 2002; Hyman, 2001; Marginson, 2000; Menz, 2005; Vos, 2006; Whittall, 2000). European integration is driven by the single market agenda and may be causing some convergence concerning industrial relations, regulatory frameworks, bargaining processes and outcomes (Hyman, 2005; Vos, 2006). Menz (2005) on the other hand argues that international forces for convergence and indeed Europeanisation do not in fact lead to convergence. While he argues that institutional resilience is overemphasised, he also suggests that national response strategies vary based on the imbalances of power between capital and labour.

In the German context, Klikauer (2002) maintains that the German system is not under threat and that recent changes to the business system were the result of unification and changes in the public sector. Hoffmann (2004) however, concedes that 'Rhineland capitalism' is certainly changing. Notwithstanding this transformation, he argues that currently there seems to be no support for statements claiming a convergence to an Anglo-Saxon type LME. Höpner (2003) on the other hand purports that all political economies show signs of convergence, although a linear approximation of central European and Anglo-Saxon institutions cannot be expected.

Traditionally, the NBS approach of conceptualising institutional relationships suggests that NBS are culturally and ideologically idiosyncratic and thus are, and will remain, divergent. At the heart of divergence lies a net of institutional subsystems including national innovation systems, training systems, educational systems, IR systems, management styles and philosophy, all of which are unique to a particular NBS and all of which provide ample scope for divergence (C. Smith, 2006). The continuing divergence of NBS and IRS is promoted by a number of authors (Carr, 2005; Geppert, 2005; Katz & Darbishire, 2000; C. Smith, 2006). Another group of authors take a 'cross-vergence' (Tregaskis & Brewster, 2006) or 'stasis' (Mayrhofer, et al., 2005) stance, thus promoting continuing variation among business systems (Royle, 2004; C. Smith, 2006). Similar discussions take place in an Asian-Pacific context (cf. Rowley & Benson, 2002; Warner, 2000). Nonetheless, it would be incorrect to ignore the multiplicity of factors and actors and the interrelationship between these particularly in an international context that shapes these NBS.

### 2.2.2 Varieties of Capitalism

A third approach, which acknowledges that convergence and divergence can occur simultaneously (Katz & Darbishire, 2000; Locke & Kochan, 1995), is the varieties of capitalism approach promulgated by Hall and Soskice (P. A. Hall & Gingerich, 2009; P. A. Hall & Soskice, 2001a, 2001b). Discussions about varieties of capitalism (VOC) imply a certain degree of institutional interdependence, coherence, resilience and continuity and the development of institutions along a linear trajectory (Amable, 2003; Geppert, Matten, & Williams, 2002; P. A. Hall & Soskice, 2001a; Whitley, 2000, 2006). This suggests that institutions follow a certain path, which may alter over time. In this context, Deeg (2006) suggests that institutional changes and changes in NBS are path dependent. He defines an institutional path as a discernable pattern of institutional constraints, which shape how institutional actors react to these restrictions (Deeg, 2006).

A crucial point and perhaps the key difference between the divergence and varieties of capitalism approach is that rather than viewing the institutional background as a constraining force, which is the case in the former, the latter approach sees institutions as providing resources and opportunities for action (Bernard, 2008; P. A. Hall & Thelen, 2009) with NBS providing the basis for comparative institutional advantage (P. A. Hall & Soskice, 2001a; Hancké & Soskice, 1997).

Notwithstanding this evidence, some authors contend that national institutional systems will respond to the imbalance created by the impact of external forces on institutional complementarities through a process of hybridisation or adaptation of institutional subsystems to changes in the institutional and international environment (Deeg, 2006; Gamble, 2010; P. A. Hall & Soskice, 2001a). The nature of forces can comprise inter alia technology, science, management best practice and / or transnational organisations (Smith, 2006). Deeg (2006) suggests that higher levels of coherence between subsystems can be associated with greater degrees of adaptation and change in order to reinstate the pre-existing integration of these subsystems or institutions. Similarly, Menz (2005) maintains that the same type of external changes will not necessarily attract the same type of responses (or convergence) by disparate NBS. Instead, 'the distribution of power amongst and between them and the way in which traditional institutions are being redefined' over time will affect these responses (Menz, 2005, p. 192). Institutional changes are generally believed to occur incrementally rather than radically (Streeck & Thelen, 2005). Hall and Thelen (2009), for instance, suggest that institutions change through the processes of defection and reinterpretation. However, in some instances a radical departure, in other words a 'crooked path of institutional change' from an existing NBS is necessitated by events and / or actors external to the existing system as was the case in post-war Germany (Djelic & Quack, 2006, p. 137), although Sorge criticises the varieties of capitalism literature for their fascination 'with the contrast between Anglo-American and 'Rhineland' capitalism' (2006, p. 118). In the introductory chapter of *Changing Capitalisms* Morgan asserts:

*... that the degree of 'fit' and complementarity between institutions is variable. This variability is historically constituted and not predetermined, it is interdependent with, and mutually constitutive of, the international context (2006, p. 4).*

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The idea that NBS are historically and thus socially constructed over time by actors within those systems gives rise to the important realisation that, while NBS developed along certain, perhaps even common, paths, they took turns at various junctures throughout history, which has resulted in the institutional varieties evident today. Sorge (2006, p. 116) argues that what we know as NBS are, in fact, spaces filled with 'institutional furniture', which over time is rearranged by institutional actors while at the same time adding new pieces of institutional furniture creating new complementarities between old and new pieces of institutional furniture. In other words, what we know today as for instance the German Business System or the British Business System could and perhaps would have been socially constructed in a different yet eclectic manner given a different set of circumstances (Deakin, 2009; Djelic & Quack, 2006; G. Morgan, 2006; Sorge, 2006). Furthermore, Hollingsworth Schmitter and Streeck (1994) express the view that economic governance systems are socially and historically developed over time. They also argue that governance regimes have the capacity to socialize individual actors into certain behavioural patterns. The latter point is also asserted by Amable and Palombarini (2009), who argue that states have the capacity to impose rules on actors and that actors can impose rules on other actors through the state. These points represent the key tenets of the historical institutionalism literature (Thelen, 1999).

The latter point may also be related to the quest for legitimacy implied in neo-institutional theory (DiMaggio & Powell, 1991). In other words, social actors comply with, or adapt to, institutional norms in order to attain legitimacy. This issue is debated in more detail below. An additional but nonetheless crucial point made here is that NBS are therefore not static but dynamic systems, which change over time and / or under the influence of other powerful institutional actors. Indeed, Sklair (2001, 2002) posits that some transnational companies and their capital represent destabilising forces that may shape NBS. It therefore seems evident that MNCs must not be viewed simply as passive recipients of institutional factors particular to the home and host country, rather MNCs play an active role in the creation of transnational spaces and practices (Djelic, Nooteboom, & Whitley, 2005; Elger & Smith, 2006; Meardi & Tóth, 2006; Glenn Morgan & Quack, 2005; Royle, 2008). Moreover, research evidence suggests that some large (multinational) organisations in some low-paid service sectors have been able to avoid or undermine worker participation rights and collective bargaining in the German system of industrial relations (Royle, 1998, 1999a, 2000).

In response to, and to account for, the complex set of relationships governing the interplay of institutions and organisations Smith and colleagues developed a system effects, societal effects, and dominance effects (SSD) model (C. Smith, 2006; C. Smith & Elger, 1997; C. Smith & Meiksins, 1995). System effects arise from the political economy, while societal effects arise from national institutions, history and cultures. Due to an imbalance of economic power some societies are at the forefront of developing work and business practices that are then copied as global best practices by other societies, thus creating dominance effects (Smith, 2006). The alleged shift of central European business systems towards an Anglo-Saxon business model is an example of such a dominance effect. At the individual MNC level, a number of authors have furnished evidence that would suggest that MNCs are increasingly adopting what

has been described as US-style business practices (Almond, et al., 2003; I. Clark & Almond, 2004; Ferner & Quintanilla, 1998; Ferner & Varul, 2000; Tempel, 2001). Firms, and in particular multinational firms, with subsidiaries in a number of countries are particularly exposed to, and affected by, the intricate relationships between institutional actors in their home and various host contexts. This research employs institutional theory as a theoretical lens to examine the transfer of HRIT practices in the subsidiaries of an MNC. Institutional theory will be considered in more detail in the succeeding section.

### 2.3 Institutional Theory

Institutions are social phenomena. Quoting Berger and Luckmann (P. L. Berger & Luckmann, 1967; P. L. Berger, Luckmann, Plessner, & Plessner, 1969) Scott argues that institutionalism is based on social order, which itself is socially constructed.

*The argument is that social order is fundamentally based on a shared social reality, which, in turn, is a human construction, being created in social interaction. ... Social order comes into being as individuals take action, interpret that action, and share with others their interpretations. ... The process by which actions become repeated over time and are assigned similar meanings by self and others is defined as institutionalisation (W. R. Scott, 1987, p. 495).*

Institutions, which are the

*reciprocal typification of habitualized action by types of actors (P. L. Berger & Luckmann, 1967, p. 54; in Tolbert & Zucker, 1996, p. 174)*

are the final product of institutionalisation. Hall and Thelen (2008) advance this definition by adding aspects of control and sanctions. They define institutions as

*Sets of regularized practices with a rule-like quality in the sense that the actors expect the practices to be observed; and which, in some but not all, cases are supported by formal sanction (Hall and Thelen, 2008, p. 9).*

As different societies are comprised of different actors and have developed along different trajectories over time, multinationals are faced with a range of institutional, competitive as well as internal pressures during the internationalisation process. Institutional theory thus helps us comprehend how MNCs respond to these conflicting forces; how they transfer business and HRM practices across diverse institutional settings; and why some MNCs reveal greater levels of institutional embeddedness than others. However, within the broad context of institutional theory deviations exist (DiMaggio & Powell, 1991; W. R. Scott, 2001; Tolbert & Zucker, 1996). For instance, Tregaskis and Brewster (2006) discriminate between European (or historical) institutionalism, which in their view accentuates the existing divergent regulative context in Europe, and the so-called American / new / neo institutionalism, which focuses more attention on the socio-political background and the transfer of global

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practices across the MNC (DiMaggio & Powell, 1983; W. R. Scott, 2001; Tempel & Walgenbach, 2007; Zucker, 1977). However, MNC represent a challenge to the key tenets of neo-institutional theory (Dörrenbächer & Geppert, 2011a; Kostova, Roth, & Dacin, 2008). In particular, Kostova et al. (2008) argue that MNCs represent a challenge to the notion of what traditionally constitutes an organisational field. In addition, institutional isomorphism, decoupling and ceremoniality appear to be limited among MNC, as these will choose the structures and practices that are perceived to be most efficient in economical terms (Kostova, et al., 2008). Morgan and Kristensen (2006) differentiate between divergent varieties of institutionalism, for instance organisational institutionalism and comparative historical institutionalism, each of which have their proponents. Whitley (Glenn Morgan, et al., 2001; Whitley, 2000, 2001, 2006) favours a National Business Systems approach, which builds on historical institutionalism and is based on the VOC discourse. Business systems, according to Whitley (Whitley, 2000), consist of three characteristics – employment relations, non-ownership coordination and ownership coordination (Tempel & Walgenbach, 2007). The distinctiveness of a business system arises from the interconnection of these characteristics with the four institutional categories which he identifies as the nature of institutional structuring, the governance system and organisational capabilities, the social structure of work, and globalisation (Whitley, 2000). Hall and Taylor (1996) surmise that new institutionalism is a composite of three different types of institutionalism – rational choice, historical and sociological institutionalism. Furthermore, political systems comprise of a variety of institutions, for instance educational systems, industrial relations, and corporate governance systems (P. A. Hall & Soskice, 2001b; Glenn Morgan, et al., 2001; Glenn Morgan, et al., 2006). However, as institutions within and across political systems are intertwined and are above all ‘collective constructs’ (P. A. Hall & Thelen, 2009, p. 12) and as the phenomena under investigation are of a broad nature, this study is underpinned by institutional theory and the broad range of institutional factors that may potentially mediate the transfer of HRIT practices (see 2.5).

Internal integration and centralised decision-making is arguably of paramount importance in the operation of a global e-HRM system (Ruël, Bondarouk, & Jan Kees, 2004). Any deviation from the standard system would arguably compromise the quality of the data collected and ultimately impair the informative value of any subsequent analyses of this data (HRIT and e-HRM will be discussed in detail in later sections of the chapter). However, organisations are continuously faced with what has been described as ‘institutional duality’, that is, different layers of institutional contexts that simultaneously impact on the configuration of HRM (and thus also e-HRM) practices (Kostova & Roth, 2002; Glenn Morgan & Kristensen, 2006; Rosenzweig & Nohria, 1994; Tempel, Edwards, Ferner, Muller-Camen, & Wächter, 2006). In other words, MNCs strive to attain internal consistency of policies and procedures in order to develop and sustain their corporate identity, while, on the other hand, MNCs are forced to tailor their policies and practices to suit the cultural, societal, and legislative environment of their host nation in order to achieve local efficiency (Farndale & Paauwe, 2007; Gunnigle, et al., 2005; H. Harris, Brewster, & Sparrow, 2003). Kostova and Roth (2002) argue that firms will commonly strive for legitimacy, which they describe as the recognition and endorsement of organisational actions by external actors.

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Nevertheless, the propensity and willingness of MNC to adapt to divergent institutional contexts is in part determined by the MNC's internationalisation strategy (Bartlett & Ghoshal, 1987) and by the MNC's home context (Edwards & Ferner, 2002; Ferner, 1997; Harzing & Sorge, 2003). According to Bartlett and Ghoshal (1987, p. 46), MNCs are faced 'with a series of dichotomous choices' in terms of the strategic direction they ought to adopt in order to best compete in an increasingly complex external environment. MNCs could follow either an ethnocentric, polycentric, geocentric or transnational strategy (Bartlett & Ghoshal, 1998). Firms employing an ethnocentric strategy centralise decision-making in the home country, while those pursuing a polycentric strategy will decentralise strategic decision-making to the various host contexts. A transnational or geocentric approach follows a global, best practice strategy. Thus, these strategies may either be conducive to local adaptation (polycentric strategy) or internal integration (ethnocentric and transnational strategy). Moreover, the pursuit of one of these strategies will determine the MNC's attitude towards institutions and the manner in which it deals with these institutions (Quintanilla & Ferner, 2003). This is only constrained by the relative strength of the host business system. Following the VOC approach, Farndale, Brewster, and Poutsma (2008) suggest that CMEs afford less scope for the transfer of HR practices than LMEs. Morgan and Kristensen (2006) contend that the countervailing nature of these institutional contexts will ultimately lead to micro-political conflict between the HQ and the subsidiaries and the subsidiaries themselves. A number of authors have argued this point, which will be discussed in more detail later on in this chapter (Blumentritt & Nigh, 2002; Dörrenbächer & Gammelgaard, 2006; Dörrenbächer & Geppert, 2006; Ferner, et al., 2004). With regard to the transfer of HR practices Taylor (1996) diagnoses three transfer strategies including an adaptive, exportive and integrative tactic. These are analogous to Bartlett and Ghoshal's (1998) polycentric, ethnocentric and geocentric strategies respectively.

Institutional isomorphic pressures may be categorised as normative or cognitive (Scott, 2001), high or low context-specific (Child, 2002b), or coercive, mimetic, and normative (DiMaggio, & Powell, 1983; Farndale & Paauwe, 2007). DiMaggio and Powell define isomorphism as 'a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions' (DiMaggio & Powell, 1983, p. 149). Coercive isomorphism is the product of both formal and informal pressures of the host society in which the subsidiary resides, including government, employment legislation, trade unions, works councils, etc. (DiMaggio & Powell, 1983). Mimetic isomorphism focuses on organisational modelling (in benchmarking and imitating strategies and practices of key competitors) in response to uncertainty in the firm's environment (DiMaggio & Powell, 1983). Normative isomorphism relates to the adoption of accepted work practices, standards and the *modus operandi* of a specific institutional (sectoral) environment. These forces have a profound effect on the configuration of HR practices in subsidiaries of MNC and the MNC itself (Ferner, Almond, & Colling, 2005; Myloni, Harzing, & Mirza, 2007; Paauwe & Boselie, 2003; Quintanilla, Susaeta, & Sanchez-Mangas, 2008; Tempel, et al., 2006; Tregaskis, et al., 2001). Institutional isomorphism may ultimately result in organisations that are "virtually indistinguishable" and "interchangeable" (Farndale & Paauwe, 2007).

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These pressures can arise in the global or national (even regional), internal (the relational context) or external (the institutional context) environment of the firm (Kostova & Roth, 2002). Child (Child, 2002a, 2002b) distinguishes between high context and low context dimensions to assess the level of influence different institutional contexts have on MNC practices. A high context dimension refers to factors that lead to a high level of embeddedness in the national and social institutional context, whereas a low context perspective is associated with factors such as the economy, market and technology, which are less dominant in moulding a company's HR policies and practices (Farndale & Paauwe, 2007). Whitley (Whitley, 2000, 2001) argues that firms respond to these pressures in a variety of ways. MNCs pursuing a transnational or geocentric globalisation strategy appear to favour what has been described as a 'cherry-picking approach', whereby the MNC selectively adopts HRM (and perhaps also e-HRM) practices from the respective home and host country context of their subsidiaries (Geppert & Matten, 2006; Gooderham, Nordhaug, & Ringdal, 2006). Furthermore, some employment practices that originated in host countries may be adopted by subsidiaries in other countries and even in the country of origin of the MNC – this process is termed 'reverse diffusion' (Edwards, et al., 2005; Ferner & Varul, 2000). In addition, the process of institutional isomorphism will result in different types of subsidiaries ranging from hybrids, transplants and branch plants of the MNC (Elger & Smith, 2006). In transplants, the dominant home or global HR practices are transferred to the host subsidiary, seemingly without any difficulty. The process of hybridisation essentially describes the fusion of host and home country effects into distinct organisational practices. The branch-plant approach recognises the existence of societal effects. However, it also acknowledges the relative power of corporate HQs to enforce compliance from subsidiaries based on their resource power and their ability to relocate operations. In essence, MNC will aim to attain internal consistency by instituting subsidiaries that mirror home country practices (Whitley, 2001) by way of exploiting institutional weaknesses and / or seeking institutional fit (Glenn Morgan & Kristensen, 2006).

Oliver (1991) argues that organisations react to institutional pressures in a variety of often unexpected ways. These 'non-choice' behaviours arise from the institutional context, in other words the state, society, and culture.

*Organisational responses will vary from conforming to resistant, from passive to active, from preconscious to controlling, from impotent to influential and from habitual to opportunistic, depending on the institutional pressures toward conformity that are exerted on organisations (Oliver, 1991, p. 151).*

The types of strategic responses which will ultimately affect the success of any transmission process extend from manipulation, defiance, avoidance, and compromise to acquiescence. Table 2.1 relates these response strategies to the tactics used by organisations to achieve these strategies. For instance, an avoidance strategy may be followed by organisations by concealing the fact that the firm is in fact not conforming to institutional pressures. In addition, a firm may aim to distance itself from the institutional context. Furthermore, organisations may persistently change the scope of their activities in order to avoid institutional pressures. Oliver (1991) also advocates

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that these strategic responses to institutional pressures may be predicted. In her opinion, an organisation's desire to become more efficient or to attain legitimacy in its institutional environment will reduce resistance and increase the level of acquiescence. A highly fragmented institutional set up with multiple constituents and high levels of dependence on these constituents will most likely attract avoidance, defiance and manipulation tactics. Moreover, greater levels of arbitrariness and inconsistency of institutional norms will augment organisational resistance and precipitate avoidance, defiance and manipulation tactics. Furthermore, high degrees of voluntary transfer, as well as high levels of legal coercion to conform to institutional norms will make acquiescence tactics more likely. The same responses are likely if an organisation's environment is characterised by high levels of uncertainty and high degrees of inter-organisational relationships (Oliver, 1991).

**Table 2.1: Strategic Responses to Institutional processes**

<b>Strategies</b>	<b>Tactics</b>	<b>Examples</b>
Acquiesce	Habit	Following invisible taken-for-granted norms
	Imitate	Mimicking institutional models
	Comply	Obedying rules and accepting norms
Compromise	Balance	Balancing the expectations of multiple constituents
	Pacify	Placating and accommodating institutional elements
	Bargain	Negotiating with institutional stakeholders
Avoid	Conceal	Disguising nonconformity
	Buffer	Loosening institutional attachments
	Escape	Changing goals, activities or domains
Defy	Dismiss	Ignoring explicit norms and values
	Challenge	Contesting rules and requirements
	Attack	Assaulting the sources of institutional pressure
Manipulate	Co-opt	Importing influential constituents
	Influence	Shaping values and criteria
	Control	Dominating institutional constituents and processes

**Source:** Oliver (1991, p. 152)

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This chapter has already stressed the complex institutional environment within which MNCs operate and within which employment practices are transferred to subsidiaries. The MNC's environment is characterised by Kostova et al. as follows:

*MNCs are embedded in multiple, fragmented, ill-defined, and constantly evolving institutional systems conceptualised at different levels of analysis, each characterised by a distinct institutional process and degree of determinism in shaping organisational behaviour. ... MNC's relationships with their institutional environments are dynamic,*

*discretionary, symbolic and pro-active. ... MNCs have an important agency role reflected not only in their varying degree of compliance to institutional pressures (Oliver, 1991) but also in that they must make sense of, manipulate, negotiate, and partially construct their institutional environments (2008, p. 1001).*

Variations and nuances aside, this research adopts the stance promulgated by Tempel and Walgenbach (2006, 2007), who advocate that a cross-fertilisation of individual strands of institutional theory will provide a much clearer picture of the interplay of institutional factors than a singular perspective could offer. Equally, Kostova and Roth (2008) opine that elements of the old and new institutionalism ought to be combined to overcome the shortcomings of each approach and to strengthen the institutional approach. *Ipsa facto*, this research will draw on any of the various elements of institutional theory that promote our comprehension of all facets of HR practice transfusion among the subsidiaries of MNC and across various host nation states. Other theoretical approaches that have been utilised in other studies could have been employed in this study to examine the diffusion of HR practices. These include agency theory (Björkman, Barner-Rasmussen, & Li, 2004; Chang & Taylor, 1999; B. Kim, et al., 2005; Y. Luo, 2005; Mellahi & Collings, 2010; O'Donnell, 2000), structuration theory (Barley & Tolbert, 1997; Becker-Ritterspach, 2006; Giddens, 1984), path dependence theory (Deeg, 2006; Djelic & Quack, 2006), socialisation theory (Björkman, et al., 2004), comparative national culture frameworks (Black, 2005; Chang & Taylor, 1999; Child, 2002a, 2002b), resource-based theory of the firm (Pauwwe & Boselie, 2005; S. Taylor, Beechler, & Napier, 1996), exchange theory (Cook & Emerson, 1978), or resource (power) dependence theory (Blumentritt & Nigh, 2002; Emerson, 1962; Festing, Eidems, & Royer, 2007). Some of these studies use combined theoretical approaches such as power resource and institutional theory (Pulignano, 2006a), resource-based and resource-dependent theories (Kinnie, Swart, & Purcell, 2005; Myloni, et al., 2007), or transaction cost theory, information processing theory and coordination theory (Reddy, 1995; Rugman & Verbeke, 1992).

#### **2.4 The Process and Level of Transfer of HR Practices**

The level and success of transfer of HR practices has been theorised by a number of authors. To a large degree, the level of differentiation and adaptation of HRM (and e-HRM) practices required by the MNC seems to hinge on the strength of the national business system (NBS) of the host country (Colling & Clark, 2002; Edwards & Rees, 2006b) and the magnitude of differences between the NBS of the home and host country (Taylor, Beechler, & Napier, 1996). Similarly, Morgan and Kristensen (2006) argue that the larger the institutional distance the greater the difficulty in transferring practices successfully would be whereby institutional distance is 'a three-dimensional construct with a regulatory, cognitive and normative dimension (Kostova, 1999, p. 316) (see Figure 2.1). The regulatory dimension refers to the prevailing laws, rules and regulations in an NBS. The cognitive sphere describes how people make sense of reality and how they decode stimuli from the environment (W. R. Scott, 2001). The

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normative aspect relates to the existing norms and values in a society. These are socially constructed over time.

An additional yet equally important feature in diffusion is represented by the control mechanisms and levels of control employed by the actual corporate HQ of the MNC. These diverge contingent upon the MNC's size, origin, the characteristics of the subsidiaries, and the development phase and strategic direction of the MNC (Harzing, 1999). Firms employ a variety of control mechanisms to counterbalance the institutional factors which arise in the external and internal environment of the organisation. Control mechanisms also reflect an organisation's globalisation strategy. In other words, transnational firms will aim to reinforce global best practices, while ethnocentric firms will strive to implement HR practices prevalent in the home country. MNC may resort to social (Ferner, 2000), administrative, organisational, and integrative control mechanisms (Reddy, 1995). Other control mechanisms referenced in the literature extend to HR structures, programmes, policies and procedures and the use of expatriates (Coller, 1996; Coller & Marginson, 1998; Marginson, Armstrong, Edwards, & Purcell, 1995; O'Donnell, 2000; Tempel, 2001).

Liu (2004) suggests that these control mechanisms can be grouped into two corresponding categories – direct and indirect transfer processes. Direct transfer is closely linked to ensuring compliance. This compliance is founded on formal authority and a strong corporate culture and is leveraged through formal systems of control, reward power, exchange relationships and 'coercive comparisons' (Edwards & Rees, 2006a; Ferner & Edwards, 1995, p. 229). While direct transfer, as the name suggests, ensures the swift and untainted transfer of HR practices, it may also be the cause of high levels of resistance and micro-political power struggles (Ferner & Edwards, 1995; W. Liu, 2004). Furthermore, opportunity costs such as inflexibility and the disenchantment of local management can be associated with direct control mechanisms (Coller, 1996; Coller & Marginson, 1998). Indirect transfer refers to diffusion by means of socialisation. Practices are socialised using corporate culture and expatriates as vehicles for transfer (Coller, 1996; Ferner, 2000; W. Liu, 2004). While Björkman, Barner-Rasmussen and Li (2004) could not substantiate expatriates as an influencing factor in knowledge transfer in their research, their findings establish corporate socialisation systems, such as international training programmes, staff exchanges, international task forces and committees and mentoring, as key factors in knowledge transfer. Ghoshal and Bartlett (1988) refer to these as normative integration mechanisms. Although slower than direct transfer, it may be argued that indirect transfer will lead to greater levels of institutionalisation (this issue is expounded in more detail below).

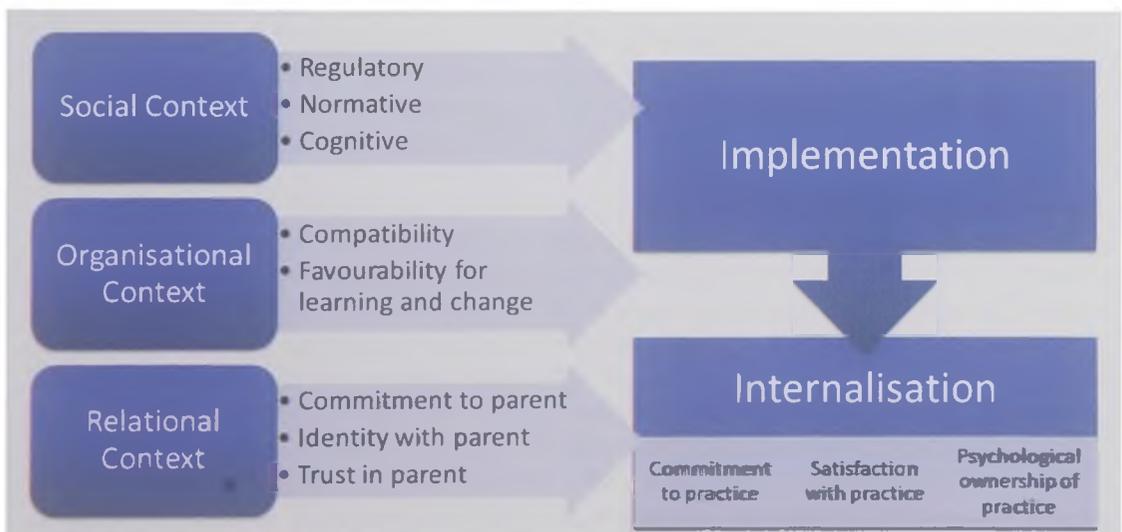
Expatriates may be considered the carriers of choice of HR practices (particularly of those that are promulgated by HQ) (Cerdin, 2003; Harzing, 2001a, 2001b), whereas local managers in the host country are regarded as the gatekeepers (Geppert, Williams, et al., 2003). Yet, both have a critical role to play in the transfer of HR practices, as they translate HQ policies and practices into locally accepted norms (Hilary Harris & Holden, 2001). Based on the firm's internationalisation strategy MNCs will deploy a smaller (polycentric approach) or a greater (geocentric tactic) number of expatriates (Liu, 2004). As one might expect, a larger number of expatriates

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can also be associated with a greater propensity of HR practice transfer (Cerdin, 2003). However, the management of international assignments and expatriates raises a large number of complexities for the MNC (Harzing, 1995; Harzing & Christensen, 2004) and an MNC would have to consider carefully the costs versus the benefits of using expatriates to transfer HR practices. Suggested alternatives to traditional expatriate arrangements such as short-term assignments, commuter assignments, international business travel and virtual assignments (Collings, Scullion, & Morley, 2007; Forster, 2000), do not lend themselves to successful HR practice transfer as the expatriates in question will be mostly transient in nature. Nevertheless, it ought to be noted that expatriates, aside from the transfer of HR practices, have potentially a number of important roles to play in MNCs, including knowledge transfer (Hocking, Brown, & Harzing, 2004, 2007), and management development (Harzing, 2001a). Moreover, not all expatriates originate in the home country of the MNC. Research by Collings, McDonnell, Gunnigle and Lavelle (2010) purports that ‘inpatriation’ – the outward flow of staff from MNC subsidiaries – is a common phenomenon.

Few authors have considered the actual success of HR practice transfer. Tolbert and Zucker (1983) contend that the level of institutionalisation of a particular practice is positively related to the success of that practice. Kostova (1999, p. 312) affirms that the transfer process is ‘contextually embedded’ and identifies three such contexts. These comprise the social context (regulatory, cognitive and normative), organisational context (culture) and relational context (commitment to, identity, power / dependence and trust relationship with parent organisation) (see Figure 2.1).

**Figure 2.1: Transnational Transfer of Organisational Practices Model**



**Source:** Kostova (1999, p. 313)

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These contexts, it is argued, will affect the propensity of the practice recipient to effectively adopt such a practice, which is also referred to as their 'absorptive capacity' (Kostova, 1999, p. 316). Practices to be transferred need to be institutionally congruent with the host NBS. Moreover, practices are more likely to be transferred successfully if they are compatible with the firm's culture and if the organisational culture is open to learning and change. Transfer success is also contingent on the relational context that is the relationship between the different actors involved in the transfer process (see Figure 2.1). The relational aspect is of particular significance, as the introduction of new practices will inadvertently involve the discontinuation of existing practices, which can give rise to resistance to change and micro-political power struggles between the 'transfer coalition' (the key players at the subsidiary level in the implementation process) and the HQ (Kostova, 1999). This issue will arise specifically during acquisitions, where practically all existing policies and procedures are being displaced by 'new' organisational practices. The successful transfer in this context will take a significant amount of time and effort. Thus, the past and present relationships, commitment to, and trust, between the transfer coalition and the parent company seem crucial and are dependent on the relational embeddedness of actors.

*Relational embeddedness refers to the fact that "economic action and outcomes, like all social action and outcomes, are affected by actors' dyadic (pairwise) relations and by the structure of the overall network of relations" (Granovetter, 1992, p. 33; in Kostova, 1999, p. 318).*

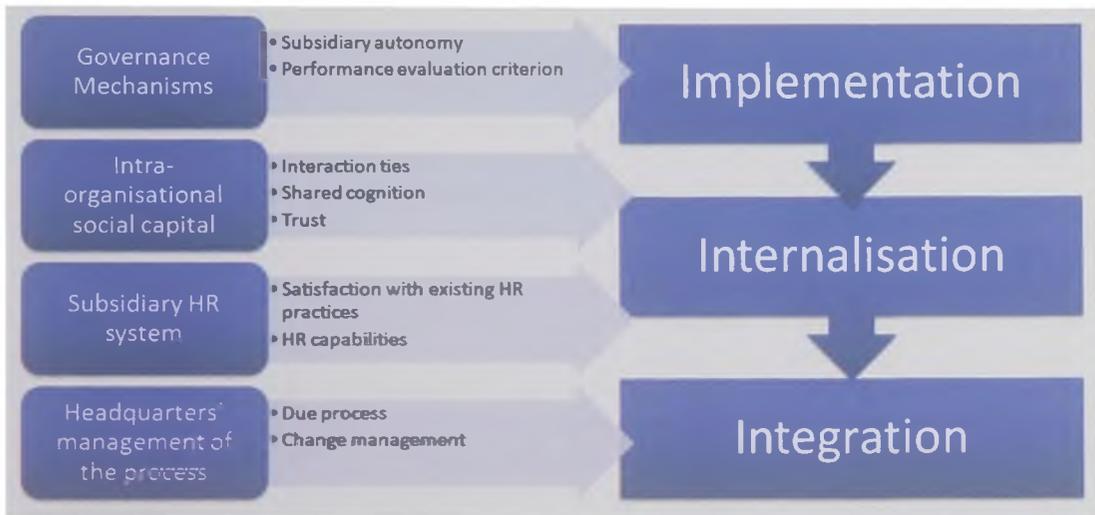
Kostova (1999) distinguishes between attitudinal and power / dependence relationships. The former pertains to 'the commitment to, identity with and trust in the parent' organisation (Kostova 1999, p. 318). High levels of trust and relational embeddedness can be associated with higher levels of transfer success. A power / dependence relationship relates to a perceived resource dependence on the parent with regard to technology, capital, promotions, and expertise (Kostova & Roth, 2002). In an attempt to secure additional resources, subsidiaries may willingly absorb business practices in order to attain intra-organisational legitimacy (DiMaggio & Powell, 1983; Meyer & Rowan, 1977 in Kostova, 1999).

Kostova (1999) developed a model that may be used to assess the actual success of transnational transfer of organisational practices. Her model is based upon three key tenets. First, she assumes that institutional differences exist between countries. Second, organisational practices reflect those of the home country of the MNC and, third, institutional fit is a key factor in the transfer of business practices. In her articles, Kostova (Kostova, 1999; Kostova & Roth, 2002) differentiates between implementation and internalisation. The former is also described as 'ceremonial adoption' by Meyer and Rowan (1977). Implementation refers to the prescribed (by the MNC's HQ) enactment (by the subsidiary) of an HR practice (Björkman and Lervik, 2007; Kostova & Roth, 2002). According to Kostova (1999), a practice must be implemented first before it can be internalised, although successful implementation does not necessarily lead to successful internalisation. Kostova (1999) expounds that the level of success of transfer is commensurate with the extent of institutionalisation of a practice. Tolbert and Zucker (1996) identify three stages of institutionalisation of business practices – pre-

institutionalisation, semi-institutionalisation and full-institutionalisation. A business process may be considered fully institutionalised when it has become socially accepted, has assumed a taken for granted status in the subsidiary and when recipients are committed to that practice (Kostova, 1999; Glenn Morgan & Kristensen, 2006; Tolbert & Zucker, 1983). The two levels of transfer success are also a feature in Liu's (W. Liu, 2004) integrative research model for the transfer of HR practices, which also incorporates factors affecting the transferability of HR practices (including national level- and company level factors), transfer mechanisms, reverse transfer and the effects of transfer (including internalisation, commitment and satisfaction).

Building on Kostova's theme, Björkman and Lervik (2007) add an additional dimension of transfer success, that is, the integration of diffused HR practices (see Figure 2.2). This dimension denotes the extent to which a practice is internally integrated, aligned, coupled and joined with established routines, customs and praxis in the recipient subsidiary (Björkman and Lervik, 2007). Integration is thus an essential component in attaining a firm's strategic objectives. It represents the antithesis of ritualistic adoption. Ultimate transfer success or diffusion of a particular practice is therefore synonymous with the highest possible degree of internationalisation and integration of that practice.

**Figure 2.2: Three Stage Transfer Model of Organisational Practices**



**Source:** Björkman and Lervik (2007:324)

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From an MNC HQ point of view, implementation is far easier to assess than integration. Therefore, subsidiary managers may be less inclined to put measures into place that would ensure integration (Björkman & Lervik, 2007). In Björkman and

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Lervik's model, a combination of four key factors determines the transfer success of a HR practice. First, the governance mechanisms can either positively or negatively affect transfer. For instance, low levels of subsidiary autonomy may be linked to a higher propensity to implement HQ HR practices. However, if organisational actors feel that they were coerced into adopting these practices, the resulting resistance to change will lead to poor levels of internalisation of practices and prevent integration. Another aspect of governance mechanisms are performance evaluation criteria. Any new HR practice that subsidiary managers perceive to be serving as a criterion for performance evaluation by the MNC is likely to be met with approval and therefore integration is more likely to occur. The second factor, intra-organisational social capital, is congruent with Kostova's relational context. Social capital is defined as:

*'The sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit'* They distinguish between three interrelated dimensions of social capital: structural, relational and cognitive [emphasis in the original] (Nahapiet & Ghoshal, 1998, p. 243 in Björkman & Lervik, 2007, p. 326).

In the analysis of Björkman and Lervik, interaction ties, shared cognition and trust constitute the intra-organisational social capital. These dimensions, it is suggested, are positively related to high levels of integration. Third, the subsidiary HR system represents a further factor in the transfer of HR practices, whereby the satisfaction with existing HR practices can decrease transfer success and a high level of HR capabilities increases transfer success. Finally, the management of the transfer process will influence the transfer process. Lack of stakeholder involvement and lack of due process will make the integration of transferred processes less likely, as these will inadvertently generate and increase resistance to change. Moreover, the importance of management of change in the diffusion process is widely accepted in the literature (Geppert, 2005; Geppert, et al., 2002; Geppert, Matten, & Williams, 2003; G. Martin & Beaumont, 1998).

The actual transferability of HR practices, that is whether HR practices can be diffused, is contingent on national level factors, company level factors, and HRM practice level factors (W. Liu, 2004). National level factors, according to Liu (2004), comprise national, cultural and institutional distance (see Kostova's social context). Company level factors range from the strategic role of the subsidiary, to the MNC's structure and to the affinity of organisational culture (see Kostova's organisational context). HRM practice level factors (similar to Björkman and Lervik's Subsidiary HR System) encompass the innovation characteristics of the HRM practice (the transferability of a practice is greater if the perceived benefit of the practice is high and the associated cost low) and the knowledge characteristics of the HR practice (the more complex a practice is the more difficult to transfer it will be) (W. Liu, 2004). Thus, it seems, some practices are more 'diffusable' than others (Edwards & Rees, 2006a). Practices that are heavily embedded in one institutional context may not be diffused easily, as the NBS context ought to be supportive of that practice (Edwards & Ferner, 2004; Farndale, et al., 2008). The constraints imposed by a NBS may be such that a particular practice may have to undergo a form of 'transmutation' or 'hybridisation'

before it can be transfused (Doeringer, Lorenz, & Terkla, 2003; Edwards & Rees, 2006a; Meardi & Tóth, 2006). However, hybridisation as a form of localisation does not necessarily amount to convergence to the local business system (Tregaskis, et al., 2001).

Edwards and Rees (2006a) evince that certain corporate characteristics buttress the diffusion of HR practices. In their pursuit of competitive advantage, organisations are very likely to want to transfer those practices that are deemed to have led to economic success in the country of origin of the MNC (Kostova, 1999; Sparrow, et al., 1994). Thus, the country of origin factor will stimulate forward (as opposed to reverse) transmission. In addition, a firm's international governance structure will either facilitate or impede the transfer of practices. Edwards and Rees (2006a) also suggest that a multi-domestic strategy will constrain diffusion, while global and matrix structures will stimulate the dissemination of practices. An additional factor that might foster or inhibit transfer is the growth strategy of the MNC, whereby an acquisition strategy constrains transfer as opposed to Greenfield sites where transfer can occur unhampered by legacy policies and procedures. Finally, the type of production process used may impact upon diffusion. For instance, a standardised production setting facilitates the transfer of HR practices, whereas segmented production does not. Thus, it is evident that HR practices which are unilaterally imposed by an MNC HQ, will at best result in the transfer of these practices without any significant positive impact on the modus operandi of the subsidiary. Higher levels of transfer described by Kostova (1999) and Björkman & Lervik (2007), on the other hand, will result in the diffusion and institutionalisation of these practices.

The previous section illuminated the institutional contexts within which business and HR practices are transferred within the MNC. Within this context, several models of transfer success were introduced. These models will be synthesised into a theoretical model at the end of this chapter. The contextual factors that may mediate the transmission of HR practices within the subsidiaries of multinationals are discussed in the following section.

## **2.5 The Diffusion of HR Practices in Subsidiaries of MNCs**

As GHRIT is capable of supporting every functional area of HRM, one may presuppose that the diffusion of GHRIT (and associated practices) was subject to similar factors and pressures as the transfer of other HR practices throughout the subsidiaries of global enterprises was. A steadily growing body of research examines various factors, which arbitrate the transfer of employment practices among multinational corporations' subsidiaries. These factors comprise home and host country effects (e.g. Almond, et al., 2005; Ferner & Quintanilla, 2002; Muller-Camen, et al., 2001), sector effects (Colling & Clark, 2002; Royle, 2004, 2006), the institutional contexts and national business systems (Edwards & Kuruvilla, 2005; Geppert & Matten, 2006; Geppert, Matten, & Walgenbach, 2006; Geppert, Matten, et al., 2003; Geppert & Williams, 2006; P. Gooderham, Nordhaug, & Ringdal, 2006; Hamann & Kelly, 2007). Other factors

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include dominance effects (Ferner, et al., 2006; Lane, 2003; Pudelko & Harzing, 2007; Royle, 2006), organisational culture (Aycan, 2005; Black, 2005; Gerhart & Fang, 2005; Sparrow, et al., 1994), or the impact of micro-political relationships between the subsidiaries and the HQ (e.g. Ferner, Almond, Colling, & Edwards, 2005; Geppert, Williams, et al., 2003).

The earlier discussion has shown that these aspects of the institutional environment can act as a catalyst but also as a moderator of employment practices. In the following paragraphs these influences will be explored in more detail particularly within the context of US multinational corporations and the German and Irish business systems.

In their article, Edwards and Ferner (2002) present a framework of four distinct effects of MNCs on labour management practices. These consist of the country of origin effect, the effect of the dominant business system, international integration of practices, and the openness of host countries to management styles. Furthermore, Papalexandris and Panayotopoulou (2004) suggest that societal culture, as a host country effect, has a significant impact on HR practices, in particular on internal communication. Keating, Martin and Brodbeck (2004) argue that an MNC's success hinges on its (and its managers') ability to understand and embrace cultural diversity. Therefore, it is reasonable to assume that practices in different subsidiaries ought to be different for a variety of reasons. However, the earlier discourse has highlighted that transnational corporations with an ethnocentric global attitude, which are characterised by high levels of centralised control, as is the case in the US multinational in this study, would strive towards internal integration and standardisation of HR practices. Thus, MNC are faced with a dilemma. On the one hand, they must attain internal consistency of policies and procedures to develop and sustain their corporate identity, while on the other hand MNCs ought to tailor their policies and practices to suit the cultural and societal environment of their host nation in order to achieve local efficiency (Gunnigle, et al., 2005). Rosenzweig and Nohria (1994) find that some practices in MNCs, for example HRM, are strongly influenced by local isomorphism while others, for instance financial procedures, are dictated by the need for internal consistency. In particular, internal integration and centralised decision-making is of paramount importance in the operation of a GHRIS, where any deviation from the standard system would compromise the quality of the data collected and ultimately impair the informative value of any subsequent analyses of this data. Thus, most GHRIS rely on a standard input language that is (US) English, and standard entry fields. GHRIS, GHRIT and related practices are analysed in more detail later on in this paper.

It has frequently been argued that US MNCs' in particular are characterised by standardised, centralised and formalised HR policy-making; hostility towards national systems of collective representation and bargaining; introduction of US style HRM practices, including performance related pay, single status employment, and direct employee involvement (Almond, et al., 2005; Edwards & Ferner, 2002; Gunnigle, et al., 2005). Almond et al. (2005) present evidence to suggest that the management style in subsidiaries of a US MNC is shaped by the US business system, although institutional constraints in host countries may lead to the adaptation of employment practices,

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whereby the necessity to adapt will depend on the relative strength of the local institutional system (Ferner, 1997).

The 'pragmatic adaptation' of HR and employment relations (ER) practices of MNCs to local conditions does not necessarily extend to the collective bargaining arrangements of the host country (Muller-Camen, et al., 2001). In fact, US MNCs are frequently criticised for their anti-union stance (I. Clark, et al., 2002; Muller, 1997; Muller-Camen, et al., 2001; Royle, 2010). Research evidence from Ireland highlights a rapidly growing trend towards union avoidance in Irish Greenfield sites since the mid-1980s (Gunnigle, MacCurtain, & Morley, 2001). Even established MNCs that recognise unions (often in closed-shop agreements) in existing sites have adopted a double-breasting approach, whereby they do not grant union recognition in new sites (Gunnigle et al., 2001). Although double breasting arrangements are not a new phenomenon (see Beaumont & Harris, 1992), Gunnigle et al. (2005) find this development rather surprising in Ireland's long established social partnership environment, which acknowledges pluralist traditions and the role of unions in Irish society. They (Gunnigle et al., 2005) offer a number of potential reasons for the adoption of double-breasting arrangements, including pay advantages, flexibility in decision-making, increasing managerial prerogative, and company internal advantages. Union de-recognition appears to be uncommon in Ireland (Gunnigle, et al., 2003). Nonetheless, the literature seems to suggest that union non-recognition in Ireland is relatively unproblematic. The highly regulated nature of the German industrial relations system and Germany's strong institutions supported by statutory legislation might suggest that union avoidance strategies in Germany would be uncommon if not unknown. However, research evidence intimates that firms can find ways to manoeuvre even within an institutionally strong system such as in Germany (Muller, 1997, 1998; Royle, 1998, 1999a, 1999b, 2000).

A range of other factors exists, other than institutional, that could also shape national ER practices and may also affect the transmission of employment practices across subsidiaries of MNCs. For instance, a number of studies have shown that national culture (of both home and host country) plays a significant role in determining HRM strategy at the level of the multinational (Aycan, 2005; Bae, Chen, & Lawler, 1998; Black, 2005; Craig, Douglas, & Grein, 1992; Gerhart & Fang, 2005; Sparrow, et al., 1994). Despite some evidence for convergence, it is still accepted that multinationals from different home country backgrounds diverge in their use of employment practices in their subsidiaries abroad (Bae, et al., 1998; Carr, 2005; Harzing & Sorge, 2003), albeit this approach might be different from the prevalent ER approach pursued in the parent country (Ferner & Varul, 2000; Tüselmann, McDonald, & Heise, 2003).

Moreover, a growing body of literature suggests that sectoral influences represent a significant mediator in the diffusion of employment practices across MNCs (I. Clark, et al., 2002; Colling & Clark, 2002; Royle, 2004, 2006; Sisson & Marginson, 2000). Royle (2004), for instance, argues that sectoral characteristics seem to outweigh both country-of-origin and host-country effects, which suggests a continuing variation within national industrial relations systems. In this research, the US multinational

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operates in the medical devices sector, which is outlined in more detail in Chapter 4. However, this study does not purport to investigate sectoral effects on HR practice diffusion.

A further body of literature examines the effects of micro-political subsidiary – headquarter relations on the diffusion of employment practices (Birkinshaw, 1996; Birkinshaw & Morrison, 1995; Blumentritt & Nigh, 2002; Ferner, Almond, Colling, et al., 2005; Festing, et al., 2007; Geppert & Williams, 2006). The relative power of subsidiaries to influence the introduction of employment practices seems to vary according to the strategic importance of these resources, such as specialised skills or research and development capabilities (Ferner & Edwards, 1995; Ghoshal & Bartlett, 1990; Kristensen & Zeitlin, 2001).

This debate examines the effects of micro-political subsidiary – HQ relations on the diffusion of employment practices (Ferner, Almond, & Colling, 2005; Geppert & Williams, 2006). Morgan, in his seminal book on organisations, states that:

*An organisation's politics is most clearly manifest in the conflicts and power plays that sometimes occupy centre stage, and in the countless interpersonal intrigues that provide diversion in the flow of organisational activity. More fundamentally, however, politics occurs on an ongoing basis, often in a way that is invisible to all but those directly involved (1986, p. 148).*

Thus, the concepts of power and politics are inadvertently linked and one may suspect that their effect on the transfer of employment practices is compounded by the diverse nature of MNCs. Various sources of power and the manner in which these affect inner-organisational liaison will be discussed in this section of the literature review.

### 2.6 Power Relations in Multinational Corporations

Ferner and Edwards (1995:234) refer to the transfer of HR practices in MNCs as the ‘exercise of power across national borders’. Power in organisations is commonly perceived to entail the capacity of one actor in the organisation to exert their will over another actor by overcoming their resistance to achieving a desired outcome (cf. Huczynski & Buchanan, 2001; Pfeffer, 1981). Politics is frequently described as power in action, in other words, the techniques and tactics organisational actors employ and the manner in which they utilise their power resources to influence others in the organisation. Morgan (1986) propounds that organisational politics may be analysed in terms of the interplay of interests, conflict and power. Organisational actors and in the case of MNCs, the organisational headquarter (HQ) and its various subsidiaries, have control over a broad range of power resources.

A review of the literature reveals the existence of a broad range of sources of power and nomenclatures of power sources within organisations. Handy (1993), for instance, offers a number of individual sources of power, which may also be applied to

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portray power sources at the business unit level of the organisation. These include physical, resource, position, expert, personal or illegitimate sources of power. Morgan (1986) identifies a list of fourteen power sources, which is largely congruent with the sources of power highlighted by Handy. Given the variety of sources of power within organisations, Huczynski and Buchanan (2001) distinguish between individual power sources, power based on relationships between power holders and others and power embedded in organisational structures. Lukes (1975) refers to overt, covert, and institutionalised 'faces' of power. In a similar vein, Paton (1994) differentiates between visible and invisible sources of power. Ferner and Edwards (1995) discriminate between three categories of power sources – formal, informal, and culture. Goshal and Bartlett (1990), who view MNCs as 'internally differentiated inter-organisational networks', propound two chief sources of power in these social networks – exchange power and structural power, which are similar to Ferner and Edwards' (1995) informal and formal categories.

Within the MNC, and according to above definition of politics, one of the key issues that ought to be considered relates to how organisational actors utilise their power sources to exert influence and the impact of these power exchanges, that is, organisational politics on organisational decision-making and the dissemination of employment practices across the subsidiaries of the MNC. These exchange relations may be understood as the 'micro-political equivalent of macro-political exchange' (Pizzorno, 1978 in Ferner and Edwards, 1995. p. 232). For example, if a subsidiary possesses resource power of some kind it may leverage this power through exchange relationships with other business units. Resources in this context should be understood in terms of what Barney and Hesterly (2005) refer to as tangible and intangible internal resources, including financial, human (including the knowledge and abilities that they possess), physical, technical, and organisational resources. The power resources of a strategic sub unit (SBU) vary according to the strategic importance of these resources, such as specialised skills or research and development capabilities (Birkinshaw, 1996; Ferner & Edwards, 1995; Ghoshal & Bartlett, 1990; Kristensen & Zeitlin, 2001).

Of course, exchange relations are not the sole channels of influence in MNCs. While organisational structure, rules and regulations represent a critical element of an organisation's configuration and are instrumental in strategy implementation (Jay Barney & Hesterly, 2005), they also reflect, and are the product of, ongoing struggles for political control within the organisation (Gareth Morgan, 1986; Glenn Morgan, Kelly, Sharpe, & Whitley, 2003). A further channel of influence in MNCs exists in formal authority. Formal authority represents a legitimised source of power which encompasses formal control over resources (and the power to withdraw it) and decision-making. Research evidence in US MNCs has perennially highlighted their tendency for highly centralised, standardised, and formalised decision-making (e.g. Almond, et al., 2005; Ferner et al., 2004). Ferner and Edwards (1995) suggest that the exercise of formal authority constrains informal power relations. One may therefore suspect that US MNCs use both organisational structure and centralised decision-making to legitimise their exercise of power within the organisation. The high level of standardisation and formalisation in US firms might imply a low tolerance for uncertainty according to Hofstede's value dimension of uncertainty avoidance

(Schneider & Barsoux, 2003). However, the US's uncertainty avoidance index is relatively low compared with other industrialised nations such as Germany and Finland, albeit it is higher than that of the UK or Ireland (Hofstede, 1991). In fact, the ability to cope with uncertainty may actually be an additional source of power (Gareth Morgan, 1986). Schneider and Barsoux (2003) suggest that the preoccupation with policies and procedures of US firms may be attributed to peculiarities in the US business system and culture, which necessitate a high level of explicitness which in turn is reflected in standardised operating procedures. Standardisation appears to play a crucial role in centralising power at the HQ. As MNCs tend to deal with all subsidiaries in the same manner, Bartlett and Ghosal (1986) argue that all subsidiaries obtain an equally low degree of autonomy. Thus, formal corporate authority crystallises as one of the key levers of the transmission of HR practices within MNCs.

Nonetheless, corporate authority may be mitigated by national authority systems in the host country and may actually constitute a source of power that can be utilised by organisational actors (Geppert, Williams, et al., 2003; K. Williams & Geppert, 2006b). Ferner et al., for example, argue that:

*The degree of centralisation is not determined in a mechanical way by headquarters' edict, but emerges out of a process of negotiation between head office and the subsidiary. In this process, the growing strategic importance of subsidiaries with the growth of markets outside the USA provides a basis for the increased bargaining power of host country managers (2004, p. 385).*

The effectiveness of formal hierarchical power (in transferring employment practices) can therefore be directly associated with the resource power base of individual SBUs (Ghoshal & Bartlett, 1990). Even low ranking organisational actors appear to be able to exercise some form of power, for instance where employees are organised in a trade union (Edwards & Kuruvilla, 2005). Conversely, MNCs may seek to capture the trade unions and / or employee representatives (Royle, 1998, 1999b, 2000). In addition, the influence of corporate control may be further interrupted by divergent authority structures within the sub-units, as may be the case in acquisitions, which can often remain poorly integrated for a long period of time (Ferner & Edwards, 1995). Ferner et al. (2004) outline a number of additional ways in which subsidiaries leverage their power resources. First, SBUs may take advantage of internal inconsistencies or intricacies. Second, SBU managers are frequently required to interpret policies and procedures to suit the country's specific environment and in doing so might be able to resist or modify the introduction of practices (Edwards & Kuruvilla, 2005; G. Martin & Beaumont, 1998). Third, if SBUs were involved in the policy-making process they would be able to alleviate formal authority. Fourth, if local managers were involved in decision-making they could oppose the introduction of certain employment practices. Subsidiary managers in particular might be tempted to block or reinterpret corporate initiatives if they feel that these might undermine their own status within the organisation, or if such proposals appear to conflict with the national or local business environment (Edwards & Kuruvilla, 2005). The level of influence of local managers will be augmented where these possess a unique knowledge of the national business system (NBS) (Edwards & Kuruvilla, 2005). A further concept, which might aid in

explaining variances in the effects of structural power, is that of point centrality, a function of the number of direct exchange relations one organisational actor maintains with other actors in the multinational network (Freeman, 1978; in Ghoshal & Bartlett, 1990). *Ceteris paribus*, the HQ will benefit from the highest levels of point centrality, if subsidiaries enjoy minimal exchange relations. However, the centrality of the HQ will diminish proportionate to an increase in interaction between different subsidiaries (whose centrality might increase depending on the level of interaction with other actors) (Ghoshal & Bartlett, 1990). Therefore, it may well be in the interest of the MNC HQ to keep inter-subsidiary relations to a minimum in order to preserve formal authority as a power resource at HQ.

Liberman and Torbjörn (2000) argue that variances in employment practices within subsidiaries can be attributed to cultural, societal and institutional factors. A number of authors have alluded to the relevance of organisational culture in leveraging power and the ability to manipulate culture and symbolisms as a significant source of power (Gareth Morgan, 1986; Pfeffer, 1981). According to Schein (1985), organisational culture comprises shared meanings and shared assumptions. He also advocates that these can and should be managed by the organisation's leaders (Schein, 1985). A number of authors assert that the key means of 'instilling' a uniform corporate culture is socialisation (Bartlett & Ghoshal, 1989; Buchanan & Huczynski, 2004; Ghoshal & Nohria, 1993; Pascale, 1985; Van Maanen & Schein, 1979). An additional means of disseminating corporate culture is the use of expatriate managers (Ferner & Edwards, 1995). Meek (1988), however, argues that culture is *not* a 'universal unitary concept' and as a whole cannot be turned on and off at will. Organisations are complex entities and despite the best efforts of MNCs to create a single, overarching corporate strategy, multiple subcultures will coexist within the firm. The difficulty in manipulating culture in MNCs, one may argue, is compounded by the interplay of corporate, national, sub-unit and sub-cultures, particularly where the MNC has grown through acquisition, as is the case in this research. Therefore, organisational culture as a lever for influencing behaviour may not be enough to make up for the cultural divergence between the HQ and its subsidiaries (Ferner & Edwards, 1995). It is important to note, however, that both culture and the exercise of power in MNCs are closely linked (Ferner, 2000). For instance, standards of financial control are likely to be influenced by host and home country culture (Schneider & Barsoux, 2003). It may also be argued that culture *per se* should be discussed under the heading of covert or informal aspects of power, as culture is frequently referred to as a part of the informal organisation (cf. French & Bell, 1990)

Organisational structure as a key influence on power relations within the MNC has already been alluded to. However, it is important to distinguish between different types of MNC structures and the control mechanisms they use to influence their internal and external environment. The literature offers various typologies of MNC structures. Bartlett and Ghoshal (2000), for example, categorise MNCs according to the extent to which these are under pressure to adapt locally or to integrate globally. They (Bartlett & Ghoshal, 2000) distinguish between international, multidomestic, global and transnational companies. While international MNCs face weak pressures for local isomorphism and global integration, the transnational company is forced to cope with

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strong pressures for both, which creates something of a dilemma. How can an MNC align both pressures? The answer is perhaps control and coordination. The former refers to regulation, whereas the latter denotes an enabling process. Nonetheless, both concepts ultimately relate to actions, which channel organisational efforts towards the attainment of organisational goals (Noorderhaven, 2005). Harzing (1999) distinguishes between four categories of control and coordination mechanisms, personal centralised control, output control, bureaucratic formalised control and control by socialisation and networks. These mechanisms may be direct or indirect and personal or impersonal. Three of the four categories are associated with formal control, while control by socialisation and networks is linked to informal control. Noorderhaven (2005) suggests that the degree to which these control mechanisms are employed by MNCs hinges on a range of factors, such as organisation size or organisational macro structure. For instance, it seems unlikely that large firms would rely on personal centralised control. Hence, it is far more likely that MNCs emphasise bureaucratic formalised control. In praxis though, MNCs appear to employ more than one control mechanism to achieve internal consistency and the mechanisms should, therefore, be regarded as a complementary set of approaches rather than mutually exclusive categories (Harzing, 1999; in Noorderhaven, 2005).

While organisational structure and control models provide useful insights into how MNCs exercise their power, they fail to address the finer nuances of headquarter – subsidiary relationships. Ghoshal and Nohria (1993) outline four types of HQ – SBU relationships – structural uniformity, integrated variety, differentiated fit, and ad hoc variation. These vary according to the levels and patterns of differentiation of control mechanisms. Structural uniformity is associated with hierarchical and bureaucratic control. Differentiated fit denotes a relationship where the MNC uses different control mechanisms in different subsidiaries. This is also the case in the integrated variety, although the MNC will use a dominant integrative mechanism to align the relationships with the SBUs in this variety (Noorderhaven, 2005). Birkinshaw and Morrison (1995) identify three dissimilar subsidiary roles. Local implementers operate with a low level of autonomy, specialised contributors with a medium level of autonomy and world mandate subsidiaries with a high level of autonomy (Noorderhaven, 2005). While local implementers would be strongly influenced by isomorphic pressures, world mandate subsidiaries are globally integrated, although they would coordinate their own activities.

Ferner & Edwards (1995) provide a framework that analyses power relations in different types of MNCs and the manner in which these diverse structures affect the diffusion of employment practices. The various types of enterprises put forward in this model include financial control, integrated international company, decentralised global network and federal international firm. The key channels of influence in their framework comprise resource dependent power relations, which refer to the exercise of overt power resources, exchange relations, authority relations, and culture relations (see discussion above). Ferner & Edwards (1995) claim that in both the financial control enterprise as well as the integrated international enterprise the centre is the locus of control, while bottom up influence is strongest in the decentralised global and the international firm.

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Thus far, this literature review has highlighted that the transmission of employment practices in MNCs is subject to an intricate web of home and host country factors, macro and micro power relations as well as control and coordination mechanisms. Although these variables are dynamic and while any attempt to characterise a particular MNC at a particular point in time is rather similar to endeavouring to hit a moving target, a number of key themes regarding the diffusion of HR practices have emerged from the literature. The ensuing section of this literature review will provide a detailed discourse about the relevant issues surrounding the use of global HRIT and related practices.

### 2.7 Global Human Resource Information Technology

HRIT is by no means a recent phenomenon. The computerisation of HR data commenced in 1940s and 1950s with payroll and benefits processing (DeSanctis, 1986; Thite & Kavanagh, 2008). The emergence and prevalence of HRIT has been charted extensively throughout the literature (Ball, 2001; Burbach & Dundon, 2004; Kinnie & Arthurs, 1993). Successive consultancy reports and white papers, such as the CedarCrestone annual HR Systems Survey series (e.g. CedarCrestone, 2009), which is now in its 12<sup>th</sup> edition, or the CIPD People and Technology series (first published in 2003) (e.g. CIPD, 2004) also suggest a similar pattern. The most recent reports indicate that practically all large organisations employ some form of ERP / HRIS and that recent years have seen a shift towards HR outsourcing (including the use of HR Shared Services Centres), increased use of e-HRM, the proliferation of HR metrics and an expansion of talent management (CedarCrestone, 2007, 2009; E. Parry, et al., 2007). Thus, it could be argued that enterprises have shifted their focus towards IT supported knowledge acquisition and human resource information technology in recent years.

While standalone, off-the-shelf HRIS are available, most MNCs deploy HRIS as part of an Enterprise Resource Planning (ERP) system (Marler & Floyd, 2008). An ERP may be defined as an enterprise wide system, which fully integrates information from all functional areas in a business, for example finance, production, marketing and HRM. The obvious advantage of a central repository of company information is that key stakeholders can access and analyse this information to assist strategic decision-making. Furthermore, it can be argued that internal consistency is the key to maintaining a global HRIS (GHRIS), as any inconsistency in the data collected and analysed would render the generated information inaccurate and the system would, thus, have to be considered ineffective. In other words, the 'ideal' system would allow a Chief Executive Officer of an MNC to run data analyses on *all* of the operation's staff at a touch of a button.

Therefore, the data, categories and types of information collected throughout the MNC's subsidiaries ought to be identical. However, it may also be argued that the standardisation of GHRIT practices (Hannon, et al., 1996) is just as subject to the 'drivers for localisation' (Dowling, Festing, & Engle, 2007) as other HR practices such as recruitment or training are. At any given time, these localisation drivers provide a counter force to the drivers for standardisation and include, *inter alia*, national culture,

national institutions and national business systems as well as the sub-units themselves (Festing & Eidems, 2007). Regarding the operation of GHRIT, it consequently follows that MNCs must control and keep isomorphic pressures to a minimum. Other key drivers for the worldwide standardisation of HRM practices include organisation structure, culture and structure (Dowling et al., 2007). Hannon et al. (1996) report that the subsidiaries in their study developed HRIT applications independently from the HQs of the MNCs, which resulted in a host of incompatible systems and data. These inconsistencies also cause data integrity, data transfer and data security issues for the MNC (Hannon, et al., 1996). It may thus be argued that the functioning of GHRIT and its effectiveness will be compromised, should the drivers for localisation sufficiently impair data collection. Nonetheless, it ought to be noted that not all practices are shaped by the same isomorphic forces or shaped to the same extent by these pressures (Rosenzweig & Nohria, 1994). Moreover, isomorphic pressures are neither static nor do they follow a straight line (Ferner & Quintanilla, 1998).

Advocates of these technologies stress the potential for HRIT to add value to the organisation and to transform the HR function into a strategic business partner (Broderick & Boudreau, 1992; Gardner, Lepak, & Bartol, 2003; Lepak & Snell, 1998; Ulrich, 2000; Yeung, Brockbank, & Ulrich, 1994). In addition, Hendrickson (2003) suggests that the application of ICT in HR can lead to efficiency and effectiveness improvements in HR processes and enable HR processes. The strategic value of HRIT is demonstrated below.

### ***2.7.1 The Strategic Value of Human Resource Information Technology***

HRIT is capable of supporting all functional areas of HRM from recruitment to management development (Bedell, Caniff, & Wyrick, 2008; Burbach, 2008; Isenhour, 2008; Marler & Floyd, 2008; H. Williams, 2008). Thus, it seems that aside from the savings attained through the automation of routine activities, the advantage of HRIT is based on its potential to convert vast amounts of data into information, which could then be exploited to shape and assist strategic decision-making (Bussler & Davis, 2001; Lepak & Snell, 1998). A strategic business focus and added value could be achieved through rationalisation, improved service quality and customer focus; and flexibility in terms of programs, policies and procedures (Groe, Pyle, & Jamrong, 1996; Thite & Kavanagh, 2008; Yeung, et al., 1994). HR services could be improved by significantly reducing response times and by improving the overall quality, i.e. accuracy, relevance, and timeliness, of the information provided (Groe, et al., 1996; Hendrickson, 2003), while at the same time lowering the ratio of HR generalists to employees and releasing HR personnel to attend to more value added strategic duties (Gardner, et al., 2003; Lepak & Snell, 1998; Yeung, et al., 1994). It has been suggested that providing HR services from a central location via a so-called Human Resource Shared Services Centre could attain many of these gains (Farndale & Paauwe, 2008; Farndale, Paauwe, & Hoeksema, 2009; Maatman, Bondarouk, & Looise, 2010). Broderick and Boudreau (1992) emphasise that cost savings result from reorganising and automating routine activities and subsequent economies of scale. Similarly, Thite and Kavanagh (2008)

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maintain that HRIT has the potential to reduce HR time spent on transactional activities (e.g. payroll and pensions) and to free up time to focus on traditional HR activities (e.g. planning, recruitment and selection), which can be of strategic value to the organisation, and on transformational activities (e.g. cultural and organisational change), which may add value to the firm. This categorisation is akin to Lepak and Snell's (1998) operational, relational, and transformational types of technology use. Martin, Reddington and Alexander (2008b) on the other hand list transactional and transformational goals as the strategic drivers for HRIT introduction.

**Table 2.2. HRIT Classification Summary**

Three Levels of Management (Anthony, 1988)	operational	managerial	strategic		
<b>Classifications of HRIT Applications in the Literature</b>					
Zuboff (1988) (ICT applications in general)	‘automating’	‘informating’	‘transformating’		
Kavanagh et al. (1990)	electronic processing	data management information systems	decision support systems (DSS)		
Lepak and Snell (1998)	operational	relational	transformational		
Thite and Kavanagh (Thite & Kavanagh, 2008)	transactional	traditional	transformational		
Broderick and Boudreau (1992)	transaction processing	expert advice	decision support		
Beckers and Bsat (2002)	MIS	DSS	Group DSS	Expert Systems (ES)	Artificial Intelligence
Martinsons (1994)	unsophisticated		sophisticated		

**Source:** Developed from Burbach and Dundon (2008)

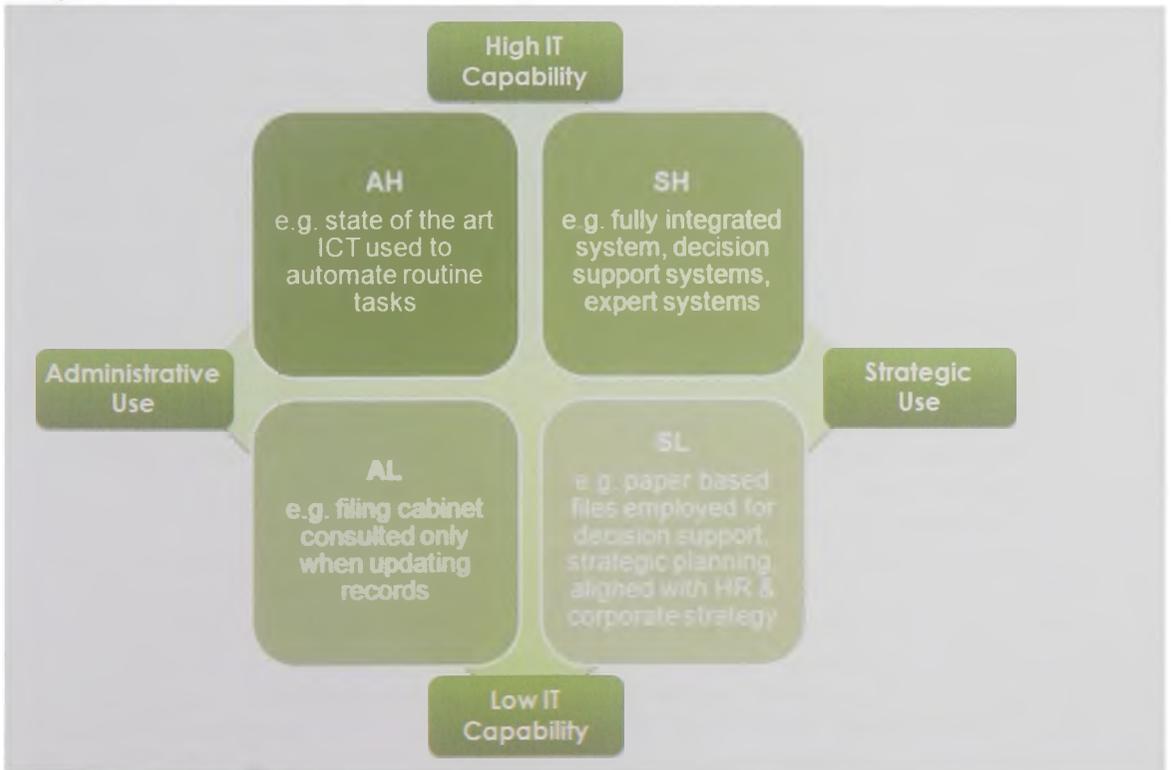
A range of qualifications of HRIT utilisation is summarised in Table 2.2. It is evident that, in general, these classifications are congruent and that three main uses of HRIT emerge – transactional, relational and transformational. However, Minneman (1996) stresses that an overemphasis on cost savings (transactional use) may detract from the intangible benefits gained. He (Minneman, 1996) also argues that it is virtually impossible to achieve enough administrative savings to justify the costs of a HRIS.

An additional way for ICT to add value to the HR function is by paving the way for devolving HR activities to line management and employees. However, line manager acceptance of HRIT is related to the extent to which technology meets their expectations and the perceived level of congruence with corporate strategy (Guiderdoni-Jourdain &

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Oiry, 2009). Line manager usage of HRIT in practice appears comparatively low. The literature reports ratios of one in three (Kinnie & Arthurs, 1996) or even one in six (Burbach & Dundon, 2005b). Nonetheless, developments in ICT have acted as a catalyst for a gradual change in the nature of HR work from labour intensive to technology intensive (Florkowski & Olivias-Lujan, 2006), which have the potential to alter fundamentally the role of the HR manager (Gardner, et al., 2003). Employees could be provided with access to HRIT through a HR self-service facility in the system and self-service kiosks on the shop floor. Ulrich (2000) avers that the introduction of e-HRM and HR self-service holds one of the keys to turning HR into strategic business partner (e-HRM is discussed as a separate issue below). It has been argued that the use of ICT may increase the efficiency and effectiveness of HR and may even give rise to activities that could not have been carried out prior to the introduction of ICT, for instance e-learning or e-recruitment (Hendrickson, 2003). Furthermore, the use of HRIT may have a positive effect on the reputation of an organisation (G. Martin, et al., 2008b). Burbach and Dundon (2008) contend that the manner in which, and the purposes for which, HRIT is utilised are key factors in an organisation's IT capability (see Figure 2.3).

**Figure 2.3: HRIT Utilisation Matrix**



**Source:** Burbach (2003) and Burbach and Dundon (2008)

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Similarly, Hannon et al. (1996) indicate that the more sophisticated HRIS were employed by high technology companies. Results from a large scale survey carried out by Burbach (2003) in Ireland evince that most organisations could be expected to reside in the quadrant labelled AH. This is underscored by Ruël et al.'s (2004a) assertion that organisations put too much emphasis on developing their IT infrastructure instead of developing e-HRM. E-HRM as a concept is debated next.

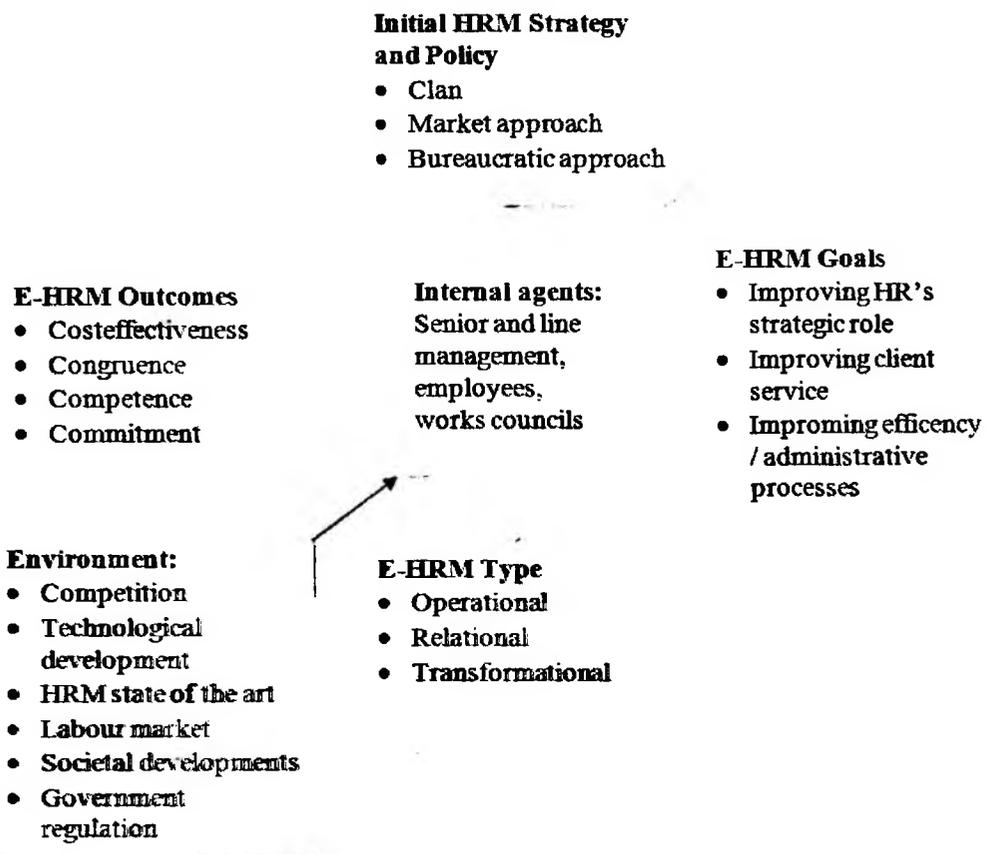
### 2.7.2 E-HRM

Various authors have argued for some time that HR departments ought to capitalise fully on the rapid developments in information technology (Beatty, Montagno, & Montgomery, 1985; L. A. Hall & Torrington, 1986; Hyde & Shafritz, 1977; Richards-Carpenter, 1986; Wilkens, 1973; Willie & Hammond, 1981). Terminology that emerged from these debates includes 'Virtual HR', 'Just-In-Time HR' or 'HR on demand' (Broderick & Boudreau, 1992; Lepak & Snell, 1998). Groe et al. (1996, p. 59) claim that 'going online is fundamentally changing the way HR functions operate'. A rapidly expanding body of literature examines the extension of HRIT through internet technology. The idioms that are commonly used to refer to this phenomenon are e-HR, e-HRM or e-enabled HR. E-HRM is essentially an expansion of the terms e-business or e-commerce (Karakanian, 2000; Ulrich, 2000). Thus, e-HRM may be broadly defined as the delivery of HR services via the World Wide Web, Intranets, and Internet (Ruël, et al., 2004b; Walker, 2001b). Ruël, Bondarouk and Jan Kees (2004a) assert that three elementary differences exist between HRIS and e-HRM. First, HRIS refers to an actual system, whereas e-HRM pertains to the *concept* or *mindset* of executing HR strategies, practices and services over the Internet. Second, it denotes the transition of HR automation (through the use of HRIS) to the provision of HR information. Third, the target group of HRIS is situated within the HR department, while e-HR centres on HR service provision to other stakeholders external to the HR department via an intranet. These stakeholders comprise senior executives, senior managers, line managers, IT managers, technicians, finance managers, employees and government officials (Kavanagh, et al., 1990). Unlike, HRIS, which are predominantly used by large organisations (Ball, 2001; Burbach & Dundon, 2005b), e-HR is more accessible to organisations of all sizes, due to rapid developments in information technology (e.g. cloud computing, Web 2.0), especially open source software. Indeed, a search on a popular search engine indicates that there are a number of 'free' web-based HRIS available. Similar to the use of HRIS, the goals for the introduction of e-HRM entail improvements in accuracy, efficiency, HR service provision, globalisation, standardisation, effectiveness, and costs as well as the attainment of strategic HR objectives (Bondarouk & Ruël, 2009; Lepak & Snell, 1998; Marler, 2009; Ruël, Bondarouk, & Van der Velde, 2007). As e-HRM may be viewed as an extension of HRIS, it becomes self-evident that e-HRM also has the capabilities to support any HR function (Ensher, Nielson, & Grant-Vallone, 2002). Ruël et al. (2004) aver that e-HRM is particularly suited to knowledge intensive and network organisations.

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E-HRM goals, e-HRM outcomes and e-HRM types are portrayed in Figure 2.4. Ruël et al.'s (2004) e-HRM outcomes are founded on Beer, Spector, Lawrence, Mills and Walton's (1984) Harvard model of HRM. The e-HRM model implicates the external 'environment' as a potential source of influence, although this is not investigated by Ruël et al.'s (2004) research into five large multinationals located in the Netherlands. However, the model does highlight that e-HRM outcomes are mediated by a number of factors and that these outcomes are not necessarily congruent with intended e-HRM goals. It may also be argued that e-HRM, as a concept, is also more suited to a global enterprise, as the use of the internet as a platform allows continuous anytime/anyplace communication and interaction between individual employees and corporate (Ruël, et al., 2004a), between the subsidiaries and between subsidiaries and corporate.

**Figure 2.4: E-HRM Model**



Source: Ruël et al. (2004b, p. 370)

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Various attempts have been made to classify the different applications of e-HRM. Corbridge and Pilbeam (1998) list three levels of e-HR from basic, intermediate to top-level applications. At the basic level, e-HRM furnishes employee access to basic HR administration, which, in theory, may leave employees feel more empowered. In any case, granting employees access to HR-related information in this manner may address certain stipulations in the most recent European data protection legislation, which include a right of employees to view their personnel files on demand. At the intermediate level, e-HRM can provide senior and line management with information and services in specialist HR areas, for example training and development and performance management. Finally, top-level e-HRM is designed to supply information that supports strategic decision-making. This final category is comparable with the level of expert systems in Beckers and Bsat's (2002) decision support system (DSS) classification model, which assesses whether HRIS can furnish organisations with a competitive advantage. The five levels of assessment in this model consist of Management Information Systems, DSS, Group DSS, Expert Systems or Artificial Neural Networks (Artificial Intelligence) (see Table 2.2).

In recent years, the e-HRM nomenclature seems to have replaced the term HRIS, even though the two concepts are very different, as the above discussion has demonstrated. Another application of HRIT that has been receiving an increasing amount of interest in the practitioner-based literature (but less so in the academic literature) are talent management systems (TMS). Talent management as a concept is introduced in the following section.

### 2.7.3 Talent Management Systems

Increasingly, large MNCs roll out computerised talent management systems (TMS) to support their quest for talent. The plethora of systems represented on a widely used practitioner website such as *workforce.com* mirrors the popularity of these systems. The majority of companies in the Watson Wyatt 2009 HR Technology Trends Survey intend to invest more in TMS in the next two years. While almost half of these companies plan to incorporate TMS in their ERP system, more than a quarter of organisations will opt for a dedicated TMS (Watson Wyatt Worldwide, 2009). The world's leading enterprise resource planning system (ERP) developers, such as SAP or Oracle, readily incorporate talent management systems as part of their overall packages. TMS are frequently incorporated into, and used alongside or as part of, GHRIT (Burbach, 2008; H. Williams, 2008), which in turn can form part of an ERP. TMS can be used for a variety of purposes, for instance to coordinate training and development activities (Burbach, 2008), to inform HR planning (H. Williams, 2008) or to feed into performance management systems (Case & Hoell, 2009). The relative importance of these TMS in managing talent has been highlighted in a number of publications (L. A. Berger & Berger, 2003; Blass, 2007, 2009; Frank & Taylor, 2004). While Lewis and Heckman (2006) agree that TMS offer significant advantages in taking stock of organisational talent, they caution that TMS cannot show firms *how* to manage talent. The key to using a TMS, computerised or otherwise, it appears, is its alignment with an

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organisation's human resources and competitive strategy (Cohn, Khurana, & Reeves, 2005; Gakovic & Yardley, 2007; Heinen & O'Neill, 2004). The talent management process has been characterised in the literature in a number of ways. For instance, Galagan (2008, p. 41) contends that:

*Talent management as a corporate area of focus has been building steadily. Like a fast-approaching car, the closer it gets the more of it we are able to see clearly, despite the fact that there is no real roadmap and no single individual or group behind the wheel.*

This quote underscores a number of pertinent issues surrounding talent management (TM). First, talent management as a process has been practiced by organisations for a considerable amount of time, albeit in various reincarnations (Galagan, 2008). Indeed, Patton (1967), predicted that by the year 1975 the competition for talent would reach its zenith. In a similar vein, Capelli (2008b) contends that various forms of TM practices, such as trainee management schemes, forced-ranking systems, 360-feedback, executive coaching or assessment centres, had been developed in the 1940s and 1950s to create large pools of organisational talent. However, subsequent economic downturns and an associated loosening of the labour market made these practices redundant. Thus, it may be argued that the (re)emergence of TM is in fact part of a cyclical process (Cappelli, 2008b).

Second, the concept itself seems to be ill-defined (Lewis & Heckman, 2006; Tansley, Harris, Stewart, & Turner, 2006). In their review of the TM literature, Lewis and Heckman (2006) contend that definitions of TM fall into one of three broad categories. The first of these groups views TM as a combination of standard human resource management practices such as recruitment, selection and career development. The second cluster of definitions concentrates predominately on the creation of a large talent pool, ensuring the qualitative and quantitative flow of employees through the organisation – a view that is akin to the principles of succession or human resource planning. The final category regards talent in more general terms, whereby it is either viewed 'as an unqualified good and a resource to be managed primarily in line with and according to performance levels' or 'as an undifferentiated good' based on a demographic necessity to manage talent (Lewis & Heckman, 2006, p. 141). Berger and Berger (2003) avow that 'proactive' talent management ought to be based upon the identification, selection and nurturing of key performers, the sourcing, development and allocation of replacements for key personnel, and the allocation of resources to key talent contingent on their potential value to the firm. The fragmented nature of TM is also evinced by BNET's (Talent Management, 2010) definition of talent management:

*... the recruitment, selection, identification, retention, management, and development of personnel considered having the potential for high performance. Talent management is a model of personnel management. It focuses on the skills and abilities of the individual and on his or her potential for promotion to senior management roles. It also assesses how much of a contribution the individual can make to the success of the organisation.*

This definition would fit into both the first and second categories of definitions identified by Lewis and Heckman (2006). Even if we were to concur on a definition of

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talent and talent management, organisations would still need to isolate the key characteristics of talent as it is germane to their circumstances, what processes they ought to employ to identify talent, whether they should ‘make or buy’ talent, or whether they should adopt an ‘exclusive’ or an ‘inclusive’ approach to identifying talent, in other words whether firms should merely focus on developing managerial talent or whether the focus should be on *all* potential talent at the disposal of the organisation (Burbach and Royle, 2010).

Third, the need for, and rate of, talent management appear to be accelerating, as firms purport to find it increasingly more complex to source skilled labour (Axelrod, Handfield-Jones, & Welsh, 2001; Frank & Taylor, 2004; Lawler III & Mohrman, 2003). Whilst recessionary trends in the world economy and an associated loose labour market may evidently ease the pressure on firms to manage talent, the potential pool of highly skilled managerial talent remains limited.

Fourth, there exists a palpable dearth of published *academic* debate on this issue, even though there has been a burgeoning interest in the practitioner-focused literature and consultancy reports in this area (see for example Fegley, 2006; PWC, 2006). Lewis and Heckman (2006) report that, in 2005, an Internet search on the phrase ‘talent management HR’ rendered 2.7 million hits. A search on a popular electronic journal database in 2009 using the same terminology yielded far fewer results – 914 to be precise. The figure for peer reviewed journal articles on this issue is considerably less as this figure includes a vast number of practitioner-focused publications. Notwithstanding the scarcity of academic research in this area, business leaders appear to view TM as one of their key priorities in the coming years (CIPD, 2006; SHRM, 2006)

Finally, an *empirically* tested model of talent management is required to provide guidance on the process of TM to both practitioners as well as academics. One of the models that is yet to be underpinned by research is Cappelli’s (Cappelli, 2008a) ‘Talent on Demand Framework’, which is based upon a supply chain management outlook of TM and incorporates four principles. The first of these principles suggests that organisations ought to weigh up ‘make’ or ‘buy’ decisions regarding TM. The second principle focuses on reducing uncertainty in talent demand. The third centres on earning a return on investment in TM. The final principle concentrates on creating an internal labour market. Stevens (2008) suggests that the rules of Six Sigma / Total Quality Management should be applied to TM to increase its effectiveness. Boudreau and Ramstad (2005b) advocate what they term the ‘Decision Science of Talentship’. They argue that decision support systems similar to those utilised in finance and marketing should be employed to identify talent in organisations. Blass (2009) identifies eighteen dimensions along which case study organisations make decisions regarding talent. He groups these dimensions into two categories. The first group relates to how organisations define and identify talent. The latter group pertains to how organisations develop talent. Ready, Hill and Conger (2008, p. 64) advocate a ‘framework for attracting and retaining talent’, which entails a solid company brand, guiding purpose, talent-centred culture and development opportunities for the employee.

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Irrespective of the specific application of GHRIT, for instance HRIS, e-HRM or TMS, one of the key themes emerging in the literature is the alleged transformation of the HR function using these technologies into a strategic business partner. However, there exists reasonable doubt about whether organisations are actually able to capitalise on the information and transformation potential of their HRIT and many organisations appear to employ technology for transactional and relational activities (Ball, 2001; Burbach & Dundon, 2005b; Groe, et al., 1996; Ruël, et al., 2004b). The CedarCrestone (2007) HR technology survey indicates that in 86% of organisations' HRIT use did not lead to improved decision-making.

Early sections of this chapter have emphasised institutional factors at the macro level, which impinge upon the transfer of HR and, as is argued here, also GHRIT practices. In addition, the HRIT, e-HRM, ERP and information systems (IS) literatures suggest a range of micro level factors including *inter alia*, resistance to change, lack of stakeholder information, consultation, participation and involvement and related end-user acceptance that may result in the underutilisation of HRIT (cf. Wilkens, 1973; DeSanctis, 1986; Kavanagh et al., 1990; Kinnie and Arthurs, 1996; Tansley et al., 2001; Burbach and Dundon, 2005). Other factors entail contentment with the status quo, reluctance of HR managers to share HR information with other stakeholders, lack of IT skills among HR practitioners, size of the organisation and/or the existence of a HR department (Burbach & Dundon, 2005b). These issues will now be illuminated in greater detail. This section will draw on the broader ERP and IS literature to obtain an enhanced comprehension of the key factors surrounding the transfusion of technology.

### **2.7.4 GHRIT Implementation Success Factors**

The key success factors for ERP implementation include ERP project team makeup, change management and culture, executive level support, supportive business strategy and vision, business process re-engineering, project management, monitoring and evaluation of implementation, effective communication, advance testing and troubleshooting of system, use of project champions and compatible IT legacy systems (see for example Al-Mashari, Ghani, & Al-Rashid, 2006; Bradley, 2008; Holland & Light, 1999; Hong & Kim, 2002; Nah & Delgado, 2006; Nah, Lau, & Kuang, 2001; Ngai, Law, & Wat, 2008; Plant & Willcocks, 2007; Sherry & Martin, 2007). Moreover, information, service, and system quality are positively related to ERP implementation success (Chien & Tsaur, 2007). A further issue that has received notable attention in the ERP, IS and IT literature is the significance of strategic alignment of (HR) IT and business strategy (Bondarouk & Looise, 2009; Chen, Sun, Helms, & Jih, 2008; Fedorowicz, Gelinas Jr, Gogan, & Williams, 2009; Hong & Kim, 2002; Staudinger, Ostermann, & Staudinger, 2009). In other words, the extent to which an organisation's IT strategy supports a firm's business strategy ought to be maximised to ensure IT success. However, this strategic alignment should be viewed as a continuous effort rather than a once off event (Wonseok Oh & Alain Pinsonneault, 2007). Moreover, Hanseth, Ciborra, and Braa (2001) opine that organisations often sacrifice strategic alignment in favour of globalisation, which could jeopardise the efficiency and

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acceptance of an ERP. Notwithstanding these success factors, the literature accentuates the importance of people related issues in ERP (and therefore also GHRIT) implementation (Rizzuto & Reeves, 2007). Additionally, organisational citizenship behaviour can be associated with ERP system success (Yoon, 2009). In fact, Lengnick-Hall, Lengnick-Hall and Abdinnour-Helm advocate that ERPs should be viewed:

*... as an enabling technology to build and augment social and intellectual capital, rather than as an information technology (IT) solution for organizational inefficiencies (2004, p. 307)*

Organisational (Coombs, Knights, & Wilmott, 1992; Lippert & Swiercz, 2005; Romm, Pliskin, & Weber, 1995; Stone-Romero, 2005) and national (Rao, 2009; Sheu, Chae, & Yang, 2004; Sheu, Yen, & Krumwiede, 2003) cultural idiosyncrasies embody a noteworthy supplementary factor in ERP (and HRIT) implementation and diffusion. In this context, Stone and Davis (2008) purport that the elements of change – comprising of strategy, systems, resources and culture – ought to be aligned with one another to ensure successful HRIT implementation. Martin and Huq (2007) allege that focussing on cultural and contextual factors may improve ERP implementation success. It has also been argued that organisations should engender an adaptive information culture that espouses both organisational and individual needs (Davenport, 1994; Miller & Cardy, 2000).

Notwithstanding these arguments, culture remains a factor in the implementation / diffusion process that ought to be addressed through effective change management. A range of publications have explored the key factors of successful change management (see for example Burnes, 2004; Burnes & James, 1995; Cummings & Worley, 2001; Doyle, Claydon, & Buchanan, 2000), albeit Burnes (1996) declares that there is no singular best approach to managing change. Many of these key success factors are related to the issues highlighted in Table 2.3. The ERP and ICT literature extensively highlight the importance of change management to technology success (see for instance Al-Mashari, Sairi, & Okazawa, 2006; Aladwani, 2001; Becerra-Fernandez, Murphy, & Elam, 2005; Harison & Boonstra, 2009; Motwani, Mirchandani, Madan, & Gunasekaran, 2002; Sherer, Kohli, & Baron, 2003). All three business process transfer models have flagged compatibility and organisational fit as key issues in the diffusion of organisational practices. The ERP and IS bodies of literature also raise organisational fit and organisational readiness as significant aspects in ERP systems implementation success (Hong & Kim, 2002; Zhu, Li, Wang, & Chen, 2010).

Klein and Knight (2005) claim that almost 50% of innovation implementations fail. However, this is not owing to innovation failure, they claim, but due to implementation failure (Klein, Conn, & Sorra, 2001, p. 811). ICT system failure can have many reasons. Stone and Davis (2008) group these reasons into five categories (see Table 2.3). The first of these relates to the lack of top management support and leadership (see also Klein, et al., 2001). The second pertains to poor planning in terms of staffing, budgeting, vision and scope. The third issue is associated with poor change management skills in particular the inability to address cultural change and to overcome resistance to change. The fourth category focuses on poor communication with

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stakeholders. Finally, adequate and continuous training appear to be another key stumbling block. Similarly, Sarker and Lee (2003) assert that three 'social key enablers', including committed leadership, open and honest communication, and an empowered implementation team are the basic conditions of ERP implementation success. It may be argued that these categories also play a crucial role in the diffusion of GHRIT among the subsidiaries of MNCs.

### **Table 2.3 Reasons for HRIT Implementation Failures**

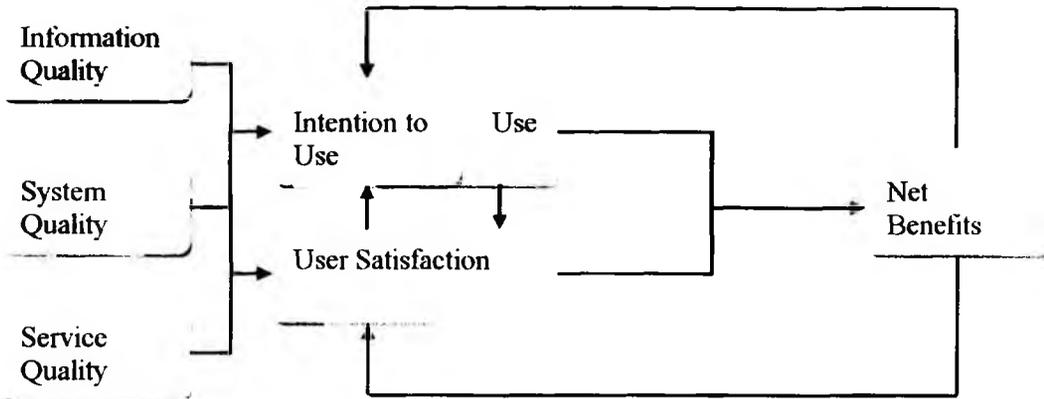
Table has been removed due to Copyright restrictions.

**Source:** Based on Stone and Davis (2008, p. 186)

While Table 2.3 above depicts the reasons for HRIT failures, Figure 2.5 models the key success factors for IS implementation. The D&M Information System Success Model (W. H. DeLone & E. R. McLean, 2003), originally developed in 1992 (W. H. DeLone & McLean, 1992) and reconfigured ten years later, illustrates that user satisfaction and thus individual and organisational outcomes are a factor of information quality, system quality and service quality. Another individual factor and seemingly

critical issue in ERP, ICT, and / or HRIT implementation that is also associated with user satisfaction is user acceptance.

**Figure 2.5 D&M Information System Success Model**



**Source:** DeLone and McLean (1992:87)

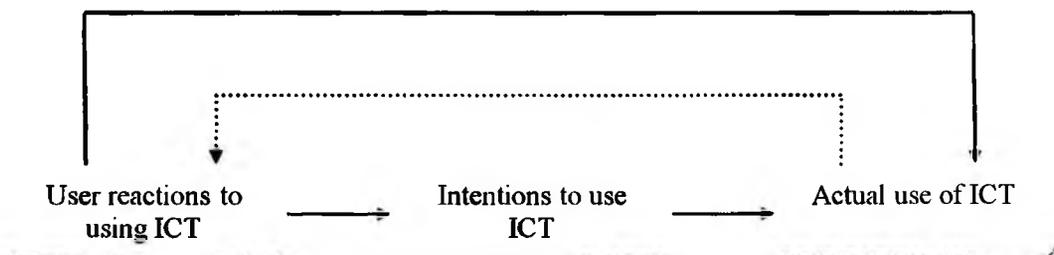
Reprinted by permission, W. DeLone and E. McLean, *Information Systems Success: The Quest for the Dependent Variable*. *Information Systems Research*, 3(1), 1992, p. 87. Copyright 1992, Institute for Operations Research and the Management Sciences, 7240 Parkway Drive, Suite 300, Hanover, Maryland 21076 USA.

Stone and Davis (2008) claim that the acceptance of new technology and processes by employees equates to project success, even though the concerns of HRIT users seem to be frequently disregarded in the implementation process (Ruta, 2005). User acceptance, in particular end-user attitudes towards the system and ‘symbolic adoption’ (users’ deliberate psychological acceptance of a system), hinges on the perceived expediency, perceived ease of use, perceived congruity, and perceived fit with existing technology of the (ERP) system (Nah, Tan, & Teh, 2004, p. 32). The distinction between the intention to use an IS and its actual use, which may be attributable to user acceptance, is also made in Figure 2.5. The level of user acceptance may also account for the transfer success and different levels of diffusion of GHRIT practices expounded above. End-user perceptions of a system may be enhanced by allocating an appropriate level of resources to implementation and by clearly communicating the proposed fit and utility of the system in a language that end-users can comprehend (Youngberg, Olsen, & Hauser, 2009). Ruël et al. (2004a) affirm the significance of information and consultation, PC availability to, and PC skills of, end-users, an interface in the end-users’ native language, management support, security assurances, and changes in attitude as key factors in gaining user acceptance in e-HRM implementation. Amoako-Gyampay and Salam (2004) suggest that communication and training was positively related to user acceptance in their research. Stone and her colleagues (D. L. Stone & Lukaszewski, 2009; D. L. Stone, et al., 2006) purport that

personalised messages, rich information and two-way communication of an e-HRM system can improve its acceptance and effectiveness.

The IS and ERP literatures propose a whole range of models to explain user acceptance. A simple model of user acceptance is depicted in Figure 2.6. The model shows that the reactions of potential users of HRIT to the system may affect their intentions to use the system and ultimately their actual use of the system. In other words, poor user reactions will translate into poor usage. One of the most widely cited models and theories of user acceptance, which itself is based on eight explanatory models, is the Unified Theory of Acceptance and Use of Technology (UTAUT) model by Venkatesh, Morris, Davis, and Davis (2003). The UTAUT holds that user acceptance is actuated by four core determinants – performance expectancy, effort expectancy, social influence and facilitating conditions. Performance expectancy pertains to the extent to which users deem the system instrumental in improving job performance. Effort expectancy is related to the usability of the technology. Social influence is associated with how other organisational actors view the system. Facilitating conditions appertain to the system support infrastructure. These four determinants constitute what Figure 2.6 refers to as user reactions and will therefore either positively or negatively affect intention and actual use of the system. In other words, the assumed utility and ease of use of a system are conducive to the intention to use the system (Amoako-Gyampah & Salam, 2004).

**Figure 2.6 Basic User Acceptance Model**



**Source:** Venkatesh, Morris, Davis, and Davis (2003, p. 447) and Stone and Davis (2008, p. 198)

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The dichotomy between organisational and individual goals, intentions, values and resources is also reflected in Stone et al.'s (D. L. Stone, et al., 2006) model of the factors mitigating the performance and effectiveness of an e-HRM system. The model highlights that organisational e-HRM outcomes are mediated by a number of factors comprising individuals' attitudes, intentions and behaviours, the level of information flow provided by the system, users' perceived control over the system, the amount of social interaction built into the system, and system acceptance. Based upon Maslow's

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hierarchy of needs, Landles (1987) argues that ICT implementation ought to address all levels of individual needs from basic needs such as security to higher level needs such as social networking and self-esteem. Thus, user acceptance appears to represent a crucial factor in GHRIT transmission and application.

While ICT is frequently considered the key driver of organisational change, senior management habitually disregard the human side of information (Davenport, 1994; Demarie & Hitt, 2000). Lack of user acceptance, lack of stakeholder involvement and poor change management may also give rise to resistance to change in GHRIT implementation (Hong & Kim, 2002; Keebler & Rhodes, 2002; Legare, 1995; R. A. Stone & Davis, 2008). Resistance may also arise since organisations appear to fail to take account of how organisational actors garner, process and employ information (Davenport, 1994; Miller & Cardy, 2000). ICT implementation may spawn a variety of issues of both a technical and non-technical nature. However, the latter are evidently more problematic to iron out. Klein and Sorra (1996) pinpoint a number of individual responses and barriers to innovation implementation ranging from resistance and avoidance to compliance and commitment. Resistance to change may materialise in a number of ways and may transmute into some negative affects including low employee morale and productivity, sabotage, lack of motivation, absenteeism, high labour turnover, increase in grievance procedures and perhaps industrial action (Landles, 1987). Thus, lack of user acceptance may lead to resistance to change and vice versa. The end result is that expected outcomes will not translate into realised outcomes (see Figure 2.5).

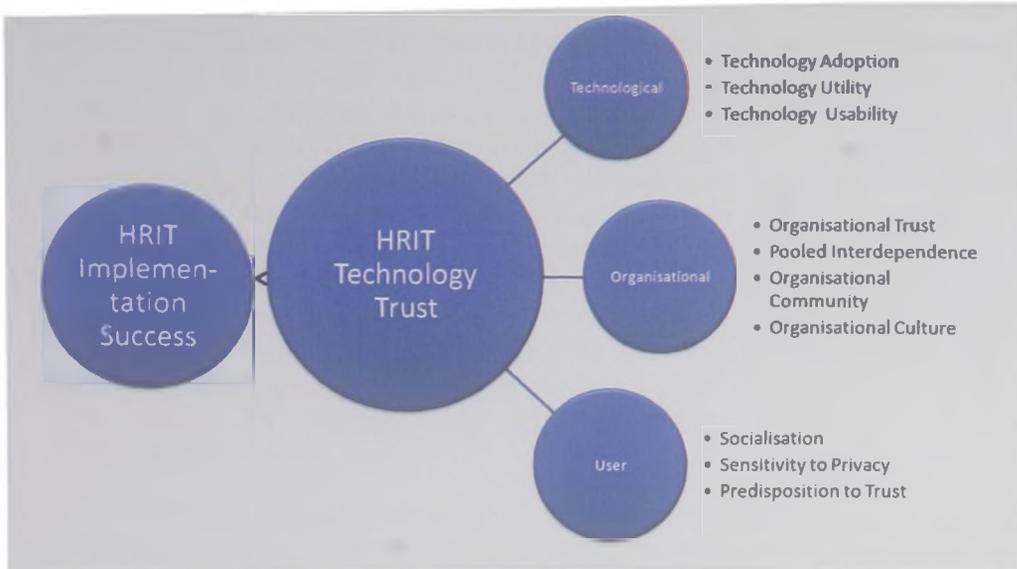
Auxiliary individual factors that may lead to resistance to change and may also prevent an organisation from reaching the full potential of its HRIT include privacy concerns and perceived levels of control, monitoring and surveillance that may result from the introduction of new technology (Coombs, et al., 1992; Davenport, 1994; Elliot & Tevavichulada, 1999; Findlay & Mckinlay, 2003; Miller & Cardy, 2000). Evidence exists to suggest that a large number of organisations utilise ICT to monitor and scrutinise their employees – over two thirds of firms in a study by the American Management Association stated that this was the case (Orthmann, 1998; in Stanton & Weiss, 2000). Perceived lack of privacy in the use of HRIT thus appears to be a critical issue (Hubbard, Forcht, & Thomas, 1998; Lippert & Swiercz, 2005; Stanton & Stam, 2003; G. S. Taylor & Davis, 1989). A study by Eddy, Stone, and Stone-Romero (1999) evinces that staff feel that companies ought to have policies in place that control the gathering, storing and sharing of personal information, even though two-thirds of the firms in their study had no such policy in place. Moreover, there appears to be a significant difference between what employees adjudge to be their right to privacy and what organisations deem to be just business concerns (Culnan, Smith, & Bies, 1994; in Eddy, et al., 1999). The use of electronic monitoring systems, for instance, can lead to a breakdown of trust, increased stress levels for employees and decreased productivity (Aiello, 1993; Aiello & Kolb, 1995), while Yeung and Brockbank (1995) reported a significant decline in employee morale following the introduction of HR technology amongst employees in their case study organisations. To avert these pitfalls organisations ought to create a balance between social and technical sub-systems and respect social and technical needs through dialogue, communication, training, adapting

their organisational structures and by creating a culture that is responsive to change (Landles, 1987).

To capitalise on the apparent strategic potential of technology use for data mining purposes in the HR function stakeholder involvement in the implementation process (DeSanctis, 1986; Koopman & Batenburg, 2009; Martisons & Chong, 1999; Tansley, et al., 2001; Wilkens, 1973) and the agreement of a shared HRIT strategy between home and host country managers is also deemed crucial. However, research presented by Burbach and Dundon (2005b) has shown that merely one in ten organisations involve employees in the implementation phase. The research carried out by Hannon et al. (1996), on the other hand, did furnish evidence to suggest that organisations involved key stakeholders in GHRIT implementation, even though they found diverging expectations and interests among home and host country managers concerning the purpose of their GHRIT. The earlier discussion in this chapter has highlighted the privacy and data security concerns of employees. Thus, gaining the commitment and trust of employees appears to be instrumental in securing the success of IS (Li, Hess, & Valacich, 2008) and HRIS projects (Lippert & Swiercz, 2005). Lippert and Swiercz (2005) argue that issues such as organisational trust and the predisposition to trust, the interdependence of organisational actors, organisational culture, technology utility and usability, socialisation, and sensitivity to privacy all impact on the individual's level of trust in HRIT (see Figure 2.7). Similar to institutional theory, which highlights trust as a critical issue in HR practice transfer (see relational context / intra-organisational social capital) (Björkman & Lervik, 2007; Kostova, 1999), trust in the shape of trust in the technology itself, trust in the organisation and individual trust also appear to be significant elements in user acceptance and HRIT success (Lippert & Swiercz, 2005). The ERP and IS literatures similarly implicate trust as a key issue in technology implementation (Gefen, 2002, 2004; Li, et al., 2008; J. E. Scott & Kaindl, 2000).

This section established that a number of key issues can have a significant impact on system success. While it may be argued that these factors could have an impact on the transfer success of GHRIT practices, the studies upon which the discussion by the relevant authors were based did not focus specifically on the diffusion of GHRIT practices. The evidence pertaining to factors mediating the transmission and implementation of GHRIT will be reviewed below.

**Figure 2.7: Model of HRIT Trust**



Source: Lippert and Swiercz (2005, p. 345)

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## 2.8 Factors Mediating the Transfer and Diffusion of GHRIT

The above discussion has vividly illustrated the multifarious nature of factors that mitigate against the transfer of HR practices across the subsidiaries of MNCs. A review of the literature highlights a distinct lack of explanatory models for the implementation of HRIT (G. Martin, et al., 2008b). Most of these models fail to address the relative importance of *contextual* factors on system utilisation. Figures 2.4 and 2.8 represent two models that *do* take account of these factors. Extraneous issues that are listed comprise national and organisational culture, societal effects, labour markets and government regulations. However, the authors of these models fail to explicate the precise nature and importance of these factors, particularly in an international comparative context (Ruël, et al., 2004b; Strohmeier, 2007; Thite & Kavanagh, 2008). A review of the literature on GHRIS, GHRIT, e-HRM, TMS could not ascertain the existence of any theoretical model that could explicate the factors involved in the diffusion of HRIT across the subsidiaries of MNCs. Limited evidence exists that suggests that contextual factors in the institutional environment impact on ERP implementation and there is a preponderance of studies which focus on cultural issues or organisational fit (Ioannou & Papadoyiannis, 2004; Kinra & Kotzab, 2008; H. H. Teo, Wei, & Benbasat, 2003; Yusuf, Gunasekaran, & Abthorpe, 2004; Zhang & Dhaliwal, 2009). Benders, Batenburg and van der Blonk (2006) investigate isomorphic pressures in ERP implementation and identify coercive and technical isomorphism as key influences. In the HRIT literature, merely Harris, Hoyer and Lievens (2003) and Ruta (2005) refer to the cultural context of internet selection systems and HR portals respectively. Case study results from an analysis of e-HRM introduction in a European

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MNC in Finland evinced that micro-political factors play a key role in HRIT introduction (Smale & Heikkilä, 2009). In that study, the main areas of contention for organisational actors were the system design, the lack of clear HR policies and the use of English as common system language. The latter point is also raised in the ERP literature as an important factor. For instance, Kwahk and Ahn's (2010) research highlights that the localisation of an ERP can have a positive impact on users' intention to use the system. Hannon et al. (1996) maintain that some level of localisation of GHRIT will be inevitable to account for regional differences, that is, regional culture, customs and legislation, although they do argue that any amount of customisation will be detrimental to maintaining a standardised global HR system. Hannon et al.'s (1996) research into global HRIS provides very useful insights into the difficulties US MNCs encounter in their efforts to introduce GHRIT. However, the research stops short of assessing a broader range of institutional factors mediating diffusion of GHRIT (aside from culture and customs) and of differentiating between various levels of implementation success.

Albeit not directly related to the diffusion of GHRIT practices, this discussion has demonstrated that a range of other factors, including user acceptance, technology trust and privacy and security concerns, may also impinge on the GHRIT configuration in MNCs. However, this literature review has also revealed the limitations of existing research studies apropos the factors mediating the transfer of GHRIT across the subsidiaries of an MNC. The next section will outline these limitations.

### 2.9 Limitations of Existing Research

Given the widespread and well documented use of HRIT and its various applications, e-HRM, TMS and HRIS in large MNC, it is somewhat surprising that the 'mainstream' literature on international HRM and the transfer of HR practices in MNC has to date neglected and excluded HRIT practices from any discussions. Performance management, talent management, employment relations, reward management, recruitment and selection or training and development frequently feature in research studies as examples of HR practice transfer in subsidiaries; the electronic equivalents of these activities, which actually enable and inform these activities in a global environment, *do not*. As a consequence of this lack of research, one can only assume that GHRIT practices are subject to the same institutional factors as other HR practices, even though the GHRIT, ERP and IS debates intimate that additional factors, particularly at the individual, level play a role in diffusion. This research aims to address this oversight.

The application of HRIT is a comparatively new field of research (for example vis-à-vis the information systems or HR areas of academic endeavour), which has been rapidly expanding in recent years. Much of the literature surrounding HRIT applications has a distinct North American focus. This is perhaps the case because HRIT is most likely to be used in large enterprises (Burbach & Dundon, 2005b), which are frequently of US origin (Burbach, 2003). 139 of the top 500 MNC are

## Chapter Two: Literature Review

headquartered in the US (Fortune, 2010). Nonetheless, the body of literature investigating the use of HRIT in a European context is steadily widening. In addition, the preponderance of published literature is survey-based and focussed on serving the practitioner in the field (Cedar, 2003; CedarCrestone, 2007, 2009; CIPD, 2004; E. Parry, et al., 2007; Watson Wyatt Worldwide, 2007, 2009). In his comprehensive review of research into e-HRM, Strohmeier (2007) outlines that a variety of methodological approaches are utilised to investigate the use of e-HRM. The survey approach features in more than a third of studies he reviews. Case studies and experimental methodologies are employed by a quarter of these studies. Other methodologies used include action research, prototyping, and content analysis. He also suggests that most studies were exploratory in nature (Strohmeier, 2007). However, it appears that there exists a lack of case study research in an international and comparative context of GHRIT utilisation with the exception of Ruta (2005), who investigates the implementation of HR portals in MNC subsidiaries and Ruël et al. (2004a, 2004b), who focus on the use of e-HRM in five large companies. Institutional factors, diffusion, and degrees of implementation success either do not feature or only feature tangentially. Therefore, this doctoral study will employ an international comparative case study to explore GHRIT diffusion in subsidiaries of a US MNC.

Strohmeier (2007) also stresses that almost all of the research (except Ruël's study) hones in on specific aspects of GHRIT utilisation, such as e-recruitment systems, e-learning or employee self-service. Thus, a need to explore the broader 'context, configuration and consequences' of e-HRM utilisation emerges (Strohmeier, 2007, p. 23). As the previous section has highlighted, additional research is required to ascertain the factors in the institutional context of both the MNC and the subsidiaries, which may impact on the diffusion of GHRIT practices. Since GHRIT supports and enables virtually every HR process, GHRIT practices ought to be considered along the same vein as the HR practices it underpins. Moreover, previous investigations have to date failed to address the nature and complexity of the global (institutional) HRIT environment and the different levels of transfer success of GHRIT practices in an international context. Furthermore, the above literature review has revealed a lack of published research into the diffusion of GHRIT practices in a single MNC, albeit that a number of studies do examine the diffusion of GHRIT in particular countries or regions (Ball, 2001; Burbach, 2003; Burbach & Dundon, 2005b; Florkowski & Olivás-Lujan, 2006; Keim & Weitzel, 2009; Lau & Hooper, 2009; Nøhr, et al., 2005; Olivás-Luján & Florkowski, 2009; T. S. H. Teo, et al., 2007). Moreover, this literature review has given prominence to the absence of a theoretical model that takes account of the intricate context within which GHRIT practice transfer occurs within an MNC. For the most part, the HRIT debate focuses on organisational and individual factors. Nonetheless, it fails to acknowledge the broader implications of the interaction of different actors and different institutions that mediate the application of GHRIT. Existing HRIT models discern the differences that exist between desired and actual HRIT outcomes. However, they fail to provide sufficient insights into why the information potential of HRIT is rarely attained. Using the theoretical model outlined below this research aims to address these issues.

## Chapter Two: Literature Review

It has also been argued that GHRIT utilisation (including e-HRM, TMS, and HRIS) is insufficiently theorised. Strohmeier (2007) urges that e-HRM research could benefit from a prominent or all-encompassing theory, although some authors have suggested that greater benefit could be derived from marrying different theoretical approaches to account for the shortfalls in the respective approaches (see for example Tempel & Walgenbach, 2007). Strohmeier (2007) suggests the use of micro-level and macro-level theories or theories used in IS research. A number of authors have employed different approaches to theorise about GHRIT applications, for instance the structuration theory (Avolio, Kahai, & Dodge, 2000; Foster, 2009), innovation diffusion theory (Lau & Hooper, 2009), user acceptance theories (Ruta, 2005; D. L. Stone & Lukaszewski, 2009; D. L. Stone, et al., 2006; Stone-Romero, 2005), a social exchange perspective (Stanton & Stam, 2003), or systems theory (Mayfield, Mayfield, & Lunce, 2003). In addition, Strohmeier's (2007) review finds studies based on change management theory, organisational citizenship behaviour theory, signalling theory, procedural justice theory and learning theory among others. This research will employ institutional theory, one of the macro-theories (beside transaction cost theory and the resource based theory of the firm) suggested by Strohmeier (2007). Notwithstanding the choice of institutional theory, the researcher is cognisant of the shortcomings of the institutionalist approach and the value of other theoretical paradigms in exploring the complex nature of the phenomenon under investigation. Orlikowski and Barley (2001) advocate that the use of technology is a socio-technical phenomenon, which should be investigated using an amalgamation of institutional and information systems theories.

### 2.10 GHRIT Practice Diffusion Model

The central aim of this doctoral research is to explore the factors that impact on, and lead to, the diffusion, in other words, the successful transfer of GHRIT practices across the subsidiaries of an MNC. Institutional theory has provided the rationale for the discourse on the transmission of HR practices, and therefore also GHRIT practices, and a number of authors have stressed the differences between ceremonial adaptation, successful integration and institutionalisation of these practices. The literature review above has also shown that it would not be sufficient to focus on a single institutional influence to explain the phenomenon of GHRIT practice transfer. Instead, this research aims to ascertain which institutional factors and actors in which institutional contexts may influence the transfer of practices. A review of the HRIT and ERP / IS literature has revealed a number of additional factors at the individual user level that may mediate the dissemination of GHRIT. The model shown in Figure 2.9 integrates Liu's (2004), Kostova's (1999) and Björkman & Lervik's (Björkman & Lervik, 2007) transfer models. These are married with building blocks derived from e-HRM models by Ruël et al. (2004) and Martin et al. (2008). The model accentuates that corporate GHRIT strategy as well as the actual transfer process to the subsidiaries may be affected by the social, relational and organisational context (Kostova, 1999) of the home and respective host country institutional environments. In addition, the model illustrates that a difference between GHRIT and actual GHRIT outcomes can be expected (Ruël, et al., 2004a). Moreover, the model demonstrates that GHRIT practice transmission in the

## Chapter Two: Literature Review

subsidiaries will be subject to different levels of institutionalisation. The actual factors that determine whether GHRIT has been successfully implemented, internalised and integrated (Björkman & Lervik, 2007) will form the subject of this investigation. The mere implementation of a practices is therefore paramount to the transfer of that practice, while internalisation and integration indicate that a practice has been successfully diffused. The theoretical model presented in Figure 2.9 will underpin the subsequent data analysis and discussion chapters.

### 2.11 Chapter Summary

This chapter has illuminated a number of pertinent issues concerning the use and implementation of GHRIT. The use of GHRIS, e-HRM, TMS and other HRIT are widespread, particularly among large organisations. While GHRIT itself refers to the actual IT systems, the actual GHRIT practices represent the application of GHRIT. The literature provides a range of suggestions pertaining to the goals, types and potential outcomes of GRHIS and / or e-HRM utilisation. The vast majority of empirical research on HRIT appears to be of a quantitative nature with some notable exceptions (e.g. Bondarouk, Ruël, & van der Heijden, 2009; Ruël, et al., 2004a, 2004b; Ruël, et al., 2007; Smale & Heikkilä, 2009). Empirical studies with a distinct focus on GHRIS are difficult to source (Hannon, et al., 1996). A similar paucity of research materialises when the diffusion of HRIS in MNCs is considered. For instance, Smale and Heikkilä (Smale & Heikkilä, 2009) investigate micro-political factors involved in the introduction of e-HRM. Aside from this article, there appears to exist a distinct lack of research into the factors that mediate the diffusion of HRIS in the subsidiaries of an MNC, although the factors influencing the transfer of HRM practices in general is widely discussed in the literature (e.g. Almond & Ferner, 2006; Ferner & Quintanilla, 2002). Moreover, few authors have attempted to establish a relevant theory or combination of theories that could explain the use and diffusion of GHRIS in MNC subsidiaries (e.g. Foster, 2009; Ruël, 2009; Ruta, 2005; Strohmeier, 2007). This may not be surprising, since an agreement on a single applicable theoretical lens for the diffusion of HR practices equally remains a matter of academic debate. Thus, this research aims to investigate the factors and decision-making processes that govern the diffusion, implementation and use of a GHRIS in the subsidiaries of a multinational corporation. The research aim will be addressed by posing the research questions outlined in section 2.12.

### 2.12 Research Questions

- What decision-making processes affect HRIT diffusion in a multinational corporation and its German and Irish subsidiaries?
- Does HRIT utilisation differ in the subsidiaries and if so in what way?
- What factors influence HRIT diffusion and utilisation in the MNC's German and Irish subsidiaries?

## Chapter Two: Literature Review

- How does the MNC manage these factors with regard to diffusing and utilising global HRIT?
- How can the process of diffusion of HRIT in the subsidiaries of the MNC be conceptualised?

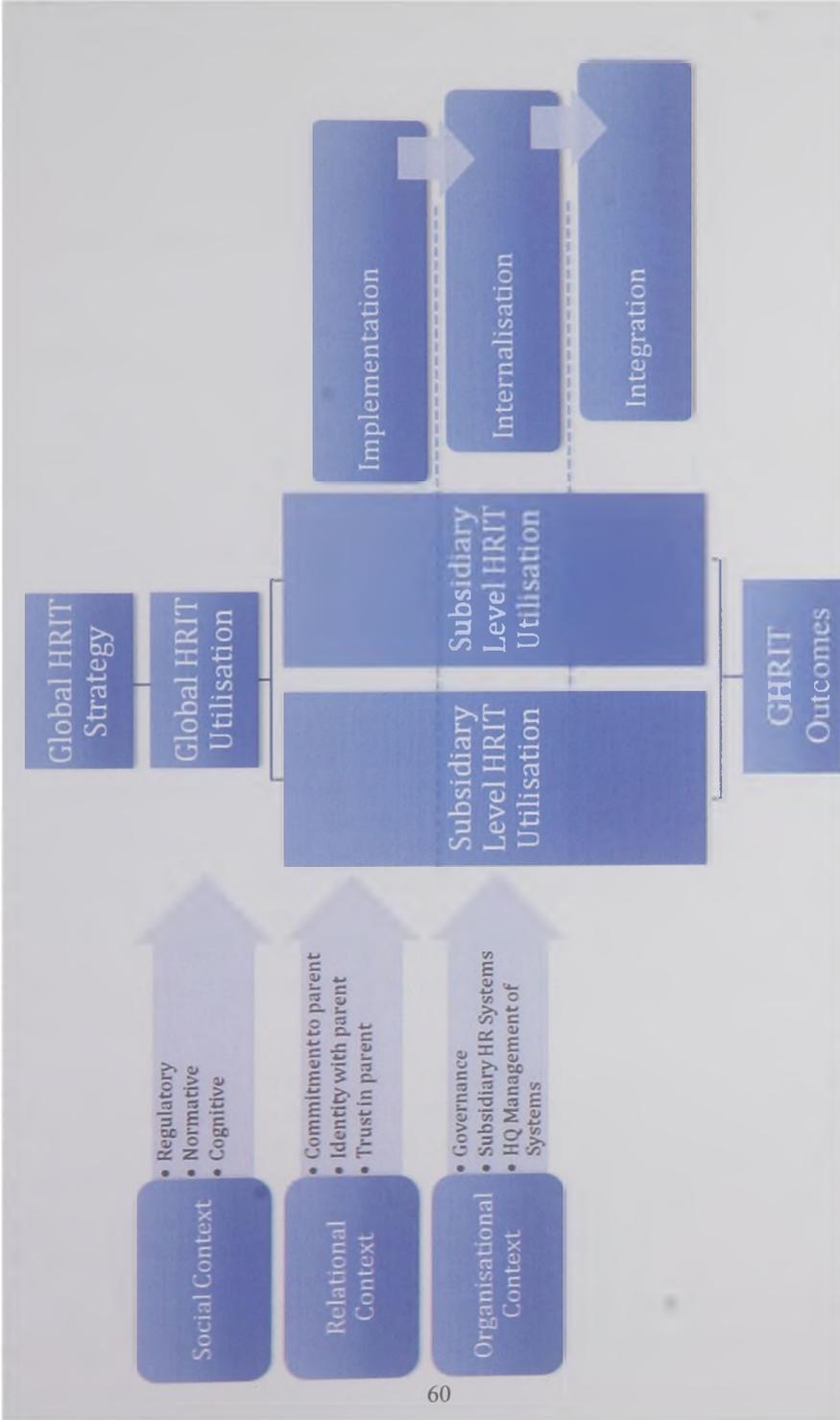
The succeeding chapter will delineate the research paradigm, research strategy and research methodology that will be instrumental in addressing these research questions.

**Figure 2.8: HRIS Context Model**

Figure has been removed due to Copyright restrictions.

**Source: Kavangh and Thite (2008)**

Figure 2.9: GHRIT Practice Diffusion Model



## Chapter Three: Research Methodology

The purpose of this chapter is to delineate the various choices which needed to be made in this qualitative social enquiry and the research methods that resulted from those choices. The choices in social enquiry relate to the processes involved in creating knowledge as well as the philosophical background and assumptions about how social reality is constituted and how it can be generated (Blaikie, 2007; Denzin & Lincoln, 2003). The research methods furnish the *modi operandi* employed to produce and evaluate data to illustrate characteristics, patterns and processes of social reality (or realities) which were under investigation in this research (Blaikie, 2007). This chapter provides a brief outline of the philosophical assumptions underpinning the thesis, the research design and strategy outlining the purpose, aims and the key research questions and methods undertaken.

### 3.1 Philosophical Background

Philosophy comprises a number of core disciplines including ontology, phenomenology, epistemology, axiological assumptions, ethics, and logic (D. W. Smith, 2009). The researcher's philosophical assumptions are made up of an idealist ontology, a constructionism epistemology and a constructivist-interpretivist research paradigm. These will be explained in more detail below.

The social reality under investigation, that is the use of GHRIT in the subsidiaries of an MNC, entail multiple realities – those co-created by the researcher and those defined by the subjects under investigation (Creswell, 2007; Denzin & Lincoln, 2003). Hence, the aim of this research is to give an account of, and make sense of, these realities. Nevertheless, two key questions arise. What is the nature of reality and how can it be ascertained? The answers to these questions lie in the perspective idealist ontology, which does not refute the existence of the external world, but which views different constructs of reality merely as alternative ways of understanding the external world (Blaikie, 2007). Idealists assume that what appears to be reality has no existence apart from our own thoughts. In other words, the external world is made up of interpretations that are created by social actors. What is considered real is therefore merely real, because the actors have accepted these constructs of reality as being real (Blaikie, 2007).

This particular view of how knowledge is constructed – the epistemological perspective of this study – is referred to as social constructivism. Social constructionists argue that social reality is co-created by social actors through a process of subjective interpretation and re-interpretation of their own actions, those of others and social situations (Blaikie, 2007; Gephart, 1999; Guba & Lincoln, 2005). Therefore, knowledge generated by the researcher is itself socially constructed.

The perspective idealist ontology and social constructivism epistemology are inextricably linked and inadvertently preclude a quantitative analysis (Denzin &

Lincoln, 2003). Unlike a quantitative analysis, which focuses on the measurement and analysis of possible causal associations, a qualitative analysis investigates “the socially constructed nature of reality, the intimate relationship between the researcher and what is studied, and the situational constraints that shape inquiry” (Denzin & Lincoln, 2003, p. 13). Creswell (2009) asserts that the research design represents the overlap of philosophy, research paradigm, research strategy and research methods.

### **3.2 The Interpretivist Research Paradigm**

The researcher subscribes to the interpretivist, sometimes also referred to as the constructivist-interpretivist research paradigm, as his ‘worldview’, since it appears most apposite in dealing with the disjointed disposition of human nature and the social world. A research paradigm can also be termed as an interpretive framework (Denzin & Lincoln, 2003), a worldview (Creswell, 2007), or a “basic set of beliefs that guides action” (Guba, 1990, p. 17). Denzin and Lincoln argue that all qualitative research is based upon interpretation, even though there exists “no single interpretive truth” (2003:37-38) and even though every interpretive community applies its own rules for interpretation. The goal of interpretivist social enquiry is therefore to gain an understanding of social action.

### **3.3 Research Aim and Research Questions**

The following section connects the research aim for this study with the research questions and the research strategy, even though Hatch (2002, p. 12) cautions that ‘starting with a research question begins in the middle and ignores the fundamental necessity of taking a deep look at the belief systems that undergird our thinking’. The previous chapters have already identified the key focus of this research which is the diffusion of GHRIT in the German and Irish subsidiaries of one US-owned MNC, Meddevco in the following (the name was changed to comply with the MNC’s request of anonymity). Thus, this research aims to elucidate and conceptualise the factors and decision-making processes that impact on the utilisation of GHRIT in these subsidiaries. In order to address the research aim comprehensively and conclusively, a series of questions ought to be addressed in the latter chapter of this dissertation. First, it is necessary to ascertain the structures and decision-making processes in Meddevco, which will ultimately affect HRIT utilisation in the MNC in general and the German and Irish subsidiaries in particular. Second, given the extensive body of literature available dealing with the factors shaping the diffusion of other HR practices, it is pertinent to discern whether HRIT utilisation in Meddevco’s subsidiaries differs appreciably. Third, if differences emerge, it will be imperative to unearth the precise nature and causes of these differences. Fourth, how the MNC manages these factors with regard to using GHRIT ought to be investigated. Finally, the impact of these factors on the diffusion of GHRIT practices in subsidiaries ought to be conceptualised.

The nature of these research questions, that is research questions beginning with how, why or what, necessitates a distinct logic for engendering new knowledge, that is an abductive research strategy. Utilising the abductive research strategy the researcher endeavours to reveal the social world of social actors, “their constructions of reality, their ways of conceptualising, and [their] giving meaning to their social world, their tacit knowledge” (Blaikie, 2007, p. 10). The abductive research strategy assumes that social reality is rooted in everyday language, actions and motives. As part of this strategy, the researcher ought to reinterpret these in the specialist language of a specific domain of the social sciences, comparative and international human resource management in this instance, in order to generate an understanding of this social reality resulting in explicatory reports (Blaikie, 2007; Creswell, 2007).

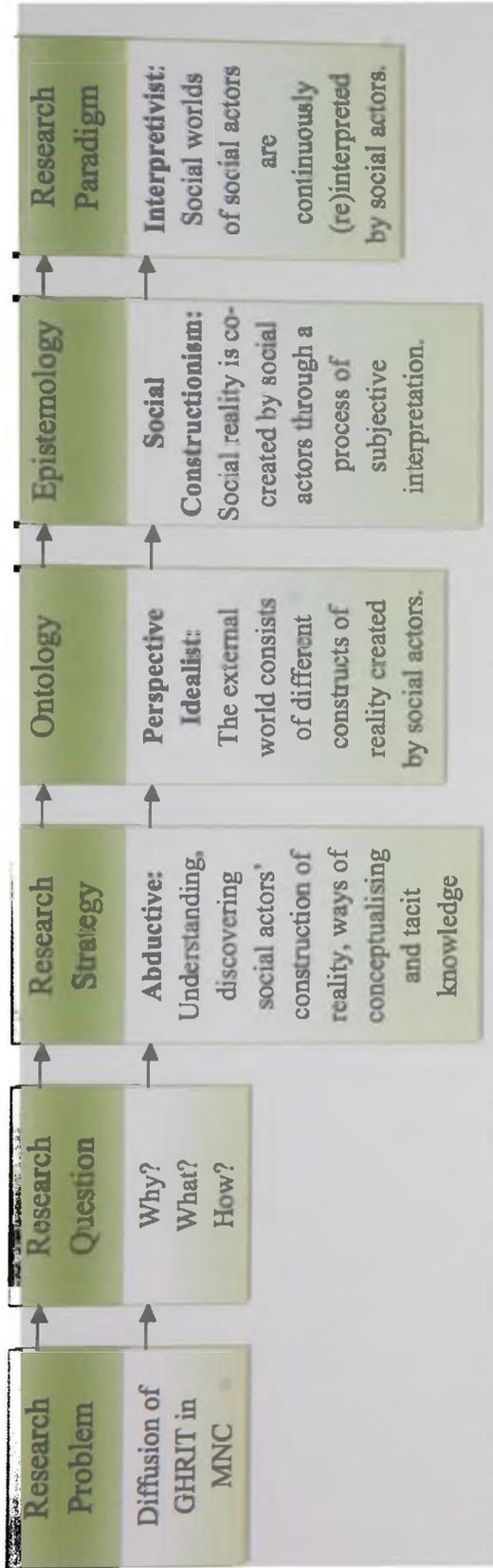
### 3.4 Research Design

Research design refers to the outline, blueprint, master plan or framework for the collection of data and analysis of data (Bryman & Bell, 2007; Cooper & Schindler, 2001). It provides the bond between the research paradigm (see Figure 3.1), the logic of enquiry and the research methods (see 3.6) (Denzin & Lincoln, 2003). Thus, the research design is linked to the research questions (see 3.3); it identifies the sources and types of information needed to answer the research questions; it indicates the units of analysis; and it is connected to the evaluation criteria for the research (see 3.8) (Bryman & Bell, 2007; Cooper & Schindler, 2001; Yin, 2009). Research designs may be exploratory, descriptive and/or explanatory (Yin, 2009). The first step in research design is the identification of an apposite methodology for this research.

### 3.5 Research Methodology

Given the researcher’s philosophical background as expounded upon above, a range of research methodologies and data collection tools are probable, *inter alia* ethnography, participant observation, phenomenology, interviews, document reviews, conversational analysis, grounded theory development, case studies, conversational and textual analysis, or expansion analysis (Blaikie, 2007; Creswell, 2007; Denzin & Lincoln, 2005; Miles & Huberman, 1994; Stake, 2005). However, in view of the nature of the research, the aim of the research and research questions (see 3.3), the researcher deemed the qualitative case study method as the most appropriate approach to generate knowledge. The case study method and related choices will be set forth in the following section.

Figure 3.1: Outline of Methodological Choices



Source: Developed for this Research

### 3.6 Case Study Perspective

Stake defines a qualitative case study as such:

*“A case may be simple or complex. ... It is one among others. In any given study, we will concentrate on the one. The time we may spend concentrating our inquiry on the one may be long or short, but while we so concentrate, we are engaged in case study. ... A case study is both a process of inquiry about the case and the product of that inquiry (2005, p. 444)”.*

Why is the case study method deemed most appropriate for this study? First, two of the key proponents of the case study method, Yin and Stake, centre their methodology on the constructivist paradigm (P. Baxter & Jack, 2008) which is congruent with this inquiry. Second, the current study matches the four criteria advanced by Yin (2009) for the selection of a case study. The first of these criteria is that this study aims to address both the questions of ‘why’ and ‘how’. Second, the researcher has no control over the units of analysis and participants in the study. Third, this research seeks to investigate a contemporary phenomenon in detail in a real life context (the transmission of GHRIT in a US MNC). A review of the literature has already underscored the significance of various contexts – the organisation, the subunits, and the NBS – on the diffusion of HR practices (albeit not of GHRIT, which is the discrete phenomenon investigated here) and, finally, the boundaries between the phenomenon and context are unclear.

Different authors advocate different ‘key design components’ for a case study (P. Baxter & Jack, 2008; Creswell, 2007; Denzin & Lincoln, 2005; Miles & Huberman, 1994; M. Q. Patton, 2001; Silverman, 2005; Stake, 2005). The key design components of this research comprise the development of research questions (outlined in 3.3 and at the end of Chapter Two) and propositions, the establishment of an appropriate type of case study and units of analysis, connecting the data to propositions, defining relevant interpretation criteria and case study boundaries based on theory, identification of multiple sources of data and a conceptual framework, and ensuring the quality of research carried out. These components are discussed below.

A number of case study perspectives exist. Case studies may be exploratory, explanatory, descriptive (Yin, 2003), intrinsic, collective or instrumental (Stake, 1995). These positions are not mutually exclusive, that is different perspectives can be adopted simultaneously and consecutively. This research exhibits aspects of exploratory, explanatory and instrumental research. It is exploratory to the extent that comparative qualitative research on the diffusion of GHRIT in MNCs is limited and the factors mediating this diffusion are unclear (see Chapter Two) (Yin, 2009). It is also explanatory in that this research seeks to explain how a large corporation deals with these factors given that it constitutes a very complex institutional environment (Yin, 2009). More significantly, however, this study represents an instrumental case (Stake, 1995, 2005). In other words, the case under investigation plays an ancillary role, even though the case is studied in depth (Stake, 2005). While the case study organisation, a US multinational (see Chapter Four), and the issues the organisation faces may not be considered

emblematic of *all* MNCs, this case nonetheless advances a broader understanding of GHRIT diffusion and utilisation in MNCs in general and the issues involved in doing so. Having established the case study method as the most apposite methodology, it is important to highlight some of the criticism and limitations surrounding this methodology before determining the precise units of analysis for this investigation and also establish the parameters for this analysis.

### ***3.6.1 Limitations of the Case Study Method***

The case study method has been criticised for a number of reasons, *inter alia*, because of a perceived lack of rigour, a lack of (statistical) generalisability of results, the time intensive nature of research, and the inability of case study research to establish causal relationships (Yin, 2009). A rigorous investigation can be ensured by following a clear research design and case study protocol (Creswell, 2007; Gray, 2009), both of which are outlined in later sections of this chapter. While case studies do not allow statistical generalisation, they permit analytical generalisation (see section 3.6.3). Case study research is time consuming. However, the investment in time is necessary in order to observe and analyse social phenomena. As this study does not aim to reveal any causal relationships, such a concern is not an issue here. The next item will explicate the units of analysis of this study.

### ***3.6.2 Unit(s) of Analysis***

Determining the unit of analysis is decisive in case study design (Tellis, 1997b). Miles and Huberman (1994) suggest that the case itself, which is a phenomenon that occurs in a defined context, is effectively the unit of analysis. Identifying the units of analysis and placing limits on a case can avoid one of the hazards of case study research, which is lack of focus (Baxter and Jack, 2008; Stake, 1995; Yin, 2009). The single bounded context in this research is Meddevco's global operations. Yin (2009) advocates that case study designs can be grouped into four basic designs. They can be both single case or multi case and holistic or embedded contingent upon the number of units of analysis. It is important to restate here that the purpose of this research is to investigate the practice of diffusion of GHRIT throughout the subsidiaries of a single MNC and *not* to compare the diffusion of GHRIT in a number of MNCs. This research is therefore based upon a single case embedded design, that is at the core of this study lies a single case, Meddevco. This single case, however, concentrates on multiple units of analysis – the International HRIS Centre, the Sales Headquarters for the Central Region, the Irish Manufacturing Plant and the German Manufacturing Plant (see Table 3.2). This research employed a matched case study approach when the German and Irish subsidiaries were compared. This method proved very useful in the analysis of case study evidence, despite obvious dissimilarities between the institutional and organisational contexts of these subsidiaries.

### 3.6.3 Single Case Study Design

The advantages of the single case study design are manifold.

*The ability to look at sub-units that are situated within a larger case is powerful when you consider that data can be analyzed within the subunits separately (within case analysis), between the different subunits (between case analysis), or across all of the subunits (cross-case analysis). The ability to engage in such rich analysis only serves to better illuminate the case [emphasis in the original] (P. Baxter & Jack, 2008, p. 550).*

In addition, Creswell (2007:76) argues that the use of more than one case can ‘dilute the overall analysis’ at the expense of an in-depth analysis. Moreover, Yin (2009) suggests that a single case design should be used when the case is critical in testing a well-established theory, when the case itself is unique, when the case is representative or typical, when the case is revelatory, or when the case is part of a longitudinal study. While this case is neither critical, nor unique, nor part of a longitudinal enquiry, Meddevco may be considered typical of a large corporation using GHRIT. However, the case is *not* representative of the population of US MNCs employing GHRIT, which is something that is rather difficult to ascertain (Bryman, 2001). The case may also be deemed revelatory, contingent on the view of the independent observer. In any case, the case study is instrumental (see 3.6), that is it illustrates the wider issue surrounding the phenomenon of GHRIT transmission in MNCs.

Generalising from case studies, particularly single case studies, can be problematic (Bryman, 2001; Silverman, 2005; Yin, 2009). Still, Yin addresses the issue of generalisation as follows:

*Case studies like experiments are generalisable to theoretical propositions and not to populations or universes. In this sense, the case study, like the experiment, does not represent a ‘sample’, [thus, the] goal will be to expand and generalise theories (analytic generalisation) and not to enumerate frequencies (statistical generalisation) (2009:15).*

In analytic generalisation, therefore, empirical data is assessed *vis-à-vis* existing theory (Yin, 2009). Flyvbjerg (2006) contends that the strategic selection of a case can increase the generalisability from this case. Information oriented selection, that is choosing a case on the basis of its information potential, can maximise generalisability from a single case study (Flyvbjerg, 2006). Thus, case selection and sampling strategy play a key role in the extent to which results from this case study may be generalised. Meddevco was selected through a process of purposive sampling and based upon its potential information content. Purposive or purposeful sampling refers to the practice of choosing a particular case because a particular phenomenon is expected (known) to arise in the chosen setting (Denzin & Lincoln, 2005; Silverman, 2005). In other words, a preliminary examination revealed that Meddevco was utilising GHRIT and operated a number of subsidiaries throughout Europe. Evers and Wu (2006) advocate that the use of theory and abductive logic (both of which are addressed in the current study) can provide a defence in making generalisations from a single case enquiry. Barzelay (1993, p. 312) suggests that a combination of “observation, thick description, normative reasoning, and

evaluation” may increase generalisability from a single case. These issues are related to the key design criteria for this case study and are addressed in this research. Above all, Yin (2009) advocates the pursuit of a stringent case study design to allow the analytic generalisation of single case study results. One of the steps necessary to ensure a rigorous analysis is the development of propositions, which will be discussed in the following section.

#### ***3.6.4 Case Study Propositions***

Case study propositions or issues provide increased direction and scope for the compilation and analysis of case study data, whilst also laying the foundation for the conceptual framework for the investigation (Miles & Huberman, 1994; Stake, 1995; Yin, 2009). Based upon a review of the literature (see Chapter Two) the researcher poses the following propositions:

- Multinational organisations aim to achieve internal consistency in the diffusion and operation of Global Human Resource Information Technology.
- The diffusion of Global Human Resource Information Technology within and across the subsidiaries of a multinational corporation is affected by the institutional background of the home and the host nation.

These propositions point towards potential relevant theories underpinning this research. The role of theory will be expounded in the ensuing section.

#### ***3.6.5 Case Study Theory***

*Theory consists of plausible relationships produced among concepts and sets of concepts (Strauss & Corbin, 1994, p. 278, in Silverman, 2006, p. 14)*

Silverman argues that “without theory there is nothing to research” (2006, p. 14). Yin (2009) considers theory development a crucial step in the case design process, irrespective of whether the study’s aim is to test or develop a theory. Theory development is positively related to improved case study design and increased ability to interpret results (Yin, 2009). However, in its simplest form theoretical propositions are merely stories “about why acts, events, structure, and thoughts occur” (Sutton & Staw, 1995, p. 378; in Yin, 2009, p. 36). In addition, the identification of a guiding theory will allow the researcher to identify rival propositions, which if addressed appropriately can significantly increase the rigour of the case study (Yin, 2009).

In his review of current e-HRM literature, Strohmeier (2007) argues that commensurate with the multidisciplinary nature of the field of HRIS and e-HRM, the use of theory in the area is equally micro-level oriented, diverse and eclectic in character. The range of theories used in published research embraces attribution theory, correspondence inference theory, attraction–selection–attrition and similarity–attraction

## Chapter Three: Research Methodology

theories, change management theories, organisational citizenship behaviour, privacy theories, procedural justice theory, signalling theory, social cognitive theory, learning theory, technology acceptance model, unified theory of acceptance and use of technology and the theory of usability (Strohmeier, 2007). The second proposition presented above and the relevant section in Chapter Two have pointed towards the importance of the institutional context, both of Meddevco's country of origin (the US) as well as the host countries (Germany and Ireland in this study) for the diffusion of HRM practices. For this reason, this study will employ both a European or historical institutionalist perspective and the American or neo-institutionalism, which stresses the institutional embeddedness of firms (DiMaggio & Powell, 1983, 1991). Having established the propositions and theory for this research, the discussion now moves on to the conceptual framework for this study.

### ***3.6.6 Conceptual Framework***

The intendment of a conceptual framework is threefold (Miles & Huberman, 1994). First, it identifies what or who should be contained in the research. Second, it expresses the relationships that exist between constructs. Third, it categorises the key concepts. The conceptual framework will evolve as data is gathered and analysed and as relationships between constructs emerge or can be verified (P. Baxter & Jack, 2008). At the heart of the data analysis lies the GHRIT Diffusion Model developed in Chapter Two and revised Chapter Six. The research design, and in particular the context, units of analysis, propositions and conceptual framework, facilitate the identification of potential data sources for this research. These data sources will be outlined in the Data Collection section below.

### **3.7 Data Sources and Data Collection**

Yin (2009) advocates three principles of data collection for case studies comprising the use of multiple sources of data, development of a case study database and maintaining a chain of evidence all of which will be referred to in the ensuing sections of this chapter. These principles can increase the reliability and credibility of a case study (Creswell, 2007; Miles & Huberman, 1994; Patton, 2001; Stake, 1995; Yin, 2009).

Accordingly, case study research is a triangulated research method (Tellis, 1997a). Specifically, the use of multiple sources to verify evidence in this study is referred to as data source triangulation. 'True' triangulation may only be attained when each piece of case study evidence is corroborated by more than one data source (Yin, 2009). Figure 3.2 demonstrates how this was attained in this research. The current study utilises evidence from a variety of sources comprising documents, archival records, physical artefacts, and different types of interviews to 'provide multiple measures of the same phenomenon' (Yin, 2009, p. 117).

### 3.7.1 Interviews

Interviews represent a key instrument for data collection in social science research, particularly, as is the case in this research, when the aim is to re-construct the social reality of social actors (Bryman, 2001). Kvale (1996) describes case study research interviews as an endeavour to generate an intellectual understanding of the participants' viewpoint, to reveal the meanings of their experience, and to unearth their social world. Patton (2001) puts forward three types of qualitative interviews - informal conversational interviews, the interview guide approach and standardised open-ended interviews.

The choice of interview type can be limited to two key (pragmatic) considerations. First, will the type of interview render the expected / desired results and second will the interviewee consent to the proposed type of interview? For instance, in this research one of the participants could only be contacted via telephone and did not want to be recorded. This evidently places limitations on the type of interview and structure of questions that can be employed. On the other hand, the Director of the German manufacturing plant invited the researcher to return for a follow-on interview on the next day to answer additional questions. This example shows that the type of interview and question structure can change in an instant and that a certain level of flexibility must therefore be incorporated into the case study protocol and the data collection process.

For this research, 27 semi-structured interviews were conducted with 15 stakeholders of the case study firm, the European Director for Compensation and Benefits of the pilot organisation and a Senior Vice-President (SVP) of SAP. Some stakeholders were interviewed several times. In addition, the researcher remained in telephone and email contact with the Irish HR Director and Irish HRIS Super User throughout this research in order to stay abreast of any GHRIT developments. Table 3.2 shows a summary list of all 27 interviews carried out for this study, including the type and length of interview. Each interviewee (apart from the SVP) was contacted via e-mail and telephone prior to the interview. All interviews were carried out on site (with the exception of the telephone interviews, the interviews with the Irish Line Managers and the SVP). Each interviewee received the research questions and interview schedule prior to the interview. The nature of the research was once more clarified immediately in advance of the interviews. All formal interviews (with the exception of one telephone interview) were recorded using a digital recording device. The researcher employed an interview protocol for each of the interviews. The interview protocol was tested in a pilot study (see section below). The researcher made notes throughout each of the interviews and transcribed the recordings subsequently. While the researcher set out to use face-to-face, in-depth, semi-structured interviews, in practice a range of interview types were utilised during this research ranging from in-depth interviews, conversational interviews, group interviews to a telephone interview (see Table 3.2). Interviewees were chosen through a process of purposeful sampling (explained in 3.6.3) and based on their information potential, in other words, whether the participant could add relevant information to the study. Especially, the continuing contact with the Irish HR Director and Irish HRIS Super User proved to be an invaluable resource for this investigation, as it

allowed the researcher to anticipate developments, gain access to additional participants, clarify discrepancies and verify information.

The stakeholders interviewed occupied various levels in the respective subsidiaries. The Head of the Shared Services Centre Project Team and the International HRIS Manager are part of the Senior Management Team in the organisation and as Figure 5.3 illustrates report directly to the Director for HR Systems, who was also interviewed for this research. The Director for HR Systems in turn reports to the Senior VP for HR Europe and the Head of Global Business Solutions and the Chief Information Officer. In the next section, the other sources of data will be considered. The Senior Systems Analyst is accountable to the International HRIS Manager, as is the Payroll and Administration Manager. The HR Director for the Central Region, the Irish HR Director and the German Plant Director were all part of the senior management team and are key decision makers within their respective subsidiaries. The Finance / HR Manager of the German Manufacturing plant and the Plant Manager were both part of the management team of this subsidiary. While the two HRIS specialists interviewed are ordinary HR practitioners, their specialist knowledge of and expertise with HRIT makes them key informants. The line managers interviewed in the Irish Manufacturing Plant are functional managers with little influence on how HRIT is utilised. However, interviews with these managers highlighted how HRIT was used at the operational level.

**Figure 3.2: Data Source Triangulation**



**Source:** Based on Yin (2009)

### ***3.7.2 Documents, Physical Artefacts and Archival Records***

Interviews merely present the views, meaning and representations of a single participant's social reality. To augment the rigour of the investigation and to address the issue of construct validity (explained in 3.8) evidence from a number of data sources was triangulated in the analysis (see Figure 3.2). In terms of documents, the researcher was able to gain access to a number of internal confidential presentations, comprising HR vision, talent management, HR shared services model, and training and development. In addition, the researcher incorporated information from the company's website, other case studies on the company and relevant news items mentioning the organisation. Archival records analysed for this case study entail annual company reports, country specific statistics, statistics from the World Trade Organisation and other relevant archival records, all of which informed the subsequent analysis, although not all were subsequently included in the study. Direct observations in this study are limited to the researcher's perceptions during field visits to the respective interview sites. The inspection of physical artefacts is also constrained by the level of access to the interview sites. As Meddevco operates in the medical devices sector, some areas of the production facilities could not be viewed due to security and health and safety concerns. The pilot testing of the research instrument will be discussed next.

### ***3.7.3 Pilot study***

The researcher carried out a pilot study with one of Meddevco's key competitors. The pilot case, Medgeco in the following (the name was altered to ensure anonymity), was selected since its operations were remarkably similar to that of the US MNC in this study. For instance, Medgeco also operated in the Medical Devices sector, used the same ERP system, also operated a HRIS centre in the Netherlands and had subsidiaries in Germany and Ireland among other countries. The pilot study was carried out in the form of a series of interviews with a key informant, Medgeco's European Director for Compensation and Benefits. The purpose of this pilot study was to carry out a feasibility study, to gain a broader understanding of GHRIT utilisation and implementation issues, to test the research instrument and to receive feedback on the research instrument. The reason for not including this organisation as part of the main study was that Medgeco was in the process of outsourcing its HR function and about to introduce a HRSSC, neither of which were the focus of this research.

In addition, the researcher interviewed a Senior VP from SAP, a key ERP provider, to gain a better understanding of ERP implementation and system configuration from a supplier's point of view. This conversation was not recorded. The following section refers to the manner in which case study evidence was stored and organised.

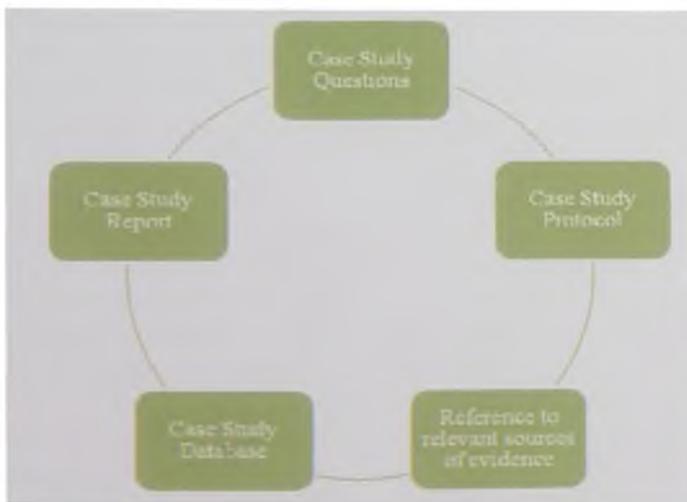
### 3.7.4 Case Study Database

A number of authors suggest the use of computerised software to store and analyse case study evidence (Creswell, 2007; Silverman, 2005; Yin, 2009). The researcher in this investigation decided against the use of computerised software. The key reason for this decision was that a number of interviews were conducted in German. Therefore, an analysis of these interviews alongside those conducted in English would not have been possible, without losing some of the meanings and descriptions of the social world conveyed by individual respondents. However, the researcher did store any case study evidence collected in a computerised format. Next, the case study protocol is presented.

### 3.7.5 Case Study Protocol

A case study protocol can significantly increase the reliability (explained in 3.8) of a case study (Yin, 2009). The components of a case study protocol encompass an overview of the case study research, the field procedures, the case study questions and a guide for the case study report (Yin, 2009). In essence, the entire dissertation represents a case study protocol that is relevant information for the protocol is communicated throughout this work. For instance, the introductory chapter includes an overview of this research; the methodology chapter discusses the field procedures; and the introduction to the analysis chapter represents the guide for the case study report. The following section explains how the researcher maintains a chain of evidence.

**Figure 3.3: Chain of Evidence**



**Source:** Adapted from Yin (2009)

### **3.7.6 Chain of Evidence**

Maintaining a chain of evidence can increase the reliability (explained in 3.8) of this study, as it permits an independent observer to follow each step in the case study investigation (Yin, 2009). Figure 3.3 represents the chain of evidence pursued in this research which, unlike Yin's (2009) chain of evidence model, is presented in a circular layout to reflect the fact that the case study report (the analysis) should be aimed at answering the case study questions. In this research, the case study protocol is based upon the research questions. The case study evidence is organised in electronic format for easy retrieval of information. In addition, Table 3.2 shows the circumstances under which interviews were conducted. These circumstances and procedures are consistent with the data collection procedures outlined in this chapter. Moreover, the data analysis is based on the research questions and includes multiple references to the evidence collected and contained in the database. Furthermore, the research questions are addressed in the data analysis chapter. The penultimate section of this chapter focuses on the measures undertaken to ensure the quality of this study.

### **3.8 Assessment of the Quality of the Research Design**

This chapter has already highlighted that one of the assumptions of social constructionism is that reality is socially constructed by the subject as well as the observer. As all observation therefore appears to be value-laden (Anderson, 2002), the researcher in this enquiry put mechanisms into place that curtail the effects of his personal biases and values, in order to allow other researchers to replicate the findings employing the same research design and strategy (S. Kim, 2003). These mechanisms will be discussed in more detail in this section.

To ensure the quality, rigour, and credibility of the case study research design a number of logical tests ought to be employed. Most frequently, the quality of research is assessed through measures of validity and reliability. Validity in qualitative research denotes the extent to which the research design accurately mirrors the constructs to be measured (Bryman & Bell, 2007; Cooper & Schindler, 2001; Creswell, 2009). Reliability measures, on the other hand, ensure that the replication of the same research will render the same results by limiting the scope for errors and reducing the influence of sources of bias (Yin, 2009). The most frequently used quality tests associated with the case study method include construct validity, descriptive validity, internal validity, external validity, interpretive validity, theoretical validity, and reliability (Maxwell, 2005; Yin, 2009), although terminology including credibility, transferability, dependability, and confirmability could be used to substitute these generally positivist criteria in social enquiry (Denzin and Lincoln, 2003, p. 35). Table 3.1 provides a description of these criteria, alongside appropriate measures and the phase of the research during which these measures were adopted. For instance, construct validity may be attained through the development of accurate operational measures for the concepts investigated. The measures adopted to make certain construct validity include the use of multiple sources of evidence, the review of the case study report by key informants and establishing a

chain of evidence (see Figure 3.3). Auxiliary criteria are listed and explained in a similar fashion in Table 3.1.

Lincoln and Guba (1985) refer to the trustworthiness of research which, in their view, may be attained through posing (and answering) four questions. How can the researcher have confidence in the findings? How applicable are the findings to other contexts? How consistent are the findings? How neutral (unbiased) are the findings? These questions are addressed through a rigorous case study design, appropriate research questions, and suitable data collection and analysis procedures. With regard to neutrality, it is widely accepted that qualitative research is value-laden (see introductory section to this chapter) and therefore biased. In addition to the researcher's perception, experiences and worldview, each of the participant's view of the world is influenced by their views and assumptions. These biases can be addressed by developing an acute awareness of these predispositions and by using triangulation (see Figure 3.2) to put evidence into context and to attain converging rather than diverging lines of enquiry.

### 3.8.1 Ethics

Ethics and values are related to the researcher's axiological assumptions and how these shape '*das Verstehen*' – the understanding of the social constructs under investigation. Notwithstanding the importance of ethics in research, there often tends to be an overemphasis on ethics in qualitative research (Hammersley, 1999). Yet, there appear to exist few commonly accepted guidelines regarding the adoption of ethics criteria in research. However, major discipline areas within the social sciences have developed their own codes of ethics (Christians, 2005). Four key areas of congruity emerge in these codes of ethics – informed consent, deception, privacy and confidentiality, and accuracy (Christians, 2005). Accordingly, the researcher undertook measures to ensure the investigation conforms to stringent and accepted ethics criteria. The three key measures undertaken in this study cover the supply of relevant information to all potential participants in writing in advance of the research, the discussion of the nature of the research prior to the interviews, the review of the dissertation by a key stakeholder, the assurances given regarding the confidentiality of this research and the verification of the accuracy of data. An email including the research aims, objectives and interview schedule was sent to each key stakeholder in advance of the interviews. In addition, each interviewee was contacted by phone prior to the interview to address any potential concerns. Thus, the researcher ensured informed consent and prevented any perception of deception regarding the purpose of the research. Participants were also assured that the research was not carried out for commercial benefit or to discredit the organisation. In any case, the researcher agreed that individuals' names and the name of the corporation would be anonymised. The phone calls also confirmed that interviewees participated of their own accord. Only information and documentation that were furnished by the stakeholders or are in the public domain were included in this research to ensure the accuracy of the information included. The next section discusses the data analysis phase, which Stake (1995) describes as the quest for meaning in a case study.

### 3.9 Data Analysis

Yin (2009) advocates that the data analysis stage is characterised by key decisions regarding an analytical strategy and an appropriate data analysis technique. He (Yin, 2009) advances four analytical strategies, which can be used in combination – centring the analysis on theoretical propositions, establishing a descriptive case study framework, investigating rival propositions, and employing both qualitative and quantitative analyses. This study will utilise all but the latter strategy. This section has already identified a guiding theoretical assumption as well as a number of propositions, which will form the basis of the analysis. In addition, the theoretical framework developed in Chapter Two is instrumental in explaining the forces and factors that impact on GHRIT diffusion in Meddevco. Also, the data analysis will investigate any possible rival propositions arising throughout the phase of analysis.

A number of analytic techniques for qualitative research are proposed in the literature, for instance pattern matching, explanation building, time-series analysis, cross-case synthesis, logic models, direct interpretation and categorical aggregation (Stake, 1995; Yin, 2009). Ultimately, the choice of technique is contingent on the research questions and propositions. The most apposite techniques for this study involve a mixture of direct interpretation of individual instances and categorical aggregation of instances until some meaning emerges from the data (Stake, 1995). In direct interpretation, the researcher deconstructs single instances with the aim of reconstructing them to generate some meaning (Creswell, 2007; Stake, 1995). In practice, these techniques translated into a number of phases. First, the researcher read and re-read collected data to gain an overview of the information contained therein. Second, the researcher collated data to establish the context for this study and to provide a picture of GHRIT utilisation in this firm. Third, the investigator analysed individual responses (instances) in order to derive some meaning, in other words insights into the diffusion of GHRIT in the subsidiaries. Fourth, the researcher aggregated these meanings into categories or themes. Fifth, these categories were juxtaposed with evidence from the literature and the theoretical model to find answers to the research questions.

### 3.10 Chapter Summary

This chapter outlined and discussed the philosophical assumptions and qualitative methodology employed in this research (see Figure 3.1). First, the rationales for an idealist ontology, constructionism epistemology and constructivist-interpretivist research paradigm were debated. Then, the research design, including the research methodology, the case study approach and units of analysis, was considered. Next, this chapter expounded details pertaining to data collection in this study. Following this, the quality assurance measures were discussed. Finally, the chapter furnished details of the data analysis strategies employed in this research. The following chapter supplies the case study context.

**Table 3.1: Quality of Research Design Tests**

<b>Criterion</b>	<b>Description</b>	<b>Measures Adopted</b>	<b>Phase of Research</b>
Construct validity	Development of accurate operational measures for the concepts investigated	<ul style="list-style-type: none"> <li>Used multiple sources of evidence</li> <li>Key informants reviewed case study report</li> <li>Established a chain of evidence</li> </ul>	<ul style="list-style-type: none"> <li>Research design</li> <li>Data collection</li> <li>Composition</li> </ul>
Interpretative validity	Accurate portrayal of meanings conveyed by participants	<ul style="list-style-type: none"> <li>Key informants reviewed case study report</li> <li>Recorded interviews (where possible)</li> <li>Inclusion of quotes in case study report</li> </ul>	<ul style="list-style-type: none"> <li>Research design</li> <li>Data collection</li> <li>Evaluation of findings</li> </ul>
Criterion (predictive and concurrent) validity	Development of measures that can be used for prediction and assessment	<ul style="list-style-type: none"> <li>Used multiple sources of evidence</li> <li>Described context in which phenomena occur</li> </ul>	<ul style="list-style-type: none"> <li>Research design</li> <li>Data collection</li> <li>Evaluation of findings</li> </ul>
Internal validity / Credibility	Establishing a causal relationship between concepts	<ul style="list-style-type: none"> <li>Established chain of evidence</li> <li>Key informants reviewed case study report</li> <li>Inclusion of quotes in case study report</li> <li>Tied propositions to existing literature</li> <li>Used a conceptual model</li> <li>Addressed rival explanations</li> <li>Carried out pattern matching</li> </ul>	<ul style="list-style-type: none"> <li>Data collection</li> <li>Data analysis</li> <li>Composition</li> </ul>
Descriptive validity	Ensuring the accuracy of included information	<ul style="list-style-type: none"> <li>Recorded interviews (where possible)</li> <li>Double checked documentary evidence included</li> <li>Used multiple sources of evidence</li> </ul>	<ul style="list-style-type: none"> <li>Research design</li> <li>Data collection</li> <li>Evaluation of findings</li> </ul>
External validity / Transferability	Specifying the domain to which a study's results can be generalised	<ul style="list-style-type: none"> <li>Analytic generalisation</li> <li>Tied propositions to existing literature</li> <li>Used theory in single case study</li> </ul>	<ul style="list-style-type: none"> <li>Research design</li> <li>Data analysis</li> </ul>

Criterion	Description	Measures Adopted	Phase of Research
Theoretical validity	Use of multiple theories to improve understanding to show how and why results can explain phenomena	<ul style="list-style-type: none"> <li>Identified a theory and rival theories throughout the research process</li> <li>Compared data with theories to ascertain appropriateness of theories</li> </ul>	<ul style="list-style-type: none"> <li>Research design</li> <li>Data collection</li> <li>Evaluation of findings</li> </ul>
Reliability / Dependability	Showing that the workings of a the research can be repeated with the same results	<ul style="list-style-type: none"> <li>Set up case study data base</li> <li>Used case study protocol</li> <li>Avoided errors and sources of bias</li> </ul>	<ul style="list-style-type: none"> <li>Data collection</li> </ul>
Objectivity / Confirmability	Ensuring that results of research are not 'tainted' by subjectivity (Lincoln and Guba, 1985) and can be confirmed	<ul style="list-style-type: none"> <li>Used multiple sources of evidence</li> <li>Employed rigorous case study design</li> <li>Set up case study data base</li> <li>Used case study protocol</li> </ul>	<ul style="list-style-type: none"> <li>Research design</li> <li>Data analysis</li> <li>Data collection</li> </ul>

**Source:** adapted from Maxwell (2005), Paré (2002) and Yin (2003)

**Table 3.2: Case Study Organisation Summary Table**

Location	Position of person interviewed	Type/Length of Interview	Interview Recording Method*	Number of Employees	Union (Y/N)*	Works Council (Y/N)*	Month / Year
<i>Pilot MNC,</i>							
<i>Medgeco, Galway, Ireland</i>	European Director for Compensation and Benefits	Pilot face-to-face interview / 2 hours Conversational interviews	Written Notes (WN)	2,500	Y	Y	12/2003
<i>Meddevco</i>							
European Centre, Maastricht, Holland	HRIS Head of Shared Services Centre Project Team	Semi-structured face-to-face interview / 2 hours + group interview / 2 hours	Digital recording (DR)	500	N	Y	06/2005
	International Manager	HRIS Semi-structured face-to-face interview / 1 hour + group interview / 2 hours	DR				As above
	Senior Systems Analyst	As above	DR				As above
	Payroll Administration Manager	Semi-structured face-to-face interview / 2 hours	DR				As above
Sales Headquarters Central Region, Düsseldorf, Germany	HR Director for the Central Region HRIS Specialist	Semi-structured face-to-face interview / 2 hours + telephone interview / 1 hour As above	DR / WN DR / WN	500	N	N	01/2006 As above
International Headquarters, Tolochenaz, Switzerland	Senior Director Systems	HR Semi-structured interview / 2 hours phone	WN		N	N	02/2007 As above

Location	Position of person interviewed	Type/Length of Interview	Interview Recording Method*	Number of Employees	Union (Y/N)	Works Council (Y/N)*
Manufacturing Plant, Deggendorf, Germany	Plant Director	2 Semi-structured face-to-face interview / 2 hours each	DR	90	Y	Y 09/2006
	Finance /HR Manager	As above	DR			09/2006
	Plant Manager / Head of the Works Council	Semi-structured face-to-face interview / 1 hour	WN			09/2006
Manufacturing Plant, Galway, Ireland	HR Director & HRIS Specialist	2 Semi-structured face-to-face interviews / 2 hours each + 2 telephone interviews / 1 hour each; On-going contact by telephone and e-mail, informal conversational interviews	DR / WN	1,600	Y	N Ongoing from 01/2004
	Line Manager 1	Semi-structured face-to-face interviews / 1 hour	DR			05/2009
	Line Manager 2	As above	DR			As above
	Quality Manager	As above	WN			05/2010
2010 Conference, Bamberg, Germany	E-HRM SVP SAP	Face-to-face interview / 1 hour	WN	53,500	Y	Y 05/2010

\*Note: All interviews were transcribed. Where interviewees did not consent to be recorded, the researcher took detailed notes during the interview, which were used to reconstruct the interview and to produce a transcript of these interviews.

Source: Developed for this Research

## Chapter Four: Case Study Context

### 4.1 Introduction

Differences in national business systems are said to be important factors in moderating the transmission of human resource management practices in the subsidiaries of MNCs (Almond, et al., 2003; Edwards, 2004; Ferner & Quintanilla, 2002; Saka, 2002). As this research is founded upon an analysis of GHRIT utilisation in the German and Irish subsidiaries of a US MNC, it is thus pertinent to contrast and compare the German and Irish employment relations contexts. This chapter also provides a brief analysis of the medical devices sector in the Irish and German context as well as an overview of the operational context of the US MNC at the centre of this study.

### 4.2 German and Irish Business System in Contrast

It has been suggested that a comparative study of Ireland and Germany is of particular interest for a number of reasons including, for instance, cultural and societal dissimilarities, institutional differences and/or the changing fortunes in economic terms of both Ireland and Germany (see for example Keating, et al., 2004). The political and economic might of American MNCs internationally and in Ireland in particular is widely discussed in the existing literature (see for example: Almond, et al., 2005; Edwards & Ferner, 2002; Gunnigle, et al., 2005; Gunnigle, et al., 2003; Royle, 2000). While Ireland is particularly successful in drawing in Foreign Direct Investment (FDI), it is disproportionately more economically dependent on MNC investment than other EU countries (I. Clark, et al., 2002). In 2009, Ireland attracted nine per cent of US FDI into the EU and five per cent worldwide (American Chamber of Commerce Ireland, 2010). In Ireland, 491 US MNC subsidiaries (out of 985 IDA supported companies) employed 99,772 people. Total MNC employment was 138,968 with total sales of €115 bn (IDA, 2010).

In 2010, Germany was ranked sixth (and Ireland thirteenth) in the world in terms of inward FDI performance (UNCTAD, 2010). In 2008, 3,740 US MNCs employed 626,677 people in Germany with an annual turnover of €279 bn (Statistisches Bundesamt Deutschland, 2011). This compares to an overall figure of 21,376 MNCs with 2,791,494 employees and a turnover of € 1,300.6 bn for Germany in the same year (Statistisches Bundesamt Deutschland, 2011). Nonetheless, MNC employment in Germany (as a proportion of total employment) is low compared with other European countries (Muller-Camen, et al., 2001). Yet, Germany is no less reliant on US FDI than Ireland is. In fact, the US also represents Germany's largest leader of FDI projects. Coincidentally, the overall number of FDI projects in Germany and Ireland increased by 14% in 2008 on 2007 figures (IDA, 2009; Research In Germany, 2009). The medical devices sector in Ireland is particularly dependent on US foreign direct investment.

## Chapter Four: Case Study Context

Around 52 per cent of all exports of Irish medical devices is destined for the US, while 14 per cent of all medical devices imports into the US originate in Ireland (Hornschild, Raab, & Weiß, 2005). Thus, the American Chamber of Commerce arguably exerts major political influence in both Germany and Ireland (Clark et al., 2002). Owing to progressive global competition for FDI, deregulation of national employment systems is set to persist, so permitting multinationals to diffuse managerial practices virtually unabatedly, such as HRIT to and across their subsidiaries.

Ireland is a relatively new state – part independence from Britain was acquired in 1922 with the foundation of the Irish Free State, while the Republic of Ireland was formed in 1949 (Gunnigle, Heraty, & Morley, 2002). High unemployment figures and inflation rates, a negative trade balance and an adversarial industrial relations (IR) environment drained the country of people and capital during the 1980s (O’Higgins, 2002; in Keating, et al., 2004). A number of developments contributed to Ireland’s economic turnaround. For instance, the first of seven social partnership agreements created a foundation for industrial peace, while membership of the European Union paved the way for the receipt of European structural funds. The key Irish industrial policy which was focused on the attraction of FDI from foreign MNCs proved to be very successful with considerable economic growth from the mid-1990s until the recent economic crisis. MNCs were attracted to Ireland by a bundle of financial incentives (tax incentives and cash grants), a young and skilled workforce and a comparatively unregulated IR climate (Gunnigle, et al., 2003; Gunnigle, et al., 2002). IR in Ireland has traditionally been pluralist and voluntarist by nature, while public policy and Irish promotion agencies encouraged unions and collective bargaining. It should be, however, noted that consecutive Irish governments have consistently refused to grant Irish trade unions a statutory recognition procedure (Wallace, Gunnigle, & Mahon, 2004) and since the 1980s both the government and its agencies have moved towards a more neutral position on trade unions, which has enabled MNCs to introduce non-union establishments and arguably played a part in the decrease in union density in Ireland (Gunnigle, et al., 2003; Visser, 2006), which is now estimated to be around 34 per cent overall but only around 20 per cent in the private sector (CSO, 2010). As the economic crisis took hold in 2008 and 2009 and unemployment rose the interests of the social partners collided, resulting in a complete breakdown in social partnership in September 2009, when the Irish government decided to unilaterally cut the pay of 250,000 public servants (Sheehan, 2010). Although the unions did return to negotiate with the government in 2010, agreeing the ‘Croke Park Deal’ on pay and reform in the public service, the unions have made it clear that this agreement is not social partnership, but a kind of social dialogue and the return of sectoral bargaining at local level (Stafford, 2010). It has been suggested that Ireland’s dependency on foreign capital has increasingly afforded MNCs considerable latitude to introduce their home country practices (Gunnigle, et al., 2006). For example, HR practices introduced by US MNCs in Ireland comprise performance-related pay, learning, training and development and usually direct forms of employee involvement and consultation (Gunnigle, Lavelle, & McDonnell, 2008).

By contrast many authors have argued that the employment relations system in Germany is highly regulated including an explicitly set out relationship between unions

and statutory works councils (Keating, 2004; Almond et al., 2005). The German system of co-determination (*Mitbestimmung*) is founded on indirect worker participation through elected worker representatives (*Betriebsräte*) and a web of formalised institutions (Royle, 1998). Muller (1999) argues that the key labour market institutions, multi-employer bargaining, co-determination, and initial vocational training tend to curtail managerial prerogative. In the private sector, co-determination rights (*Mitbestimmungsrechte*) are anchored in two main pieces of legislation, the 1952/1972 Works Constitution Act (*Betriebsverfassungsgesetz*), which was strengthened in 2001, and the 1976 Co-determination Act (*Mitbestimmungsgesetz*) (*Betriebsverfassungsgesetz 1952 (BetrVG)*, 2011; Bundesministerium der Justiz, 2009). Statutory rights for works councils comprise information, consultation, and co-determination rights. The latter legislation assures works councils of a voice on issues relating to working times, disciplinary action, pay and benefits, employee selection, training, employee record keeping and monitoring and surveillance practices (Royle, 2004) and thus also GHRIT. The German IR system has traditionally been based on negotiation and finding consensus (Keating, 2004; Muller, 1997). Since the unification of Germany, the level of coverage of German collective bargaining has reduced, increasing the number of company-level agreements with significant differences between East and West Germany. This was partly driven by the emergence of ‘opt-out’ clauses in sectoral agreements for firms able to prove economic difficulties (Royle, 2004). Nonetheless, 69% of workers are still directly covered by sectoral agreements and an additional 16% indirectly (Royle, 2004). While the German system of industrial relations has traditionally been portrayed as ‘institutionally strong’ (Muller, 1997, 1998), some commentators suggest that the German system of IR is at a crossroads and is perhaps even in danger of being ‘eroded’ (Abel & Ittermann, 2001a, 2001b, 2003; Doellgast & Greer, 2007; Grahl & Teague, 2004; Hassel, 1999; Tüselmann & Heise, 2000; K. Williams & Geppert, 2006b). Other authors have, however, argued that despite some weakening of the system it remains flexible and institutionally strong (Frege, 2003) and that foreign MNCs adapt their business practices in order to attain external legitimacy with the German business system (Schmitt, 2003). A detailed debate of the German business and IR systems is beyond the scope of this study (please refer to Keller, 2004; Müller-Jentsch, 2007).

### 4.3 Medical Devices Sector

The medical devices sector is a technology intensive sector that is characterised by two competing forces – national regulation and international competition (Hornschild, et al., 2005). In the European Union, 22,500 medical devices companies generate annual sales of €95 billion and employment for around 500,000 people (Irish Medical Devices Association, 2011). The vast majority of companies (80%) are micro, small and medium-sized operations (Eucomed, 2010b). The majority of large firms are of US origin (Eucomed, 2010a). The case study organisation in this study, Meddevco, is also a large US MNC. The worldwide trading volume of medical devices is approximately €200 billion with annual growth rates averaging 7% (Hornschild, et al., 2005). The three largest manufacturing bases, the US, Germany and Japan, account for

## Chapter Four: Case Study Context

45% of world exports of medical devices (Bräuninger & Wohlers, 2008). The sector is rather heterogeneous and some 500,000 products in 10,000 groups and 12 categories may be classified as medical devices (Eucomed, 2010b). The sector is highly regulated with regard to the licensing of new products by individual countries to ensure quality and for reasons attributable to corporate social responsibility (EGFSN, 2008; Hornschild, et al., 2005) and may thus be subject to strong coercive and normative isomorphic pressures. High levels of regulation arguably place extreme cost and time pressures on firms in the sector (Bundesministerium für Bildung und Forschung, 2001). Nonetheless, the medical devices industry is very innovative and renowned for a rapid implementation of new technologies (Bräuninger & Wohlers, 2008; Bundesministerium für Bildung und Forschung, 2001; Hornschild, et al., 2005).

The medical devices sector is one of Ireland's most significant industry sectors, both in terms of employment and with regard to exports. The 160 medical devices companies based in Ireland (more than 90 of these are indigenous companies) furnish employment to 24,000 people, which statistically corresponds to the highest number of staff employed in a single sector in Europe as a proportion of total employment (Medical Device, 2010). This figure constitutes twelve per cent of people engaged in manufacturing in Ireland (CSO, 2010) and is indicative of a high degree of specialisation in medical devices (Hornschild, et al., 2005). One fifth of European medical technology workers are based in Ireland (Eucomed, 2010a) yet 90 per cent of employment in the sector is provided by foreign-owned MNCs (EGFSN, 2008). 40 per cent of all Irish employment in the medical devices sector is clustered in the West of Ireland, with Galway city and county in particular attracting almost a third of all employment in the sector and playing host to a large number of MNC subsidiaries and start-up companies (EGFSN, 2008). Consequently, additional mimetic pressures for institutional isomorphism may arise among these companies. Meddevco's Irish Manufacturing Plant is also located in Galway. Ireland, alongside Massachusetts or Minnesota in the US, can be considered a global hub for the medical devices industry (EGFSN, 2008). Turnover increases in the sector between 1995 and 2002 were in the region of 25 per cent per annum (compared with 5.6 per cent per annum in Germany during the same period) (Hornschild, et al., 2005). The Irish Medical Devices Association (2011) suggest that in recent years, the Irish medical devices sector has evolved from a mainly manufacturing and distribution base to a centre for research and development.

Whilst the USA is the largest exporter and the largest market for medical devices products worldwide (Bräuninger & Wohlers, 2008), Germany is still the largest exporter of medical devices in Europe, accounting for almost a quarter of all medical technology sales in Europe (Irish Medical Devices Association, 2011), (Bräuninger & Wohlers, 2008). Germany also boasts the highest number of medical technology companies in Europe, with 49 per cent of European medical devices firms, corresponding to 11,044 companies based in Germany and providing over a third of European employment in the sector (Eucomed, 2010a; Hornschild, et al., 2005). Although most of these companies are small, only one tenth have more than 20 employees and only 45 firms have more than 250 employees (Bräuninger & Wohlers, 2008). Yet these companies employ 25% of all workers in the sector (Hornschild, et al., 2005). In total, employment in the sector

in Germany amounts to 150,000 people (Hornschild, et al., 2005), which corresponds to only 1.6 per cent of employment in the manufacturing sector and 46 per cent of this employment is based in southern Germany (Bavaria: 20.4% and Baden-Württemberg: 25.6%) (Bräuninger & Wohlers, 2008). Overall, therefore, the German manufacturing sector is far less focussed on medical devices than its Irish counterpart. Meddevco's German Manufacturing Plant is also situated in southern Germany in Bavaria.

### 4.4 About Meddevco

Meddevco is one of the largest developers and manufacturers of medical device technology in the world and is headquartered in Minneapolis, Minnesota. Founded in 1949, it employs approximately 45,000 people in 270 locations in 120 countries. It operates approximately 44 manufacturing facilities, 22 training and education facilities and 25 research and development centres. Meddevco divides the globe into three key areas – the US, International and Asia-Pacific and has regional headquarter in Tolochenaz, Switzerland and Tokyo, Japan. Figure 4.1 illustrates the global reach and regional structure of the organisation, whereby Meddevco differentiates between the US market, the International market (including Western and Eastern Europe, Canada, Emerging Markets, etc.) and the Asia-Pacific Market (including Australia, Japan, China, etc.). For instance, the units of analysis of this research are located in the International area and more specifically in Western Europe. The company has developed considerably in the last 16 years, as is highlighted in Figure 4.2, which shows a 475 per cent increase in the number of employees and a tenfold increase in revenue in this period.

Meddevco has a divisional structure of six distinct product divisions: Cardiac Rhythm Disease Management, Spinal and Biologics, Cardiovascular, Neuromodulation, Diabetes, and Surgical Technologies. Some of the key support functions, such as HR, Finance and IT are centralised in the corporate HQ in Minneapolis, even though these functions are mirrored by corresponding functions within the divisions. That is, each division operates independently, including a dedicated head office for each division, which according to some of the key stakeholders interviewed leads to a significant amount of duplication of efforts and dual reporting structures. For instance, the Irish operation reports directly to Santa Rosa and the German manufacturing facility to Memphis. The Irish HR Director describes Meddevco's corporate structure as follows:

*Meddevco is structured according to product divisions, in a sense it is like a matrix structure. We are part of the Vascular division, whose HQ is located in Santa Rosa. These are the people we report to. In this kind of set up there can be a lot of repetition in terms of functions. Each division operates independently, apart from support functions like the HRIS centre, which provide services to all divisions. 95% of our reporting is to Santa Rosa and the rest to Switzerland. Heerlen [in The Netherlands] and Switzerland are responsible for the logistics and distribution of the goods we produce. Switzerland is also responsible for carrying out a lot of the training and development.*

**Figure 4.1: Global Reach of Meddevco**



**Source:** Meddevco Internal Presentation

**Figure 4.2: Meddevco: Key Statistics**

	1992	2008
Employees	8,000	38,000
Revenue	\$1.2 billion	\$13.5 billion
<b>R&amp;D Investment</b>	<b>\$120 million</b>	<b>\$1.3 billion</b>
Net Earnings	\$180 million	\$3.0 billion
EPS*	\$0.17	\$2.60

\* Stock split adjusted

**Source:** Meddevco Internal Presentation

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Yearly budgets constitute the primary control mechanism within the corporation.

*Yearly budgets determine everything we do here in terms of new staff or training. In addition to budgets, we always have to demonstrate the business need, so if we can make a good case for more staff that is not an issue. Likewise, when we used less of the labour budget than allocated we were also questioned why this was not used. (Irish HR Director)*

According to the head of the HRSSC Project Team, the MNC operates a strict 'no customisation unless legally required' policy concerning the local adaptation of HR practices. This is a critical point, as it stresses the corporation's reluctant view towards local isomorphism. To ensure consistency, corporate (including European) HR and talent management (TM) strategies, and thus also GHRIT strategy, in the case study MNC are centrally decided upon by a so-called 'Human Resource Council' (HRC). This council consists of ten senior vice presidents (SVP) of various business functions, for instance the SVP for Compensation and Benefits Systems. Nine of the ten members of this council are permanent constituents. European interests are represented by a single council member, whose position rotates on a yearly basis. As the following chapters will illustrate, this tends to dilute European influence over HR strategy with some definite repercussions for the representation of European interests in the HR decision-making process. The analysis identifies 15 key global HR processes at Meddevco, including talent management, performance management, salary planning, recruitment, and management incentive programmes, which are 'owned' by 15 global HR process owners. These process owners form a sub-committee of the HRC. This process owner group is made up of function directors, such as the Senior Director for HR Systems, who are called Business Process Owners (BPO), SVPs (e.g. SVP for HR), or Executive Process Owners (e.g. the Chief Information Officer who is also a member of the Executive Team). The BPOs hold annual meetings during which new projects are discussed. The HRC prioritises these projects and a decision is then made to implement the most relevant projects, such as talent management. While the HR Council develops corporate HR strategy, it does not have Board of Director status. The actual Board of Directors ratifies any HR strategies before these are disseminated to the divisions.

Therefore, it comes as no surprise perhaps that European key stakeholders including the Head of the HRSSC, the Irish HR director and the German Plant Director were rather disillusioned by the decision-making processes that led to the introduction of new HR practices. For instance the Head of the HRSSC stated:

*Europe needs to roll it out because we want to roll out globally. ... It's important to roll out globally, but it's not that important to listen to that [European] voice. And the problem is being created here at this level at the HRC. We have a group of people with one voice of Europe in there rather than having a balance there. One European in there. So the European voice gets pretty small in that group there. I can imagine that the European head, who is in there doesn't always hear 100% what's being said or understands what's being said and agreeing on certain things ... Where the HR systems are concerned the HRC decided on it so we have to implement it. Europe had a voice in*

*the decision, so we have 'decided' [emphasis added] on it, so we implement this globally. So I would say, ok, even if this person would have to say no, no, no it's still 9 to 1 and they can decide on it. So I think the whole priority thing is something that needs to be worked out at this level rather than us at the operational level.*

Asked about the scope of her influence on HRIT decision-making processes the Senior Director HR Systems replied:

*None. All decisions are made by the HRC. If, for instance, a decision would be made to introduce SAP by the CIO [Chief Information Officer] and the HRC, I would not be involved in the decision-making process. However, I would be asked to provide an assessment on potential costs, problems etc. and to make recommendations regarding the implementation.*

Once a HR strategy or HR project has been decreed by the Board of Directors, it is translated into a European and country specific context by a so-called European HR Council (EHRC), which consists of all European HR Directors and meets quarterly. The HR Director for the Central Region, the Irish HR Director and the International HRIS (IHRIS) Manager were part of this committee. The purpose of the EHRC is to discuss how employment practices that have been handed down by the HRC can be translated into the European context. Subsequently, local management is entrusted with the implementation of relevant policies and procedures that give effect to these strategies or projects in the subsidiaries. The key stakeholders in this research, independently from one another, emphasised that one of their key roles was to interpret company policies and transpose these into the local business system.

*There are Meddevco HR policies and these are handed down by corporate and have to be introduced. However, there are issues of a local nature such as a new bargaining round with unions, where the European HR managers meet at a local level and decide on a stance that they should take (Irish HR Director).*

The data suggests that local managers apply some discretion in adapting some of these policies locally, such as the refusal to adapt certain HR systems modules, which confirms evidence from other research in MNC subsidiaries (Dörrenbächer & Gammelgaard, 2006; Dörrenbächer & Geppert, 2006; Edwards & Kuruvilla, 2005; Ferner, Almond, Colling, et al., 2005; G. Martin & Beaumont, 1999).

In addition to works councils and information and consultation committees at the national level, there is a European Works Council (EWC) in which representatives meet once a year to share information among European subsidiaries. The organisation also operates a worldwide forum (or world works council). However, there is no direct relationship between these two institutions; representatives of the worldwide forum are not elected from the EWC and do not meet in person; instead, two randomly selected employees per subsidiary participate via videoconferencing in a forum at the US HQ. While the purpose of the European Works Council Directive is to furnish employees of MNCs with the right to information and consultation concerning transnational issues (see for example: Bansbach, 2001; Engels & Salas, 2004), the literature presents a

employment increased from 900 staff to the current level. The Irish HR Director made the following observation in relation to the increase in the workforce.

*We have been very good at developing our competencies within the corporation. If we had remained purely at the manufacturing level, we would not have increased in size the way in which we did. Over the years, we have been more and more involved in product development and ultimately were given a research and development section, which allowed us to grow even more and has helped us to strengthen our position within the corporation.*

The Irish Manufacturing Plant operates a sizeable HR department including a HR Director, a HR Manager, several HR practitioners, and a dedicated HRIS user ('Super User'). From the outset, management entered into an informal, closed shop agreement with Ireland's largest general union (*SIPTU*) to represent its manufacturing workers. This appears to be a common practice adopted by Irish-based US MNC's in so-called 'sweetheart deals' to limit union influence in the organisation (Geary & Roche, 2001; Gunnigle, et al., 2005). Formal employee participation is organised through a works council and an information and consultation forum (NCP, 2004). The make-up of the workforce in the Irish manufacturing site is markedly different from that of the German manufacturing site in that over two-thirds of Irish employees consist of mainly unskilled operators.

In total, the case study company operates three sites in Germany, the Central Region Sales Head Office located in the West of Germany and established in 1970, a sales office in East Germany staffed by a single salesperson, and a manufacturing plant with a workforce of 100 in the South of Germany. The latter two sites are recent acquisitions. The sales office in East Germany is controlled by the Central Region Sales Head Office, whereas the manufacturing plant is under the direction of its North American counterpart in Memphis.

The Central Region Sales Head Office in Germany oversees 500 salaried employees, including administrative staff, regional and area sales managers and representatives, most of whom operate from regional sales offices throughout Central Europe. As the total number of employees in this site is below 2000, the German 1976 Codetermination Act (*Mitbestimmungsgesetz*) does not apply. Although the Works Constitution Act (*Betriebsverfassungsgesetz*) would provide for the right to worker co-determination in the form of a works council (eleven members for a company of this size) and even for a full time works council official (a so-called *Freigestellter* relieved from duties and compensated by the organisation) (Bundesministerium der Justiz, 2009), the Regional Sales Head Office had no such structure in place. It ought to be noted here, however, that works councils have to be initiated by the workers themselves (Bundesministerium der Justiz, 2009). The HR department consists of a HR Director for the Central Region, a Training and Learning Manager, two HR practitioners, a payroll administrator and a dedicated HRIS Super User. The HR Director is responsible for the implementation of global HR initiatives, policies and practices, and where necessary the local adaptation of these. In the interview, the HR Director for the Central Region made it very clear that he did not hold any responsibility for the manufacturing

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plant in the South of Germany, although the HR policies and procedures there would 'follow the standard practice of the corporation' and would, therefore, be similar to that of the sales office. This is questionable since the sales office is staffed by salaried employees (*Angestellte*) as opposed to skilled hourly-paid workers in the manufacturing site.

The MNC acquired the German Manufacturing Plant in 2000. The plant employs 100 people, most of whom are '*tarifliche Beschäftigte*', that is skilled workers that are covered by a sectoral agreement (*Tarifvereinbarung*). The subsidiary is unionised by Germany's largest and arguably most influential union, the metalworkers' union, IG Metall (IGM). This manufacturing unit also has a works council. The Director of the subsidiary commented on the history of the works council as follows:

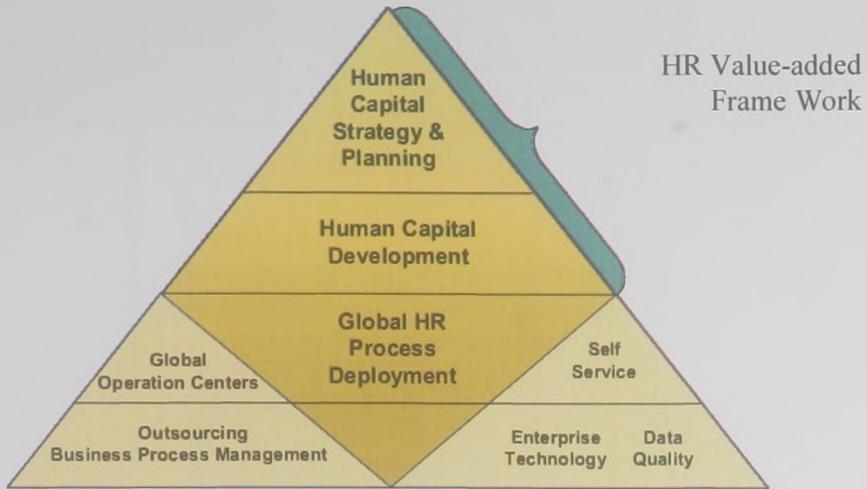
*We continued to have a works council for historic reasons. The company always had a works council even when it belonged to MAN. The culture of this operation evolved with a works council and was very negatively charged against future prospects due to mismanagement, which led to waves of redundancies. In the past, we had here 70 employees. At the end, there were only eleven left [before the takeover by the case study corporation].*

*We [now] have a very positive, business-like, friendly relationship [with the works council].*

The last statement may not be surprising, as the chairman of the works council is also the plant manager and his deputy is in middle management. Royle (1998) classifies this as a co-option or capture approach to lessen the influence of the union. In theory, the Betriebsverfassungsgesetz (Works Constitution Act) explicitly excludes 'managerial level' employees (*Leitende Angestellte*) from elections to works councils (Bundesministerium der Justiz, 2009, § 5). The plant does not have a dedicated HR department; the Finance Manager occupies this role. She is assisted by a clerical worker, who also enters data into the HRIS. The MNC has plans to transfer some of the production to Puerto Rico, which, according to the Head of the Works Council, will be met with severe resistance in the heavily unionised subsidiary. Since the takeover, the workforce has increased from 26 to just below 100 employees. The 100-employee mark is an important threshold in the German industrial relations system. In excess of 100 employees, the works council has the right to form a financial committee (*Wirtschaftsausschuss*) entitling it to additional financial information about the company (Royle, 1998) as well as time for works committee members to attend to these duties by the employer (Bundesministerium der Justiz, 2009).

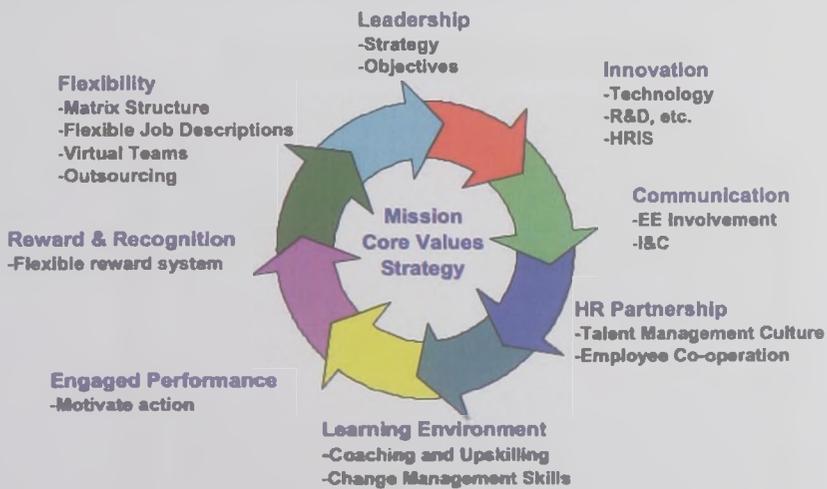
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Figure 4.3: Meddevco HR value-added Framework



Source: Meddevco Internal Presentation

Figure 4.4: Human Resource Success Factors in Meddevco



Source: Meddevco Internal Presentation

Figure 4.5: Meddevco Business Strategy Talent Management Alignment



Source: Meddevco Internal Presentation

Figure 4.6: Meddevco HR Partnership Model



Source: Meddevco Internal Presentation

#### 4.5 HR Vision

The findings suggest that Meddevco has tried to align its business and HR strategy, as well as clearly formulating its vision for the development of talent within the corporation and it also appears to have an explicit vision of how its HR can add value to the organisation as illustrated by its corporate mission statement:

- *To contribute to human welfare by application of biomedical engineering in the research, design, manufacture, and sale of instruments or appliances that alleviate pain, restore health, and extend life.*
- *To direct our growth in the areas of biomedical engineering where we display maximum strength and ability; to gather people and facilities that tend to augment these areas; to continuously build on these areas through education and knowledge assimilation; to avoid participation in areas where we cannot make unique and worthy contributions.*
- *To strive without reserve for the greatest possible reliability and quality in our products; to be the unsurpassed standard of comparison and to be recognized as a company of dedication, honesty, integrity, and service.*
- *To make a fair profit on current operations to meet our obligations, sustain our growth, and reach our goals.*
- *To recognise the personal worth of employees by providing an employment framework that allows personal satisfaction in work accomplished, security, advancement opportunity, and means to share in the company's success.*
- *To maintain good citizenship as a company (Meddevco Internal Presentation).*

Meddevco's HR vision articulates certain aims:

*To build organisational capability by understanding organisational development principles, methodology and processes and leveraging them to increase individual and organisational effectiveness (Meddevco Internal Presentation).*

The HR value-added framework depicted in Figure 4.3 suggests that Meddevco's vision for HR is founded upon a series of global HR processes (including GHRIT and HRSS), which in turn are aimed at developing human capital and at supporting human capital planning in the firm. The links between corporate and HR vision and strategy are also demonstrated in Figures 4.4, 4.5 and 4.6. Thus, the MNC's talent management strategy claims to be aligned with business strategy through the strategic development and deployment of talent within the organisation (see Figure 4.5). As the following analysis chapter will show, this is a strategic aspiration rather than an operational reality, which is frequently mediated by contextual factors and the institutional embeddedness of the MNC.

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As a major global HR process, GHRIT also plays a key role as one of the organisation's HR success factors (see Figure 4.4). According to the literature review in Chapter Two, GHRIT is also instrumental in supporting the other HR success factors, including leadership, flexibility, reward, HR partnership, communication, performance management, learning and innovation. These key HR processes also play a key role in the MNCs HR Partnership model (see Figure 4.6). The HR partnership model operates along two dimensions – a horizontal dimension ranging from process to people-oriented activities and a vertical dimension extending from operational to strategic activities. These activities are summarised under four headings (talent management and acquisition, culture change, reward and recognition, employee commitment).

The Irish HR Director suggests, however, that the operational reality is somewhat more reactive.

*What we do here in [the Irish Manufacturing Plant] and the way we operate is largely determined by product development. 70% of our staff are working on products that have been developed in the last 18 months. This puts a lot of pressure on us in terms of staffing and training and development. There can be a lot of delays in developing medical devices and this can have a knock-on effect on staffing. If a product launch is scheduled for December and we take on these people in the summer to train them, what are we going to do if the launch gets delayed due to regulatory influences? Product development cycles and launches determine most of what we do here in terms of HR and staffing levels. Nowadays, we have become more scientific in forecasting demand and these forecasts have become fairly accurate, even though there are still a lot of things that can happen.*

It is interesting to note that Meddevco is described as a High Performance organisation by the National Centre for Partnership and Promotion (NCP, 2004). This is also evident in Meddevco's route map to a High Performance Organisation depicted in Figure 4.7, which sets out the suggested key steps and action teams to be undertaken in the process. Similar to the HR Partnership Model and the Human Resources success factors, the route map focuses on Talent Management and Employee Involvement. Thus, in theory at least, it seems that TM represents a cornerstone of the firm's HR strategy. Chapter Five will discuss evidence pertaining to the use of TMS in the organisation in detail.

Figure 4.7: Route Map to a High Performance Organisation



Source: Meddevco Internal Presentation

#### 4.6 Chapter Summary

This chapter began by contrasting the influence of US Multinationals with respect to FDI investments on German and Irish employment relations systems. The medical devices / medical technology sector in both countries represents a significant contributor to the respective economies both in terms of employment and with regard to value creation, with US MNCs constituting key players in the industry in both countries. It is clear, however, that US medical devices companies in Ireland have a far more substantial role in the Irish economy than they have in Germany. This chapter also provided a brief analysis of the operational context of the case study MNC, including the specific contexts of the different units of analysis. The latter part of this chapter has demonstrated the divergent nature of sub-units in this study, although the description of corporate HR strategy seems to suggest an attempt to unify and coordinate the management of human capital, which is also supported by the organisation's GHRIT. The following chapter provides a detailed examination of GHRIT utilisation in the different subsidiaries based on interview and documentary analysis.

## **Chapter Five: GHRIT Transfer and Diffusion in Meddevco**

### **5.1 Introduction**

While the previous chapter examined the broad organisational context, this chapter provides a more detailed analysis of the data gathered and applies the data to the research questions and the relevant literature. This includes an analysis of the decision-making processes affecting HRIT utilisation; whether and how HRIT utilisation differs in the Irish and German subsidiaries; the factors mediating the use of the HRIT system and the manner in which the MNC manages these factors. The chapter is structured as follows: first, it examines the broader setting of GHRIT within the Enterprise Resource Planning system (ERP), at Meddevco and secondly provides an analysis of the firm's GHRIT strategy and its alignment with corporate strategy. Third, the actual GHRIT configuration is investigated; this section examines the research data pertaining to various sub-systems that form part of the GHRIT, GHRIT users, GHRIT outsourcing, the planned global HR Shared Services Centre (GHRSSC), and Talent Management. Finally, the chapter will analyse data relating to GHRIT diffusion and implementation. This part of the chapter will reflect upon issues raised in the literature concerning internal consistency versus local adaptation and the effects of micro-political power relationships on the diffusion of GHRIT practices.

### **5.2 ERP Configuration**

GHRIT, specifically the GHRIS, in Meddevco is integrated in an enterprise resource planning system (ERP). An ERP system essentially integrates information from all functional areas of the business into a central repository, for example finance, production, marketing and HRM. The GHRIS itself comprises a number of modules, which in turn can support every area of HR. At the outset of this research, Meddevco utilised a stand alone ERP by PeopleSoft (and some parts of the organisation an ERP by JD Edwards, a former competitor of PeopleSoft who had merged with PeopleSoft). During the data collection phase two events of significance occurred. First, Oracle, one of the world's largest technology solution providers (CedarCrestone, 2007), purchased PeopleSoft in a hostile takeover, which was until then one of the most commonly used ERP systems (Kane, 2004). The Head of the HR Shared Services Centre Project Team speculated that this effectively portended that PeopleSoft products may, in the end, cease to be offered and updated. This would require a switch by Meddevco to an Oracle product or a different provider, which in turn would necessitate a lengthy decision-making process, vendor finding, implementation and training mission. Second, perhaps as a result of the previous event, the MNC decided to switch from its previous ERP supplier PeopleSoft (and JD Edwards) to SAP to manage its supply chain activities. It did, however, retain the PeopleSoft Enterprise Human Capital Management (HCM) solution (see Figure 5.2 for the full range of modules on hand). These events are relevant to the diffusion of GHRIT in Meddevco insofar as the potential change from the

PeopleSoft HR solution would evidently affect the entire GHRIT set-up and therefore the transmission of GHRIT practices across the MNC. Clearly, the opportunity cost (both time and money) in changing the GHRIT supplier is immense. Notwithstanding these outlays, Meddevco is already using the SAP ERP and Finance applications, which might herald the complete rollout of SAP including its GHRIS sub-system, even though the Irish HR Director, the Director of HR Systems and the HR Director for the Central Region affirmed that this was *currently* not an option. In this context, however, the Irish HR Director added that HQ decision-making processes were very unpredictable.

ERP implementation, which will subsequently impact on GHRIT diffusion, promises a range of advantages including reduced cycle times, improved customer satisfaction and/or lower operating cost; and conversely, can give rise to a whole host of problems including poor return on investment, poor analytical capabilities and functionality, sluggish and ineffective system implementation, resistance to change, and exceeding time and cost expectations (Hendricks, Singhal, & Stratman, 2007; Marina Krumbholz & Maiden, 2001; M. Robey, Coney, & Sommer, 2006; Spathis & Constantinides, 2003; Weston, 2001). While ERP implementation is not the subject of, and beyond the scope of, this investigation, it ought to be noted that ERP implementation affects GHRIT diffusion and both advantages and disadvantages of ERP introduction are congruent with those pertaining to the implementation and diffusion of a GHRIT, as was suggested in Chapter Two. The following analysis will show that these drawbacks also feature in the diffusion of GHRIT in Meddevco's subsidiaries. Given the potential pitfalls it seems surprising that Meddevco tries to maintain two ERP systems in parallel, as this raises a number of issues for the subsidiaries such as problems with staffing. For instance, the German Manufacturing Plant finds it impossible to deal with both systems in tandem. The German Manufacturing Plant Director commented on this issue:

*And we don't dream around here. But we live in the real working world. And we have introduced SAP here a year ago. We sacrificed PeopleSoft for the magnitude of this introduction, because the most work in SAP implementation is in administration. Therefore, we pulled [our HR administrator] into finance. You couldn't do that in [the sales head office for the central region]. The HR Director for the Central Region wouldn't send his staff to the finance department. They would say I think they have lost all sense. [our HR administrator] is that flexible. ... Now she works 75 per cent of her time in finance – personnel administration lies barren.*

The problems in this manufacturing subsidiary arise largely as a result of its small size. Another issue pertains to the potential lack of compatibility of the two systems, even though the Senior Systems Analyst stated that this was not an issue. The German HR / Finance Manager explained:

*I don't know yet to what extent they [PeopleSoft and SAP] can talk to each other, because we are not at that stage yet. But it is clear that I have to input salary data into PeopleSoft and for the processing of the payments I have to create a separate journal [in SAP]. I am doubling up.*

## Chapter Five: GHRIT Transfer and Diffusion in Meddevco

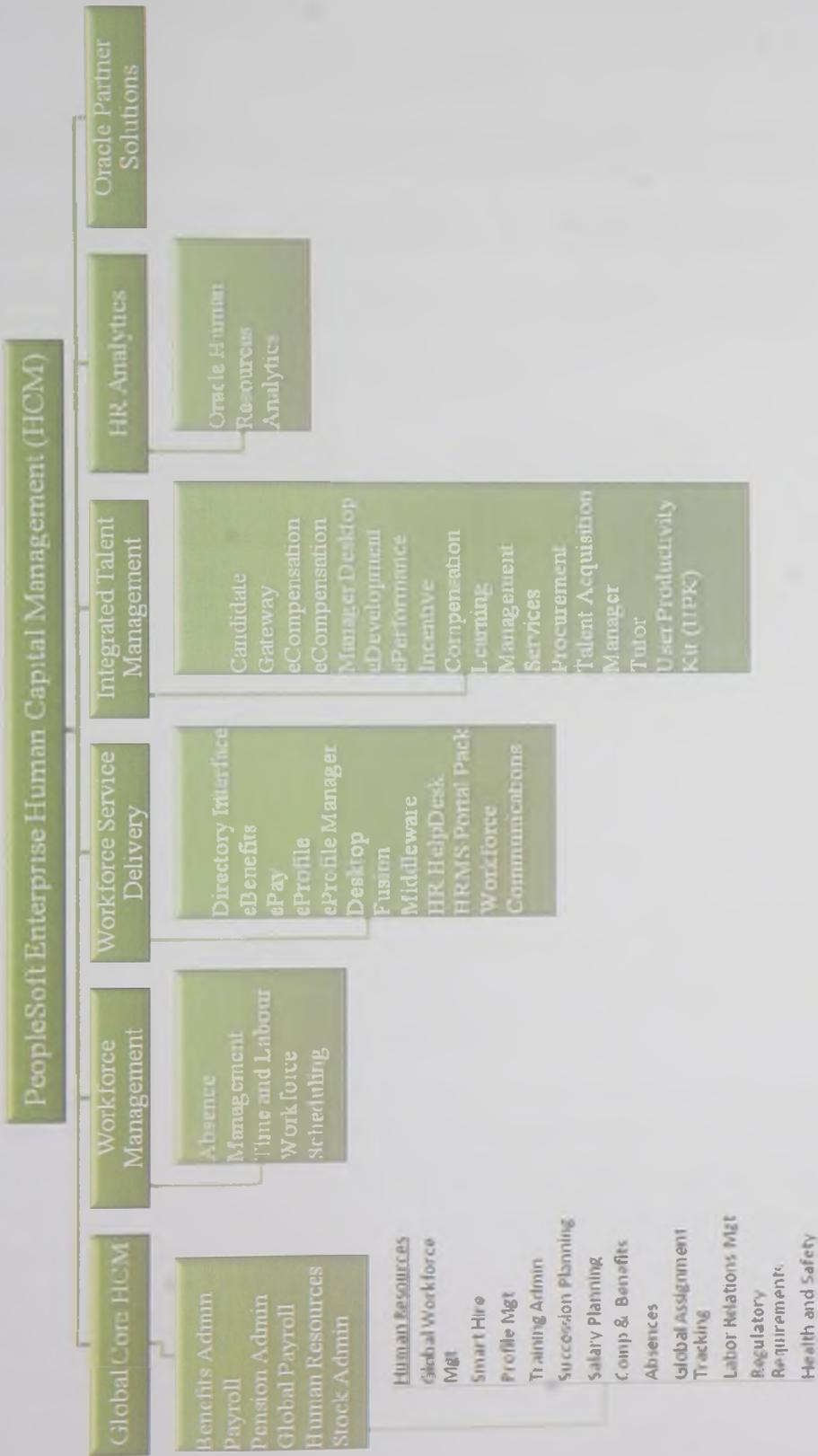
This comment also provides evidence for the additional work created by the use of multiple systems. In addition, these quotes highlight the HQ's lack of consideration for the day-to-day issues arising from the usage of multiple systems in tandem. The following section analyses and discusses evidence relating to the GHRIS strategy in Meddevco.

Figure 5.1: Global HR Systems Strategy



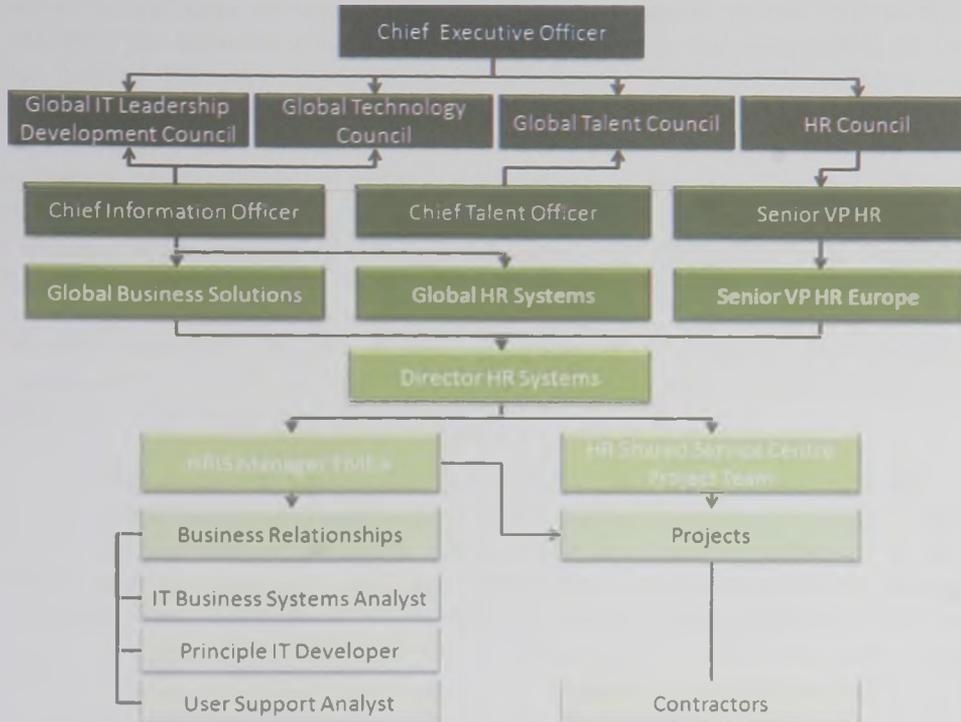
Source: Meddevco Internal Presentation

Figure 5.2: Oracle PeopleSoft Enterprise Human Capital Management Solution Summary



Source: Developed for this Research

Figure 5.3: GHRIT Organisation



Source: Developed for this Research

### 5.3 Home Country Effects in GHRIT Strategy and Decision-making

The previous chapter has already illustrated that HR decision-making is firmly in the hands of the HR council and the senior vice presidents. The Head of the HRSSC Project Team and former Human Resources Information System Manager Europe, Emerging Markets & Canada (IHRIS Manager in the following) remarked on the role of the IHRIS (IHRIS) Centre in GHRIT strategy implementation:

*In principle, we have something that is called the HRC, the Human Resource Council, and they are driving the needs. They are in principle the one who says, this is what we want to happen in the next few years. So HR council, so that's a global group and they set what it is we need to do. And then the HR systems group, who fills it out. They're only HR people. I mean that's only VPs [Vice Presidents] who are in there. So who is responsible for us, that's ... [the] director of HR solutions, he is in the group there. They say, ok, now the focus is going to be on talent management and that is what we need from talent management. So that is in principle driving our strategy. ... So if you want to go one level deeper, more to the technical level, that is where you see our group coming in there where we fill it in. They need our level, that's our collateral.*

Palpably, the role of the IHRIS centre is of an operational rather than a strategic nature in the eyes of the IHRIS Manager. The Head of the HRSSC Project Team attributes the tensions between Europe and the HQ to the composition of the HRC and the lack of European involvement at this level. The decision-making power of the EHRC, as Chapter Four has shown, is limited to *how* particular employment practices are translated into the European context but not *whether* these practices will be used. The influence of the EHRC is further constrained by the fact that individual subsidiaries report to their respective divisional HQs rather than the International HQ or some other European board. This is illustrated by the following statement by the HR Director for the Central Region:

*The HQ ultimately decides [upon implementation]. The HQ also decided upon the introduction of SAP. We didn't decide that in Germany. Europe also didn't make that decision. The US decided that.*

This might suggest that the IHRIS centre and European subsidiaries' influence on GHRIT decisions made by the US parent is limited and that the home country effect is one of the key factors in GHRIT practice transfer to the subsidiaries. Nevertheless, the EHRC and its members were evidently able to resist the planned introduction of a GHRSSC, which will be discussed later on in the chapter. Therefore, it is important to make the distinction between the involvement in decision-making processes and involvement in the actual implementation of GHRIT. The MNC's promotes a strict 'no customisation unless legally required' policy relating to the adaptation of the HR system to local/country specific requirements. With regard to this policy the German HR/Finance Manager commented:

*The global aspect is always assessed and if that [a suggestion] can be implemented globally and doesn't just benefit [the subsidiary], then you can expect that it will be implemented quickly. If it is only specific to [the subsidiary] and if you don't have a sufficient rationale for its importance then nothing happens.*

In a similar vein, the Irish HR Director stated:

*The global aspect is the most important thing with regard to decision-making in the corporation. However, HR policy decisions are always evaluated in terms of how national legislation would influence their introduction and are adapted accordingly but in principle they are implemented as they are.*

Notwithstanding the operational role of the IHRIS centre, the MNC promulgates a global HRIS strategy, which is depicted in Figure 5.1. The disadvantages of introducing a global system in the subsidiaries, according to the Head of the HRSSC Project Team, entail:

*Giving up your local language, giving up your flexibility, having to convince people before you can do something, rather than calling your vendor and saying, hey, can you make that change for me and get it in now and you will never get the support from any senior person, that your transparency is gone ...*

In addition, he suggests that the over-reliance on global system may cause operational downtime:

*Last week was the first day that 2000 operators were sitting for 5 hours in the canteen, but that was more SAP related, but you know the wide area network was down in Europe.*

The HR systems strategy is founded on the organisation's IT architecture (for instance the hardware and ERP software solutions) and HR system solutions (for example the PeopleSoft Human Capital Management Warehouse). In fact, all members of staff at the IHRIS Centre have an IT background and the centre was initially part of the IT department. This is not unusual for an HRIS Centre (Gueutal & Falbe, 2005). According to the Head of the HRSSC Project Team (and former IHRIS Manager), this led to some issues at the outset, which prompted the MNC to incorporate the IHRIS Centre and its staff into the HR function. The issues that arose were largely related to questions of legitimacy. In other words, European HR managers had concerns that their voice would not be heard by people from the IT department. This is illustrated by the following quote:

*It's kind of interesting because I mean I just want to use an example, I won't use the name, I was speaking with a, I guess, a director level client of HRIS Europe and I was mentioning to her that I can serve her in this function but I'm not serving in this function so much as a HRIS person but just as an IT person to help guide you through this process. And this person said to me you if you are just in general IT, there is no point in being on phone with you right now. And I think that demonstrates to me why we are separate because our client base maybe requires a little bit more individual attention (IHRIS Manager).*

Thite and Kavanagh (2008) argue that GHRIT should represent the intersection of HR and IT, while Williams, Tansley and Foster (2009) purport that HRIT professionals ought to possess expertise in both areas. Despite the relabeling of the IHRIS Centre as a HR function, the centre is still deeply rooted in the broader information systems structure, as Figure 5.3 shows. The Senior Director for HR Systems and European HR Systems commented on the decision-making and reporting structure thus:

*I am part of Global HR Systems, which is based in [...], with other operations in Holland and Asia Pacific. [...] I don't actually report to [the Senior VP HR]. I only have a data responsibility to him. I report to the VP for HR Europe, who is a member of the HR Council and the Chief Information Officer, who is actually an executive officer. The CIO is part of the Global Technology Council and we report to them. ... I am responsible for the HR systems strategy. Lately, our function is not just focused on HR processes but also on other systems such as sales. We report to Global Business Solutions.*

Figure 5.3 demonstrates that Global Business Solutions, Global HR Solutions, Chief Information Officer (CIO), and the various councils are all centralised at Meddevco's HQ. With the exception of the HR Council, none of these decision-making centres have a European constituent, which further accentuates the concentrated nature of,

and lack of, European influence on the decision-making processes regarding GHRIT diffusion in Meddevco.

While the first building blocks of Meddevco's GHRIS strategy, the foundation level, are of a technical nature, the second group of layers are of an operational and process oriented nature (see Figure 5.1). Examples of GHRIT applications at the process level include payroll, e-recruitment and SABA (a training and development solution). The next level of the GHRIS strategy, human capital development, consists of skills and knowledge-based solutions, for instance performance management applications and talent profiles (explained later on in the chapter) that are incorporated in the GHRIS. At the analytical level, the GHRIS strategy focuses on Strategic Planning & Analysis (Talent Management), Operational Analysis (Compensation Tools), and Foundational Analysis (Workforce Analytics and HR Metrics) (see Figure 5.1). Workforce analytics fall into a category described by Beckers and Bsat (2002) as decision support systems. Workforce analytics takes a holistic and long-term approach to measuring different types of HR metrics, which enables organisations to assess the long-term implications of HR interventions (Greengard, 2003). HR metrics can be established for each functional area of HR, examples include cost per hire, human capital value added, vacancy costs, or compensation as a percentage of revenue (Carlson & Kavanagh, 2008). The use of GHRIT, developments in the analytical capabilities of this technology and data mining have acted as catalysts for workforce analytics. In other words, high level analytics would not be possible without the use of a computerised system (Beckers & Bsat, 2002). While a full discussion of workforce analytics and HR metrics is beyond the scope of this dissertation, the following quote by Schweyer illustrates its importance.

*If you do proper workforce analytics and planning, then you know who to recruit, who to develop, who to redeploy and where to redeploy them, whether you should hire someone externally or promote someone from within, and whether you should look for a contingent worker, contractor, or full-time worker. Workforce-planning analytics can help you make the best talent-management decisions and align those with your corporate objectives (Schweyer, 2004 in Lewis & Heckman, 2006, p. 147).*

The organisation utilises a range of systems to leverage the activities at this level (see Figure 5.6). According to an internal presentation, the objectives of the MNC's GHRIS strategy comprise the creation of a data repository in emerging markets, standardisation, managing rewards, globalisation, fostering of talent management, compliance, improved customer service and the use of e-recruitment. These objectives are coupled with the diffusion of GHRIT in Meddevco in a number of ways. Table 5.1 emphasises that a range of projects carried out by the IHRIS Centre are aimed at attaining these objectives. With regard to the first objective, the introduction of the GHRIS (the PeopleSoft package) in emerging countries Meddevco's GHRIS could potentially generate a pool of workforce data, albeit the piecemeal introduction of PeopleSoft modules in emerging countries (see Table 5.1) may delay or even prevent the attainment of this objective. This example illustrates that while the main focus of this study is on GHRIT diffusion in Germany and Ireland, the transfer of practices does not occur in isolation and the introduction of GHRIT in one country / subsidiary may have a knock-on effect on other countries / subsidiaries and the organisation in general.

The literature review has already drawn attention to the fact that standardisation, a further GHRIS objective, ought to be a key imperative in the successful operation of GHRIT. Another objective, the management of rewards, is an additional potential source of difficulty in the transmission of GHRIT practices across the globe. While compensation and benefits is incorporated into the basic GHRIS, the introduction of uniform rules and payment scales (as a global system would require) constitutes a likely source of difficulty as the German Manufacturing Plant Director put it:

*... and then we have the biggest obstacle that is not being considered in PeopleSoft. We have professional people here that have to be paid according to an existing sectoral agreement. PeopleSoft doesn't even know what that means, that is, supplementary overtime payments, payments for Sunday work, etc. They [the workers] arrive with a huge time sheet, and PeopleSoft says 'what do I want with this, they all get their yearly salary and that's it'. But you can't do that with professionals [that are all unionised], at least not here in [...], at a location where we have somebody across the road that will pay in line with the sectoral agreement for workers in the metal industry. I don't want to create an artificial wage drop here. So that [PeopleSoft] is a tool that works for salaried employees and managers and it works for communication purposes with our parent in the US and it certainly is something that we can build on in the future.*

The HR / Finance Manager of the German Manufacturing Plant also commented on the additional problems relating to payroll:

*... we had problems with the traditional American job codes. And we approached corporate HR and we contacted [the HR Director for the Central Region]. You receive advice. But at the end of the day we still haven't reached common ground. And that is why we are still not in the system.*

The German HRIS Super User experienced similar problems. Meddevco's HR strategy also focuses on globalisation, according to the Head of the HRSSC Project Team, one of the key aims of the US HQ is to roll out the GHRIS in every subsidiary of the corporation. Evidence presented later in this chapter will show, however, that it is difficult to speak of the GHRIS as a unifying entity in the face of the existence of parallel systems and the continuing problems with using the system in the subsidiaries (see Table 5.2).

Meddevco's next GHRIS objective, the focus on talent management as one of the applications of the GHRIS, is ever present in the interviews with key stakeholders. This may not be surprising, since the debate on talent management has attracted mounting interest particularly in the practitioner-based and academic literature in recent years (Burbach & Royle, 2010; Cheese, 2008; Lewis & Heckman, 2006; Scullion, Collings, & Caligiuri, 2010). Meddevco's TMS will be discussed in the relevant section below.

Legislative and regulatory compliance is a key objective for Meddevco, as the firm operates in the medical devices sector, which is highly regulated. Any infringements on, or non-compliance with, reporting requirements could put the organisation's licences for the production, distribution or sale of medical devices at risk

(see Chapter Four). In addition, the organisation is compelled to comply with local legislation in its subsidiaries regarding terms and conditions of employment, recruitment and selection, pay, training, equal opportunities, etc. Legislative compliance mechanisms are commonly incorporated into GHRIT (Fay & Nardoni, 2008; Isenhour, 2008) as is the case in Meddevco's PeopleSoft package (see Figure 5.1).

Concerning Meddevco's penultimate objective, the literature argues that GHRIT has the potential to improve service quality to its stakeholders both in terms of time and accuracy of the information provided (Gardner, et al., 2003; Groe, et al., 1996; Lepak & Snell, 1998; Ruël, et al., 2004a; Yeung, et al., 1994). An internal presentation states that from 2004 to 2005, the number of transactions executed by the GHRIS increased by 24 per cent, while the service requests from the IHRIS Centre only increased by 8 per cent. The head of the HRSSC project team attributes this to improved training and better processes governing GHRIS utilisation. For instance, HRIS Super Users used to meet twice a year to exchange information, although that has ceased since the HRSSC project team took up its duties. Therefore, this evidence seems to indicate that GHRIT does have the capability to reduce HR time spent on transactional activities, as is suggested in the literature (Hendrickson, 2003; Emma Parry, 2009). Interview evidence from this research, however, also shows that the use of GHRIT can in fact *increase* the time spent on transactional activities, which may subsequently *decrease* the level of service provided. For instance, the German Manufacturing Plant did not have access to a HRIS Super User unlike its Irish counterpart which, due to a lack of system expertise and perceived lack of support from the IHRIS Centre, led to an increase in the workload for HR staff. The German HRIS Super User, on the other hand, rated the support from the International very highly. Nonetheless, data accuracy issues seem to emerge when system upgrades occur. She stated:

*Where we always have difficulties is when the US carries out an upgrade or change something without telling us. And there it can happen that there are all of a sudden data [in the system] that don't make sense to us.*

Finally, the roll out of e-recruitment capability represents a further key objective for Meddevco. An increasing number of organisations utilise the internet to leverage their respective recruitment drives (Ensher, et al., 2002). 75 per cent of organisations in a CIPD survey used a corporate website to attract candidates (CIPD, 2009a). While Meddevco does advertise jobs on its corporate website, the actual number of jobs advertised is limited. On 15<sup>th</sup> August 2011, the website showed 635 vacancies for the US and 127 vacancies for the rest of the world. Particularly the latter figure is comparatively small considering the company employs over 45,000 people worldwide. The German Manufacturing Plant, for example, does not post any vacancy on eRecruit, Meddevco's online application manager, as stakeholders in line with custom and practice, prefer to attract only local staff, whereas the Irish counterpart fully capitalises on the features of the system, for instance, the system is even linked to an external job search website to increase exposure.

With regard to the GHRIS strategy objectives, it should be noted that the presentation, which contained the relevant information, is part of an operational review.

Thus, it would be in the interest of the IHRIS Centre to show that it is actually achieving these objectives. Nevertheless, it may be argued that the attainment of all of these GHRIS objectives is essential in successfully transferring GHRIT across the subsidiaries of Meddevco.

Meddevco envisages that, in the future, HR services will be delivered through a blend of employee and manager self-service, a HR shared services centre (HRSSC) and business process outsourcing (see Figure 5.4 and Figure 5.5) to attain

*operational excellence in HR transactional activities through shared services to increase value (Meddevco Internal Presentation).*

Another rationale for introducing a HRSSC was that

*We spend 60 per cent of our time with some administrative things ... and we don't have time to implement our strategic plans, because we spend all day on administration (HR Director for the Central Region).*

The potential of GHRIT to add value to the HR function and its capacity to help transform the HR function into a strategic business partner is a common thread that appears in much of the GHRIT literature (see for example Ball, 2001; Bartol & Liu, 2002; J. W. Boudreau, 1992; Hussain, Wallace, & Cornelius, 2007; G. Martin, et al., 2008b; Ruël, et al., 2007; Yeung, et al., 1994). According to the Payroll and Administration Manager, efficiency, in her department, is measured by the time it takes to produce employment contracts or to put new information on the system. A focus on streamlining transactional activities and cost savings alone however, will not provide the necessary conditions for this metamorphosis (Burbach & Dundon, 2005b; Thite & Kavanagh, 2008). The status of a strategic business partner may only be attained through what Zuboff (1988) refers to as 'transforming', that is, the complete transformation of (HR) business processes through the use of technology (Davenport & Short, 1990). A number of authors have referred to the (potential) transformational role of HRIT (Burbach & Dundon, 2005c, 2009; Lepak & Snell, 1998; G. Martin, et al., 2008b). Thus, simple automation will not suffice to attain this objective. The Chief Information Officer of the organisation concurs with this assumption and stated that

*using IT simply to cut costs isn't enough to achieve true business success. If it's all about cost, you won't get to heaven. ... You won't go to hell, but this is about getting to heaven (Stedman, 2007).*

In a similar vein, the Head of the HRSSC Project Team claims:

*Our whole business case that we have is not based on money. We are not going to save money putting something like that in. It's going to be based on adding value in terms of user satisfaction and that we'll get, better efficiency, getting better quality of data.*

The literature frequently refers to how HR technology can be used to 're-engineer' HR business processes to add value to the organisation (Greengard, 1994; Hammer & Champy, 1993; Spencer, 1995; Yeung & Brockbank, 1995; Yeung, et al.,

1994). The term ‘business process re-engineering’ is borrowed from the engineering domain and centres on the complete redesign of existing processes (Teng, Grover, & Fiedler, 1994). Ruël et al. (2004a) assert that firms may have been placing too much emphasis on putting the appropriate IT infrastructure in place instead of focusing on the introduction of e-HRM. Research into HRIT utilisation in Ireland by Burbach (2003) also stresses that IT capabilities alone do not necessarily translate into strategic uses of HRIT (Burbach & Dundon, 2005a, 2005b, 2009). In this MNC, GHRIT and the GHRIT strategy seem to have grown organically and not through a radical redesign of the systems structure, predominantly as a consequence of the organisation’s acquisition strategy. New system functionality is rolled out gradually in Meddevco’s subsidiaries (see Table 5.1 for the range of projects that the IHRIS Centre is involved in), predominantly because of unilateral decisions made at the level of the HRC and CIO (see Figure 5.3). GHRIT implementation and diffusion will be examined in more detail in later sections of this chapter.

While it appears that the organisation has operationalised its GHRIT strategy and that it pursues a number of strategic GHRIT objectives, which were discussed above, this strategic direction does not necessarily filter down to the subsidiary level. Asked whether Meddevco had a GHRIT strategy the German HR/Finance Manager answered

*You should think so. But to be honest I am not aware of a long-term strategy.*

The HR Director for the Central Region confirmed the company’s strategic outlook on GHRIT utilisation, although he could not say precisely what that strategy was, and emphasised that no staff had been dismissed as a result of GHRIT implementation. Instead, he asserted, staff were reassigned to ‘more strategic planning activities’, which is a point frequently posited in the literature (Gardner, et al., 2003; Lepak & Snell, 1998; Yeung & Brockbank, 1995). In addition, HR Director for the Central Region advocates the use of PeopleSoft to support decision-making and analyses among his staff. However, concerning the strategic value of the system he argued:

*The system is basis of all decision-making, or rather analyses, if it works and configured the way one would like it to be. ... [PeopleSoft] doesn’t play the important role yet, which it should play, because it doesn’t operate the way I would imagine it to. ... At the moment, I am not getting [relevant] information fast enough and targeted enough so that I can run analyses myself. These are the constraints. But the capabilities [of PeopleSoft], because it is global and that is the Meddevco advantage, they are almost limitless.*

For the German HRIS Super User and the Payroll Administration Manager, the strategic value of the system is based on its talent- and performance management potential. The Irish HR Director also provided evidence for the strategic orientation of system utilisation using the example of online performance evaluations, while also demonstrating the HQ pressure to implement systems.

*You have to look at these things strategically. We are not using these systems so we can tick boxes on a piece of paper. These are used with the individual development plan*

*(IDP) and training and development of our employees in mind. But of course we are also under pressure from corporate to fulfil quotas on the uptake of these.*

The above section has explored and analysed the elements of Meddevco's GHRIS strategy, which seems entirely driven by Meddevco's US HQ, in other words, by country of origin influences. The following section will illustrate the link between this strategy and the corporation's business strategy which, according to commentators such as the Senior Director for HR systems and the HR Director for the Central Region, is instrumental in the successful transmission of GHRIT practices.

### **5.3.1 Strategic Alignment**

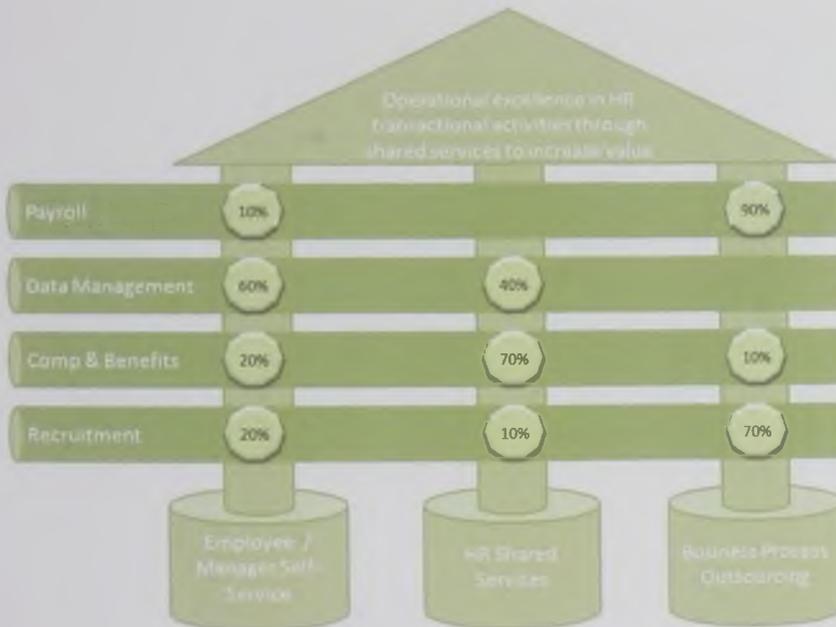
The ERP literature extensively suggests that both the implementation process and operation of an ERP, which in many cases incorporates the GHRIS (as is the case in Meddevco), must be aligned with an organisation's corporate strategy to ensure the success of the ERP among other factors (see for example Al-Mashari, Al-Mudimigh, & Zairi, 2003; Beard & Sumner, 2004; Bush, Lederer, Li, Palmisano, & Rao, 2009; Chen, et al., 2008; Madapusi & D'Souza, 2005; M. Robey, et al., 2006; Soffer, Golany, & Dori, 2005; Wang, Shih, Jiang, & Klein, 2008; Yen & Sheu, 2003, 2004). Thus, it may be argued that the strategy that governs the implementation and use of GHRIT ought to be married with the organisation's corporate strategy (Ruël, et al., 2004a; Thite & Kavanagh, 2008). This is a point that has been put forward by a number of the stakeholders in Meddevco. The Head of the IHRIS Centre for example stated:

*Well, I think if you want to talk strategically, what you have to do is look at what are the strategic imperatives of our organisation and one of those is talent management. And so I think that's one of the most obvious examples to use. And talent management is understanding how we get the right people in the right places and groom them for our jobs, because we are looking at an impending crisis of employment and all our senior leaders are 50 plus years old and they are all going to retire and then you have people like me running the company and then God only knows what happens, right. ... I mean that's the clearest example how we would be strategically positioning the company for the future is by leveraging what our leaders determine as the strategic imperatives for our organisation, creating a tool to let them facilitate the execution of that strategic imperative.*

While it is evident that the MNC HQ pursues distinct strategic objectives governing GHRIT operation and diffusion, which is not necessarily common among firms (Ruël, et al., 2004a), it seems surprising that the firm does not attempt to measure the contribution made by the system to the HR function or the organisation in general. At least, the HR Director for the Central Region stated that he was not aware of any attempts to measure the return on investment (ROI) on GHRIT. This finding is supportive of evidence obtained from the literature. Ruël et al. (2004a) for instance argue that European companies place little emphasis on ROI in e-HRM projects. They also present evidence to suggest that firms frequently employed e-HRM goals in a pragmatic fashion

without following a clear e-HRM strategy. Nor does e-HRM appear to be linked to a HRM strategy in their case study organisations (Ruël, et al., 2004a). This does not seem to be the case in Meddevco. The firm employs detailed HRIS objectives, which also appear to be linked to the organisation’s overall strategy. This, in theory, should allow Meddevco to tap into the information value of HR Metrics to support strategic business planning (Staudinger, et al., 2009), even though merely the introduction of self-service, HRSSC and data warehousing exhibit the label ‘organisational excellence’, which might indicate a ‘strategic’ orientation of these projects (see Table 5.1). Internationally, the IHRIS is entrusted with the operationalisation of GHRIS strategy and objectives.

Figure 5.4: HR Service Delivery Vision



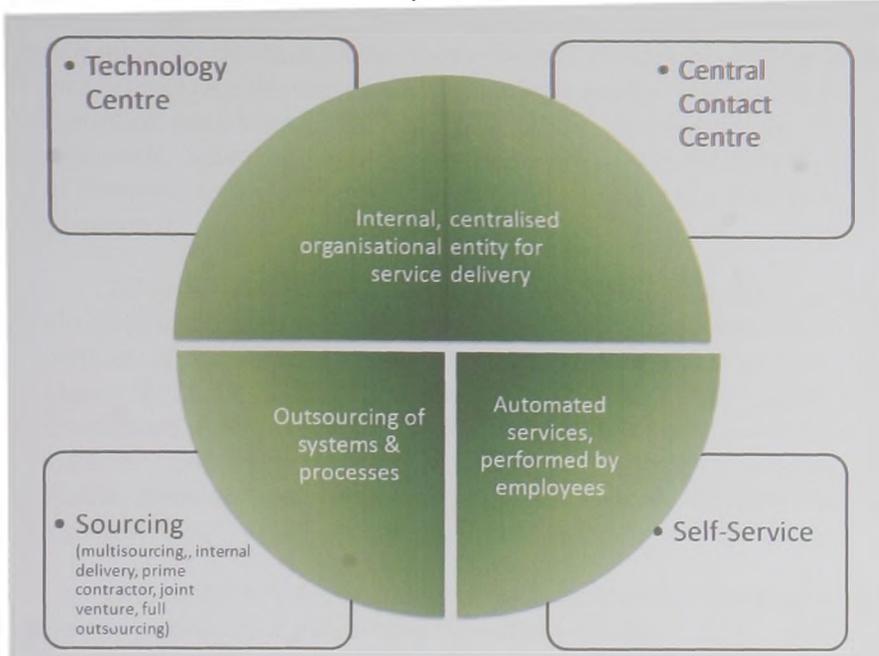
Source: Meddevco Internal Presentation

**Table 5.1 International HRIS Centre Projects**

Project	Business Section	Rationale	Cost	Description
PeopleSoft Implementation (individual projects)	Adriatic, Turkey, Brazil, Poland, Mexico, Argentina, South America, Lebanon, Israel, Czech Republic, Hungary, Russia, India	Standardisation	\$40k each	Incorporate country into GHRIS for all PeopleSoft modules; create interface from PeopleSoft to local payroll system.
PeopleSoft Variable Pay / Rewards	All countries	Standardisation	\$52k	Implementation of the PeopleSoft Variable Pay module
PeopleSoft eRecruit	All	Standardisation	N/A	Web-based PeopleSoft recruitment solution
PeopleSoft Letter Generation	All	Standardisation	N/A	Ability to generate flexible letters from different PeopleSoft modules
PeopleSoft Merit Increase Self-Service	All	Standardisation	N/A	Self-service for managers to process merit increases
PeopleSoft Self-service	All	Operational Excellence	\$60k	Standard employee self-service (address change, etc.)
PeopleSoft Upgrade	All			
SOX	All	Compliance	N/A	Ensure compliance with Sarbanes-Oxley Act of 2002 and for how long
Centerpiece	All	Compliance	N/A	Move from JD Edwards to SAP Business Suite
Shared Services	All	Operational Excellence	N/A	Feasibility study for potential HRSSC for EMEA, LA and Canada
SABA	Various divisions	Compliance	\$40k each	Learning Management and Certification System
SABA Publisher	All	Standardisation	\$5k	Creating content and exams for training
HR Metrics / Warehouse	Data All	Operational Excellence	N/A	Integrate HR data into a central database (warehouse) to consolidate and benchmark data

**Source:** adapted from Meddevco Internal Presentation

**Figure 5.5: HR Service Delivery Model**



Source: Adapted from Meddevco Internal Presentation

### 5.3.2 The International HRIS Centre

The IHRIS Centre located in The Netherlands is responsible for the implementation and management of the GHRIS throughout the globe, with the exception of the US, which has its own HRIS Centre. The IHRIS Centre services even Canada, Central- and South-America. This is reflected in the GHRIS manager's title Human Resources Information System Manager Europe, Emerging Markets & Canada, which seems to indicate that every other country outside of the USA, Canada and Europe is considered an emerging market by the US HQ. Corporate HQ and its US HRIS Centre appear to pursue their own agenda concerning the introduction of new modules and operations. According to the Head of the HRSSC Team, new GHRIT functionality is generally rolled out in the US before it is implemented internationally. However, examples such as the (failed) attempt to introduce a HRSSC in Europe show that this may not always be feasible in practice (this issue will be discussed later). In some cases, such as e-recruitment and management reports, new functionality is implemented first in Europe and then rolled out in the US. Table 5.1 shows the range of planned and completed projects led by the IHRIS Centre in 2005/2006. The table lists the type of project carried out, the section of the business for which it was carried out (whereby 'all' refers to Meddevco international except the US), the cost involved and a brief description of the project. In countries where PeopleSoft is not yet introduced, data is entered into the system remotely, according to the Head of the HRSSC Team. In other words, somebody not working for, or in, a particular country's subsidiary populates the system

on behalf of that country. In addition, these countries are unable to use the functionality offered by the GHRIS (e.g. data mining and reporting). This evidence further illustrates how it might be difficult for the firm's GHRIT to meet its strategic objectives and to play its part in meeting the organisation's strategic goals. Table 5.1 also underscores that the organisation calculates a standard figure for the implementation cost of the GHRIS. It is questionable, however, whether this is realistic given the multifarious circumstances of (and distances to the) different subsidiaries, regions and countries in which the system is implemented.

Table 5.1 also suggests that the two key rationales for these projects are either to attain standardisation or regulatory compliance. Standardisation is also one of the key objectives of the GHRIS strategy in this organisation (see above). This would support evidence from the literature which suggests these as the typical purposes of GHRIT (Hendrickson, 2003; Isenhour, 2008). Ruël et al. (2004a) posit that organisations tend to standardise and harmonise HR practices as a precursor for globalisation. They do maintain, however, that this may lead to increased centralisation, which is also evident in this research.

One of the key attributes of GHRIT, its strategic information potential, is founded upon the notion of a single data repository (Hussain, et al., 2007; Ruël, et al., 2007; Ulrich, 1998). One of the GHRIS projects listed in Table 5.1 is the introduction of a data warehouse. Its declared purpose is to:

*Implement a data warehouse so that HR can have "one version of the truth". HR data is currently gathered from a variety of systems and manually pulled together. By implementing a data warehouse, we would be able to more easily consolidate the data and have the ability to load benchmark data which will be much more meaningful to Meddevco. Currently, it is a manually intensive process to pull together HR metrics each quarter. And, while there is a strong desire to see HR metrics, without benchmark data it is not very relevant. (HR Systems EMEA Operational Review – Meddevco Internal Presentation)*

This quote, taken from a presentation by the most recent IHRIS Centre Manager, seems to imply that there exist several 'versions of the truth'. In other words, the same type of information is stored in disparate systems resulting in inconsistencies in that information across these systems. Table 5.2 underscores the fragmented nature of the systems that feed data into, and off, the GHRIS.

This quote also underlines that some of these systems lack compatibility, hence the need to pull information together 'manually'. This is perhaps the reason why the standardisation of GHRIT is a key priority for the corporation. In addition, the time-intensive nature of manually compiling reports denies the organisation any potential time and cost savings garnered from utilising computerised systems (Bussler & Davis, 2001; Ensher, et al., 2002). Moreover, the development of a data warehouse to consolidate and extract HR metrics appears to represent a paradox, since by definition (to collect, store and analyse HR related information), this ought to be the main function of the GHRIS. Figure 5.2 shows that the current PeopleSoft system already includes workforce analytics

functionality, yet the corporation decided to opt for another workforce analytics system, Infohrm (see Table 5.2). Thus, it appears that the MNC aims continuously to overcome the fragmented nature of its HR (legacy) systems by superimposing an additional all-encompassing HR database (the data warehouse) on the already existing GHRIT in this MNC, which ultimately increases the complexity of the overall composite system. Another business strategy that may increase the complexity of existing systems is business process outsourcing.

### 5.3.3 GHRIT Outsourcing

Figure 5.4 illustrates that the vision for HR service delivery relies heavily on business process outsourcing. HR outsourcing describes the process of contracting an external provider to carry out one or more of HR activities on behalf of a company according to pre-established performance metrics. Different types of HR outsourcing (HRO) exist ranging from 'discrete function' HRO, 'multiprocess' HRO, and 'total' HRO to 'insourcing' (Isenhour, 2008). Multiprocess, comprehensive or blended services HRO entails the sub-contracting of several related activities. The rise of multiprocess HRO has been commensurate with the increase in the use of Internet portals. Discrete or tactical HRO enables specialist service providers to leverage distinct HR activities, whilst 'total' HRO describes the management of all HR activities by an external provider, although it is unusual for an organisation to outsource all of its HR activities (CIPD, 2009b; Hannon, et al., 1996; Pass, 2006). Insourcing or contracting-in relies on HR service provision by a distinct specialised entity within the organisation to carry out a specific task. Organisations frequently opt to outsource non-core activities to minimise the risks associated with outsourcing.

The processes that Meddevco envisages being outsourced include payroll, recruitment and to a lesser extent compensation and benefits. These are among the most frequently outsourced activities (Isenhour, 2008; Kersley et al., 2006). The HR Service Delivery Model shows that Meddevco aims to employ the entire palette of HRO options with an additional distinction between using a prime contractor or joint ventures to provide HR services (see Figure 5.5). Outsourcing will also feature very prominently in the rollout of HR self-service.

*That's why we have almost in every area we have outsourcing. So they know all those labour laws whatever they need to know. So for every process we have, we do have something with outsourcing (Head of the HRSSC Project Team).*

*And if it's outsourced, basically what you are doing is you are creating an economy of scale, because the same group that's doing ours might be doing HPs, might be doing ... So they have 32 people, that know all 32 laws, without charging us for 32 things, just to do one thing (IHRIS Manager).*

It could not be ascertained which type of HRO will be applied to the HR processes to be outsourced. Perhaps not coincidentally, the company's key competitor, Medgeco, which was used as a pilot case study for this research, has chosen to outsource

comprehensively its HR activities. The competitor also uses an external provider to offer HR services through a HRSSC. This may be evidence for what DiMaggio and Powell (1983) describe as ‘mimetic isomorphism’; in an uncertain environment organisations are likely to imitate the processes of other firms thus becoming increasingly similar to other organisations in the same environment in order to attain legitimacy. Medgeco’s IHRIS Centre was, like Meddevco’s, located in the Netherlands, a fact that suggests further evidence for the mimetic isomorphism thesis. The following section will consider research data pertaining to the day-to-day operation of GHRIT in the MNC’s subsidiaries.

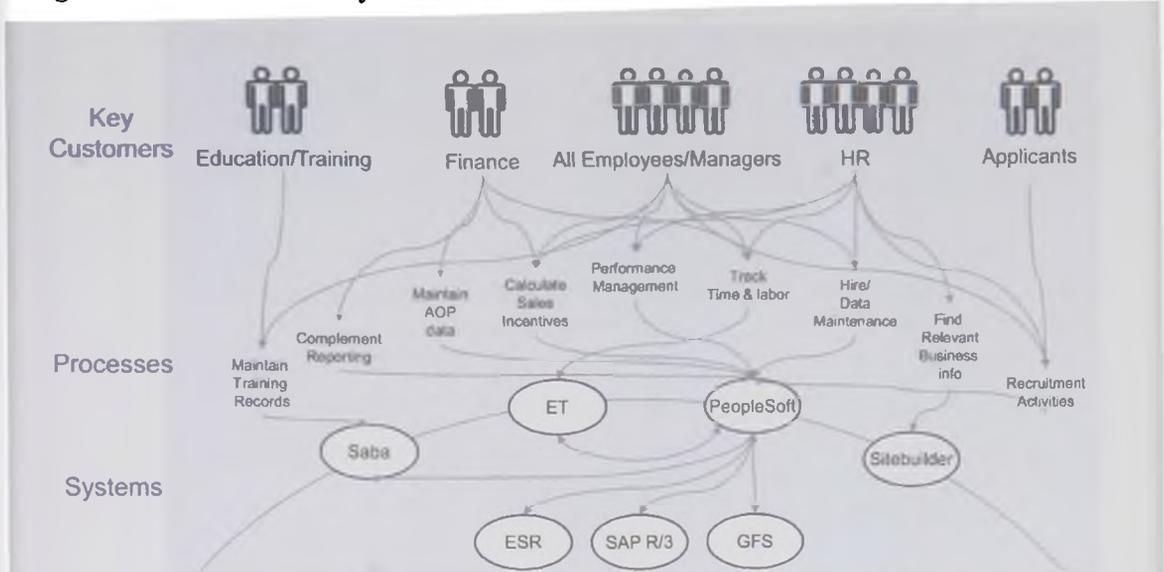
## 5.4 GHRIT Configuration

A common thread throughout the interviews with the key stakeholders was their emphasis on a global system and global procedures. The notion of a global HR system might suggest that each subsidiary fully utilises the core modules to feed the system with data, which could then be analysed for decision-making purposes. In practice, however, it materialised during the interviews in the different countries that not only did the use of GHRIT in Europe differ significantly from that in the US, which could reasonably be expected, but, which was more surprising, European countries and subsidiaries also diverged regarding the extent of utilisation and application of GHRIT.

### 5.4.1 GHRIT Sub-systems

The MNC acquisition strategy resulted in a plethora of legacy and sub-systems, many of which are still in use today (please see Table 5.2 and Figure 5.6 for examples of systems contained in the wider global HR systems structure). Hence, each subsidiary appears to rely on a number of parallel systems, although the number of sub-systems has actually decreased in recent years, according to the German HRIS Super User, which in her opinion ‘makes it much easier to look up and analyse data’. The PeopleSoft Enterprise HCM system itself offers a wide range of sub-systems and modules, which cover practically every area within a HR function (see Figure 5.2). Various available modules can be grouped into distinct categories. These categories range from Core HR activities, Time and Attendance, Workforce Service Delivery, Integrated Talent Management, Workforce Analytics to various Oracle Partner Solutions, which are essentially add-ons that can be purchased. In the main, modules utilised by Meddevco are included in the Core HR package. According to the Irish HR Director and the IHRIS Manager, the HQ made the decision not to exploit the full complement of these options in Meddevco International. For instance, the payroll module is only used in the US, as this did apparently not suit the European operation of the MNC. As stated by the payroll manager, Benelux and Scandinavian countries use the same payroll system, while the Irish and German manufacturing sites and the Sales HQ in Germany each employ different payroll systems.

**Figure 5.6: GHRIT Sub-systems Illustration**



Source: Meddevco Internal Presentation

**Figure 5.7: SABA Enterprise Platform**



Source: SABA Presentation

**Table 5.2: GHRIT Sub-systems and Links**

<b>Name of System</b>	<b>Function</b>		<b>Link to GHRIS</b>	<b>Subsidiary Use</b>
JD Edwards (legacy system replaced by SAP)	Supply Management	Chain	Since purchase by Oracle linked to new version of PeopleSoft (also Oracle)	The Netherlands, International HQ, Ireland (not in German Manufacturing, Sales HQ)
SAP	SAP Business Suite		Links being established	The Netherlands, Sales HQ, Ireland, German Manufacturing
SABA	Training & Development		Stand-alone system, poor integration	The Netherlands, Sales HQ, Ireland, German Manufacturing
BnV Résumé/CV Solution	Recruitment		Pre-build Oracle PeopleSoft add-on for e-Recruitment module	The Netherlands, International HQ, Sales HQ, Ireland (not in German Manufacturing)
Various Payroll Systems	Compensation and Benefits		Varies depending on system used	Different for each subsidiary
Trackwise	Time and Attendance		Integrated with PeopleSoft	The Netherlands, International HQ, Sales HQ, Ireland, German Manufacturing
Infohrm	Workforce planning, workforce analytics, workforce reporting		Standalone system, poor integration	The Netherlands, International HQ, Sales HQ, Ireland (not in German Manufacturing)
MS Excel	Various purposes (unofficial)		No compatibility	Used by large number of line managers to record HR data, which is copied on demand into GHRIS

**Source:** Developed for this Research

Furthermore, European subsidiaries maintain disparate time and attendance (T&A) systems. This may, in part, be due to differences in national legislation, which governs various terms and conditions of employment. As these T&A systems run in parallel to PeopleSoft, absences have to be recorded separately in Ireland, which leads to additional work according to the Irish HRIS Super User. The incentive scheme management module included in PeopleSoft (see Figure 5.2) is utilised in Ireland and the Netherlands, but not in Germany, even though the HR Director for the Central Region would like to see it being employed instead of the spread-sheets that are currently in use. E-mail and Internet content monitoring software represents another example of

subsidiaries diverging in usage patterns, as this software is only used in Ireland. In that context, the Irish HR Director stated:

*We are not trying to catch anybody out, but I think it is important that our employees are aware of the consequences for the organisation if they visit or transmit certain content.*

The corporate US HQ made the decision to introduce a third-party learning management system (LMS), called SABA, which was instrumental in training staff to use the new SAP supply chain management tool. LMS generally form part of, and are integrated with, an organisation's GHRIT. They can be used to manage every aspect of training and development activities; including training administration, training and content management and talent management (Burbach, 2008). The system appears, however, to be poorly integrated with the overall system. This seems to have been the cause of some frustration among the stakeholders interviewed and local management seems to feel discontent with the decision-making process and lack of involvement that led to this arrangement. For instance, the Irish HR Director did not comprehend why a separate training solution had to be installed.

*[The organisation] decided going back some 3 – 4 years ago that the training module of PeopleSoft didn't have enough versatility for it. Now I don't know why they made the decision ... It was made by a little man in a backroom, I mean they made the call on it, you know, our input wasn't invited. In an organisation where there are 33,000 [now 45,000] employees at Corporate who make calls on things, they would be walking to the finance people and say listen this should be good without seeing it applied.*

*SABA has a lot of potential but what we want it mostly for here, was something that it probably wasn't designed for. So the initial design, that we worked for two years on the project with them and at the end of the day we wanted to use it for manufacturing too, so we could trace the training that was being done, scheduled training that needs to be done and then help you with versatility charts. But the problem was that it wasn't as reliable, because we wanted to get into the area of electronic signature as a 'for instance', rather than us having to do something manual, because if you have a system, you know, the system can do things. When you do the training, the electronic signature was important, but unfortunately in the first phase that's in mark one, mark two, mark three version of SABA some of them didn't include that. So after two years we said, look, try it in another division if you get it and if SABA invests some money in doing some of the enhancements we need, then you know. But they were kind of giving it to us as the finished product and in fact it wasn't what we needed (Irish HR Director).*

*... it's a training tool, which is a bit iffy if you know what I mean, they spent a lot of money on it, and they don't know whether it's a good thing or a bad thing (Irish HRIS Super User)?*

The above quotes reveal several issues. First, it demonstrates the centralised decision-making process regarding GHRIT practices. Second, it illustrates the lack of subsidiary involvement in GHRIT implementation. Third, it highlights the lack of integration of various GHRIT elements. Finally, it shows how long it actually took to introduce the system. One might argue that if the HQ had involved the subsidiary in the

rollout of the system and had asked what was actually required the implementation phase would quite possibly have been shorter than two years and resulted in a solution that was agreeable to all parties involved. Nevertheless, the MNC appears to be fully committed to this software. The Vice President of HR Operations and Systems at Meddevco stated

*We adapt training to meet both the specific business needs of our multiple operating units and the learning needs of our employees and customers. We are in the process of leveraging SABA to provide targeted enterprise learning solutions designed to increase the productivity of our sales force, enhance the satisfaction of our customers, and ensure compliance with FDA regulations – all in a single system (SABA, 2003).*

Learning management systems, in theory, provide a range of advantages such as delivering flexible training initiatives, just-in-time, independent of time and space and in a very cost effective manner (Burbach, 2008; Case, Dick, & Van Slyke, 2009; Murray & Efendioglu, 2009). It has also been argued, however, that e-learning can create role conflicts for the employee (Oiry, 2009) and that the advantages and disadvantages of e-learning in a work context have not yet been sufficiently explored (Macpherson, Elliot, Harris, & Homan, 2004). A comparison of the detail in Figures 5.2 and 5.7 illustrates that there exists considerable overlap between the SABA Enterprise Platform and the Oracle PeopleSoft Enterprise Human Capital Management Solution, which were intended to complement each other. For instance, both platforms offer compliance, talent management and analytics. Yet, as indicated by the Irish HR Director and Irish HRIS Super User, the parallel use of these systems leads to a considerable amount of duplication of records and work (in terms of data entry, record-keeping and analysis), while the two systems also seem poorly integrated with one another. Nevertheless, SABA was used extensively in the recent rollout of SAP across the firm's subsidiaries to train staff on this new ERP.

While the literature suggests that an increased use of e-recruitment ameliorates the need for better HR systems integration (Cullen, 2001), this represents a further area where the corporation decided to add to the existing module. Here, Meddevco has opted for an Oracle-based BnV Résumé/CV solution (see Table 5.2), which is promoted by the IHRIS Manager Europe, Emerging Markets & Canada.

*It's not always easy to find the right candidate for a job in the medical technology sector. Thanks to Oracle PeopleSoft e-Recruitment and BnV Résumé/CV Solution, we don't miss a single opportunity. We dispose of all résumés in one centrally managed system (Meddevco Internal Presentation).*

According to an internal presentation by the IHRIS Manager prior to the implementation of the BnV software, this is a fully integrated 'one-stop-shop solution', which can streamline the recruitment process and can reduce associated costs. The system is accessible from all over the world. Tests in The Netherlands have shown that CV processing time may be reduced from eight to one minute, which could translate into a combined saving of 327 working days (see Table 5.3). The table below also shows that some countries such as Switzerland or The Netherlands receive a disproportionately high number of paper-based applications, which are difficult to track. The other advantage of

a résumé solution is that application data can be analysed more efficiently. E-recruitment is by no means a new invention and subsequent reports published by, for instance, the CIPD have charted the use of e-recruitment among organisations (e.g. CIPD, 2000, 2001, 2009a). The cost savings and efficiency gains demonstrated above are echoed by published research evidence (Buckley, Minette, Joy, & Michaels, 2004; Ensher, et al., 2002; Puck & Paul, 2009). Moreover, e-recruitment is considered an important employer branding tool (Laumer & Eckhardt, 2009). Thus, e-recruiting may improve the strategic role of the recruitment function in Meddevco (Emma Parry & Tyson, 2009).

Other third party systems include salary modelling tools or quality assurance systems (see Table 5.2 for the range of systems associated with the GHRIT). According to some of the key stakeholders interviewed (German HRIS Super User and German Manufacturing Plant Director), the proliferation and incompatibility of these sub-systems with the global system presented a major barrier to the operation of GHRIT. The following quote by the German Plant Director illustrates the complex nature of the systems in use. It also highlights that in view of the large number of enterprise systems, key users are forced to prioritise between the different systems.

*PeopleSoft is one of ten software packages that Meddevco plays around with. There is Documentum for document management, there is Trackwise for CAPA [corrective and preventive action], there are some other software packages for production planning, etc. [...] I am focusing on ten different software packages, and they all have different rankings. At the top of the list I would place SAP, that's where the focus is on if the figures are incorrect. Then we have a problem. That's where we are following through because, that is where the impact on the employees is the biggest. In second place is the Office package, which is standard to be able to carry out our work. Then comes Outlook, the electronic post, which is used daily. This is where it starts, that they located different software packages in different departments, PeopleSoft and Trackwise in HR, quality management, Documentum is perhaps in Manufacturing Engineering. Then there is perhaps a management programme for production.*

*I am going to start with the kind of system that [the German Plant Director] would like. I would like time and attendance, access rights, wages and salaries, even all these strategic tools – Performance Evaluation, ITP – all wrapped in a pretty, small and lean package, that is idiot proof and can be used by clicking five times. So, that's what I want. PeopleSoft covers I guess 60 per cent of my wishes, but I only use 10 per cent of that functionality. Why don't I use the remaining 50 per cent? That is pure contemplation – never change a winning team. Pay determination is the best example. No matter how much I input into PeopleSoft, PeopleSoft just doesn't account for the legislative framework here in Germany.*

**Table 5.3: Meddevco Recruitment Comparison**

Country	E-Mail	Paper	To be processed by BnV per year
Germany	535	74	609
Netherlands	2160	480	2640
Ireland	780	0	780
China	42000	960	0
Switzerland	720	240	960
Extrapolated Country 5-34 (at 50%)	14700	2765	17465
		Savings in Days	327
		Value of Savings in Euro	89306
Assumptions			
Time to enter candidate manually (minutes)			8
Time to enter candidate with BnV (minutes)			1
Average annual costs recruiter (Euro)			60000
Working days per year			220

Source: Meddevco Internal Presentation

The quotes also point to the fact that GHRIT may be in conflict with existing national business systems, which is an issue that will also emerge in the implementation section of this chapter. Furthermore, ease of use and perceived utility of the system also feature as determinants to system use. The HR Director for the Central Region suggests, for example that

*I just don't use it [the HRIS] often enough and also it is not always that user-friendly.*

The examples of the diversity of systems in place in Meddevco illustrated here (see detail in Table 5.2) explicate that one cannot speak of a single global system, but rather a fragmented array of localised systems that feed (sometimes with difficulty) into a global system in HQ. Coveney (2002) purports that organisations frequently resort to the use of diverse systems from different vendors, which employ different metrics, to improve organisational performance management. This, Coveney (2002; p. 14) argues, may culminate

*in fragmented silos of data that are hard to integrate, that cannot be effectively deployed across the enterprise, and that have little or no focus on strategy.*

In Meddevco, this set-up appears to cause problems with system compatibility, data security and data accuracy, as evidence in this chapter has already demonstrated. Furthermore, the presented evidence illustrates vividly that what the literature describes as the panacea for the HR function and what the key stakeholders describe as a global human resource information system is not reflected in the reality of its daily operation

and different user groups avail of the system to different degrees (Burbach & Royle, 2008b).

#### 5.4.2 GHRIT Users

The usage pattern among those interviewed in Meddevco varied significantly. By their own admissions, the Senior Director for HR Systems, Irish HR Director and HR Director for the Central Region used the GHRIS 10 per cent or less of their working time. The German Plant Director did not use the system apart from inputting performance reviews for his immediate subordinates. As could be anticipated, the Irish HRIS Super User and staff in the IHRIS Centre worked 90 per cent or more of their time with the system (the German HRIS Super User 50 per cent of her time). Usage patterns among shop floor employees were not ascertained as part of this research. However, as access to the system in general and access to computers by ordinary workers was limited overall, it can be expected that these are also low. Employee access to the system is limited to the intranet, updating personal information and the completion of online performance appraisals and talent profiles. The level of access to the intranet is controlled through the job codes of employees. In other words, line managers have a greater level of access than shop floor workers do. In Meddevco, Line Managers have extensive HR responsibilities, which need to be carried out using GHRIT, including the maintenance of performance appraisal records, staff requisitions, stock option requests, expenses claims and development plans for their employees. The German HRIS Super User commented that automating these activities reduced the workload for HR administrators significantly. The Irish line managers interviewed for this research were unaware of the planned introduction of the HRSSC and rated their knowledge of, and expertise in, the existing GHRIT as rather limited. Nevertheless, this finding is not surprising. Foster (2009) argues that line managers often feel that HRIT is irrelevant to their activities, while line managers in Guiderdoni-Jourdain and Oiry's (2009) research tend not to use HR intranets, as their use is perceived to conflict with other more important day-to-day routines. The Irish HR Director explained his vision for line managers' use of GHRIT.

*The ideal system would allow line managers more input into the system so that they can actually change some of the data themselves. We see ourselves as the gatekeeper of HR data but not as somebody that has to carry out all HR-related activities. An ideal system would allow people to print out all the reports they need themselves without having to contact us. But that is not a reality, yet.*

The planned introduction of a Global HRSSC and HR Self-Service in Europe (discussed below), which is already in operation in the US, is envisaged to increase the level of usage by all staff across the globe.

### 5.4.3 Global HR Shared Services Centre

A seemingly highly controversial issue, which may completely transform the future application of GHRIT in Meddevco, concerns the planned introduction of a HR Shared Services Centre (HRSSC). A shared services centre provides a range of services, including HRM from a central location and is in principal similar to a call centre in its organisation and thus can face similar problems (Isenhour, 2008). Its chief advantages lie in promised economies of scale achieved through rationalisation and augmented internal consistency attained through the provision of streamlined (monolingual) HR services. At the time of this research, Meddevco pursued its second attempt at introducing a HRSSC. During the first attempt, the US-based SVP for HR Systems tried to impose unilaterally a HRSSC on Europe, which is further evidence of the strong country of origin effects in GHRIT practice transfer. This was met with immense resistance by General Managers and HR Directors and subsequently the attempt failed. The Senior Director HR Systems disclosed that this may have occurred, as language support for individual countries was not included in the original design, which was confirmed by the Irish HR Director and Head of the HESSC Project Team. Research has shown that language support and language standardisation appear to play an important role in defining user acceptance in e-HRM introduction (Heikkilä & Smale, 2011). The IHRIS Manager explained that introducing a HR self-service model may prove to be difficult:

*This is all kind of becoming closer to an alignment of hopefully a global system that will allow the same process for everyone. But I think it's a struggle to get there, because things here [in Europe] are very different than things are there [the US].*

Meddevco provided considerably more resources for the second attempt to introduce HRSSC, including a HRSSC project team, and relies heavily on consultation with key stakeholders. Thus, the MNC has appointed a new Senior Director for HR Systems, who is based in the International HQ in Switzerland, and set up a HRSSC working group (consisting of European HR Directors and Managers) and project team (headed by the former IHRIS Manager and consisting of several dedicated personnel from various European subsidiaries of centre) to develop a more 'acceptable' model for a European HRSSC. Earlier research suggests that a lack of consultation with stakeholders can lead to a failure of IT projects (Davenport, 1994; DeSanctis, 1986; Miller & Cardy, 2000; Tansley, et al., 2001; Wilkens, 1973).

These appointments highlight the HQ's determination to introduce a European HRSSC modelled on its US equivalent (the US HRSSC has been in operation for some time). Without exception, the European stakeholders interviewed to date have expressed serious concerns about the Shared Services model. The following quotes exemplify the HQs expectations and European realities:

*The initial start was our VP in the US, [he] came over and said, hey guys, we have a centralised team here in the US, HR operations centre, why shouldn't you try something for Europe as well. So we did a study and said, oh no this is not going to work here, because we can't have a centralised team where we know the payroll laws of 32 countries, where we speak 32 languages, and so on and so on and so on. So that's where*

*we came to, we need a concept where we do have a shared service centre but also something else there. So, we called it the HR service delivery project, which consists of three components – one being the self-service components, where we are simply going to ask employees and managers to do more online ... (Head of European HRSSC Project Team).*

*But the problem is, I'm not happy with the timing of the upgrade for my new role. But that's where we as Europe cannot influence that. ... But this is where we were talking earlier, a conflict of priorities of the different HR organisations. Where one HR organisation in the US says we need a reward system and [an SVP] here says yeah I have something else on my mind so forget about it and this is where we have to make a decision.*

Please refer to Meddevco's HR Self-Service Vision illustrated in Figure 5.4, which appears to be contentious at a European level.

*Well, HR Self-service is a very tricky issue and European HR managers have this thing sitting on their desks and are asking themselves what is the point in introducing this – why should we go through this process if it is unclear how they can benefit from it? You know, the issue arises of how this system should be put into practice to take everybody's concerns into account. Obviously, the US would like Europe to introduce it but I can't see it happening (Irish HR Director).*

Other issues arising from the implementation of HR self-service are of a logistic nature. Since HR self-service is provided via an intranet, employees will need access to a PC. However, not every employee, particularly in the manufacturing sites, can be guaranteed permanent access. To all intents and purposes, every employee in the Central Region Sales HQ had access to a personal computer or laptop, as had the sales managers affiliated with the Sales HQ. Shop floor access to computers in the manufacturing sites was rather limited. In the Irish subsidiary, 2300 employees had access to only two computer kiosks; one of these was situated in the canteen. No such kiosks were offered in Germany, although it ought to be noted that the total number of staff was only 100. In addition to gain access to a PC, employees require the basic computer skills necessary to take advantage of the self-service features of such a system, which could not be taken for granted.

*So then self-service transactions are very tough, if I look at the manufacturing site in Switzerland every operator has a PC or if it's not every, than it's at least one PC per two operators. Then I can have easily self-service transactions, but if you don't have the PCs for the people and they only have one break per day and they all need to line up to do their transaction or to print their pay slip or whatever ... (Head of the HRSSC Project Team).*

A separate issue relating to HR self-service is that people may have privacy and security concerns concerning the posting of their personal details on an intranet despite guarantees of data security (Eddy, et al., 1999; Hubbard, et al., 1998). The HR Director for the Central Region admits that those employees may feel a certain

*fear for their existence. Yes, these [people] will certainly surface, but we will train them and if they don't want to, if they can't it's always a different matter, that you can always remedy, but those that don't want to, fair enough, then they are not the right employees for [the organisation]. That's the way it is, definitely. Now, this may sound harsh. In between there are a number of lead steps. But someone that doesn't identify himself with the firm even when facing personal disadvantages, those [people] won't cooperate anymore.*

In Meddevco, access to employee data is restricted to the immediate line manager and supervisor. Although the German HRIS Super User did not overtly oppose the introduction of a shared services centre, she was doubtful whether the introduction of a shared services centre would result in the expected time-saving.

*It depends what it's going to look like. Such a shared services centre, I always consider it very difficult, because it depends on ... because if I have to write everything down, or let them know, then, I can do it myself. And that wouldn't be any relief (German HRIS Super User).*

Similar sentiments were shared by the German Manufacturing Director and German HR Manager.

*The experience that we have made here [with IT and Finance Shared Services] is that everything that means specific homework and results in extra work, a Shared Service Centre will not do. They are only doing their standard stuff, which we can do here ourselves. The notion of actual self-service is just a dream illusion (German Manufacturing Plant Director).*

Thus, the data appears to indicate that Meddevco International has been unsuccessful in 'implementing HR strategies, policies, and practices' 'through a conscious and directed supported of and/or the full use of web-technology-based channels', that is e-HRM (Ruël, et al., 2004a, p. 16). Ruël et al. (2004a) propose that poor e-HRM implementation may be related to the lack of an e-HRM strategy and what they call a 'fragmented' approach to the introduction of e-HRM practices. While Meddevco has a clear vision of what it aspires to in terms of e-HRM, that is the introduction of employee and manager self-service and a HRSSC for Europe (see Figure 5.4 and Figure 5.5 for Meddevco's HR self-service vision), contextual circumstances have thus far prevented the organisation from successfully initiating e-HRM. These are discussed in more detail in Section 5.5. Another operational and indeed strategic use of GHRIT in Meddevco is Talent Management. Unlike the HRSSC, which is still in its planning phase at the time of the completion of this study, the talent management system is used across Meddevco. According to a presentation obtained from Meddevco, TM is anchored in the organisation's mission, purposes, values and HR vision (see Figure 5.9). The TMS, which is discussed below, is a composite of a number of systems.

#### 5.4.4 Talent Management Systems

In theory, TM in Meddevco looks to be well thought out and every facet of TM looks to be accounted for. Moreover, it appears that TM is integrated into the firm's strategy (horizontal alignment) and that key business processes are aligned with one another (vertical alignment). While many MNCs appear to adopt a seemingly *ad hoc* approach to TM despite having access to the relevant systems to do so (McDonnell, Lamare, Gunnigle, & Lavelle, 2010), these forms of alignment have been implicated as key success factors of successful TM (Gakovic & Yardley, 2007; Guthridge, Komm, & Lawson, 2006; Heinen & O'Neill, 2004; R. Morgan, 2006; Preziosi, 2008; Ruppe, 2006). TM permeates the entire HR function (please refer to context chapter and Figure 5.8) – from the HR vision to tools, systems and practices that are aimed at supporting TM in the organisation. The precise elements of the corporation's TM approach, including TM vision, strategy, objectives and processes, will be illuminated hereunder. The HR vision of the MNC includes a distinct focus on TM, which aims

*... to build organisational capability by understanding organisational development principles, methodology and processes and leveraging them to increase individual and organisational effectiveness (Meddevco Internal Presentation).*

The HR function is viewed by the HQ as a

*Global ... blended, team-oriented function, ... governed by the HRC, [which] adds value to the organisation through signature processes (Meddevco Internal Presentation).*

These 'signature processes' are, on the authority of the Irish HR Director, founded upon the corporate mission, talent management and global workforce analytics (including TMS). HR strategy, which is decided upon by the HRC, is derived from a so-called HR Partnership model, which consists of talent management and acquisition, culture change, reward and recognition and employee commitment (see context chapter). The firm's mission for TM is based upon

*A fundamental core belief that superior talent management drives superior business results (Meddevco Internal Presentation).*

The MNCs key objectives for TM are to:

*Drive the talent mindset through the organisation; to implement and leverage world class Talent Management Systems and processes; and to provide global leadership development practices that develop strong foundations and prepare key talent for transitions (Meddevco Internal Presentation).*

Figure 5.9 illustrates how the TMS and GHRIT are interwoven with the TM process in Meddevco. The organisation's TM strategy is founded upon the firm's mission, purposes and values. The TM strategy encompasses several aspects including organisation and succession planning, talent profiles and talent pipelines, performance management, individual development plans, and talent acquisition. Meddevco appears to equate workforce analytics with strategic talent management, which comprises predictive

modelling, HR planning, HR scorecards, and HR metrics. Figure 5.9 also suggests that TM is expected to transform HR into a leadership function, while Meddevco envisages that strategic TM can transform HR into a strategic business partner (J. W. Boudreau & Ramstad, 2005a; Lawler III & Mohrman, 2005). This strategic transformation remains aspirational for most organisations, as they fail to link results from HR analytics to business results (Lawler III, Levenson, & Boudreau, 2004). In addition, the TM process seeks to foster talent that is able to fill ‘pivotal jobs’, which Meddevco considers the basis of a competitive advantage. The importance of TM in Meddevco is illustrated by the following quote taken from an internal presentation by a HR director:

*With an estimated 6 per cent increase in new leadership positions and 9 per cent annual turnover rate, we will need to hire or promote approximately 200 VPs [vice presidents] and 700 directors in the next five years [in the period from 2009 to 2013].*

Managing talent across the subsidiaries of an MNC by no means represents an easy task, even with the use of a TMS as part of GHRIT. In their article, Guthridge and Komm (2008) refer to the inherent difficulties of redeploying talent in different countries. Groysberg, McLean and Nohria (2006) argue that the ‘portability’ of even the best talent is mediated by the degree to which specific skills sets of individuals transfer to new positions. Indeed, the German Manufacturing Plant Director stated that he did not want employees from other parts of the corporation, as the manufacturing plant always relied on sourcing its own talent, particularly from the local technical university with which the plant had very close links. In addition, evidence from other research suggests that TM issues arise if TM processes are merely introduced without any consideration for the local context (Hartmann, Feisel, & Schober, 2010). The TMS in this research was introduced as a result of a unilateral decision made at Meddevco’s HQ and was subsequently introduced in many subsidiaries, with the exception of countries in the emerging market, which do not yet have full access to PeopleSoft.

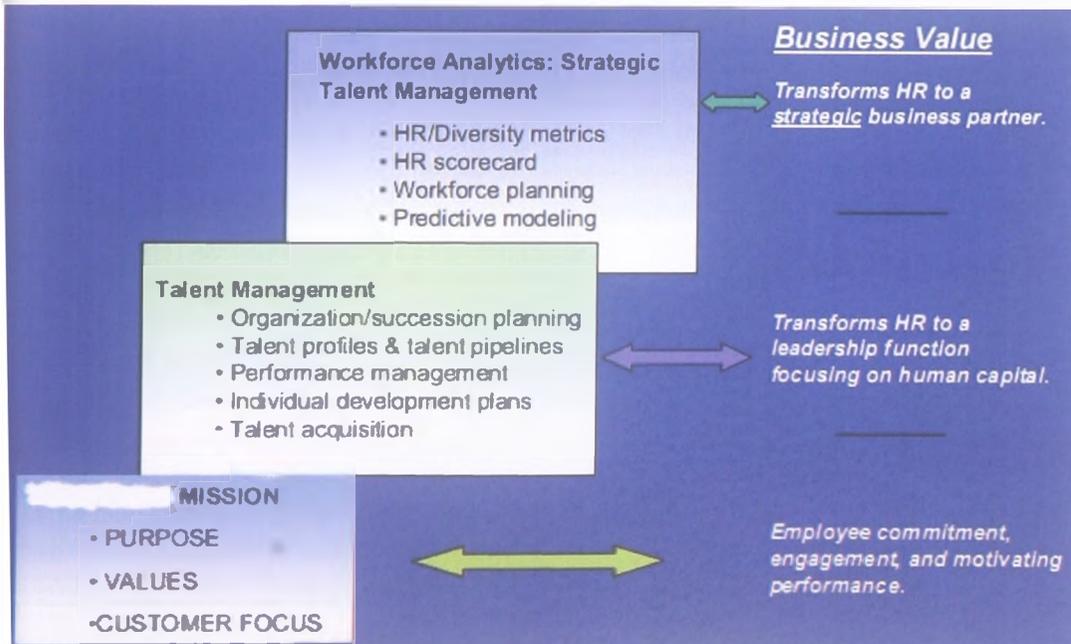
While the organisation’s TM process seems to be rather centralised the process, and its success, hinge on the collaboration and persistent input of all employees, that is, the so-called ‘Talent Profiles’ to be maintained by employees and ‘Talent Reviews’ completed by line managers. That is, each employee is required to complete and maintain what is essentially an online Curriculum Vitae in a standardised format, which line managers and HR can access. Key stakeholders such as the Irish HR Director and HR Director for the Central Region emphasise that the organisation’s motive for the introduction of these talent profiles is to add value to the organisation by carrying out regular ‘Talent Reviews’. The aim of ‘Talent Reviews’ is to identify employees which possess managerial / development potential (see Figure 5.13). In practice, these profiles could be used to extract even more information about employees in addition to the data that is already contained in the standard GHRIS employee profile.

Figure 5.8: Talent Management Strategy in Meddevco



Source: Meddevco Internal Presentation (modified)

Figure 5.9: Strategic Talent Management in Meddevco



Source: Meddevco Internal Presentation

Meddevco identifies talent based upon performance and potential. Talent is classified from 'Low Performers' (somebody with little potential and lack of performance) to 'Strategic Stars' (somebody who has a lot of potential and who is already a key performer) (see Figure 5.12). In total, there exist nine different categories. This classification is similar to Zuboff's (1988) ranking of talent along the dimensions of 'value added' and 'difficult to replace'. However, as Mäkelä, Björkman and Ehrnrooth (2010) argue, the comprisal of talent pools is not necessarily determined by performance appraisals. They identify the cultural and institutional distance between decision-makers and potential talent, the agreeableness between potential talent and decision-makers and the connectedness of the potential talent in the organisation as additional determinants. The company uses various performance management metrics built into the TMS to rate and review employees. Contingent on this classification and their position in the firms' hierarchy, potential talent enters the so-called 'Talent Pipeline' at different stages. The four stages of this pipeline range from 'Early Contributor' to 'Executive' (see Figure 5.13).

Owing to the HR metrics accumulated via GHRIT and TMS, the TM process aims to identify what Meddevco refers to as critical talent pools, which, according to an internal presentation, comprise employees that excel in innovation, customer service, project management and that are difficult to retain. Moreover, the TMS is employed to distinguish three additional categories of talent – customer facing, core and strategic talent. Talent progresses through the pipeline by becoming the subject of a 'Development Model', which is composed of a range of supports, for instance, a more challenging job, feedback, courses, and individual learning. This process aims to maximise talent potential and to fill 'pivotal jobs'. This use of TMS is akin to the third category of TM identified by Lewis and Heckman (2006) (see Chapter Two), which focuses on identifying and grading talent according to their performance and talent and centres on fostering their performance. Nevertheless, auxiliary TM practices, such as the talent pipeline and talent development model (see Figure 5.13), used by the corporation would suggest that any of the other categories of definitions of TM could also be applicable. Notwithstanding the potential advantages of the global TMS and TMS ethos in Meddevco, Mellahi and Collings (2010) argue that global TM is frequently prone to failure as a result of self-serving biases of subsidiary managers and due to the misinterpretation of workforce analytics, which may lead to false positives, that is talent is either overlooked or less talented staff are falsely promoted.

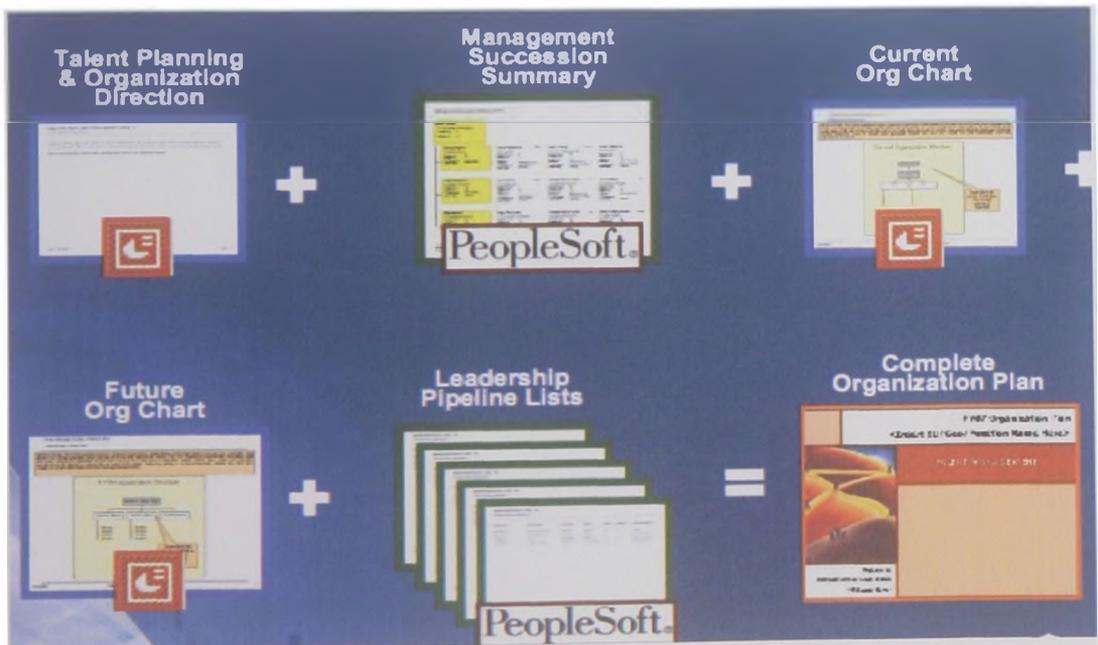
As part of its TM strategy, the case study organisation utilises a range of tools and systems, some of which (but not all) form part of the GHRIS (see Table 5.2 and Figure 5.10). These tools include a talent-planning and organisation tool, a management succession summary facility, an organisation chart facility, a future organisation chart tool and leadership pipeline lists. All of these feed into a complete organisation plan, which is only accessible to the upper echelons of the organisation. Lewis & Heckman (2006) identify TMS as a key component of an organisation's TM strategy.

The TMS configuration is depicted in Figure 5.11 and illustrates how the various components of the TMS feed into the organisation's GHRIT. Through GHRIT, TMS data can be accessed and analysed by other GHRIT components in use at Meddevco. For

instance, workforce analytics could demonstrate a future lack in particular skills sets, which can then be addressed through SABA, the training and development package, or e-recruitment. According to the line managers interviewed, the organisation also links rewards to performance appraisal and talent review data.

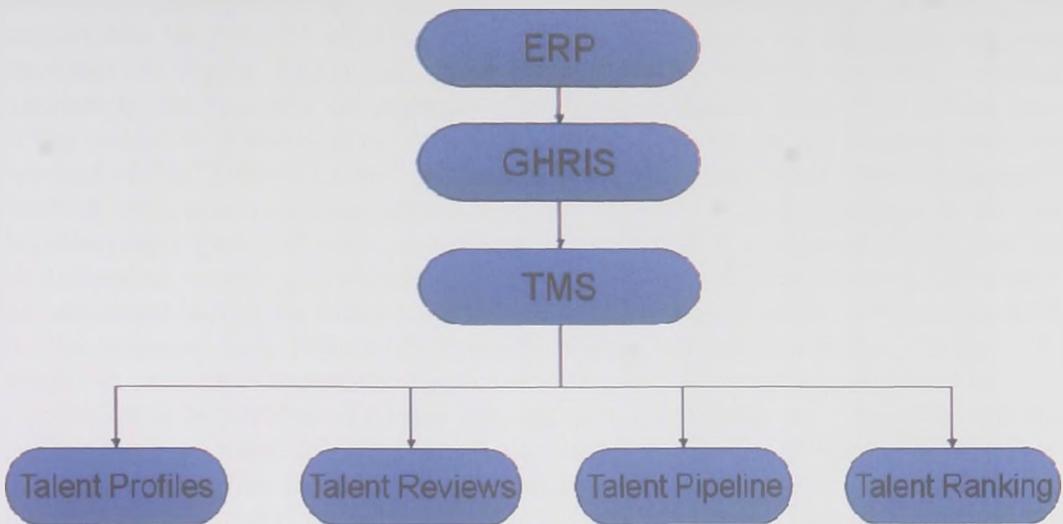
As was the case with other GHRIT elements, the subsidiaries in this research had no voice in the introduction of the TMS. Unlike other GHRIT initiatives, however, such as the launch of a salary modelling system or the introduction of HR self-service, TM does not appear to have been a contentious issue in the introduction process. In fact, all of the key stakeholders and those interviewed considered TM a strategic necessity for HR and for the company. One of the Irish line managers interviewed points specifically to the ‘talent management culture’ of the organisation. Moreover, all of the subsidiaries in this research utilised the TMS, albeit the level of engagement with the TM process and TMS system diverges considerably in the subsidiaries. While the Irish Manufacturing Plant, the International HQ and the European Sales HQ all purported to use the TMS extensively, this was not a priority at the time of the interview in the German Manufacturing Plant. Nonetheless, the German Plant Director had no doubt that if he had received the order to use the TMS, the facility and its employees would have had no choice but to comply.

**Figure 5.10: Talent Management Sub-Systems in Meddevco**



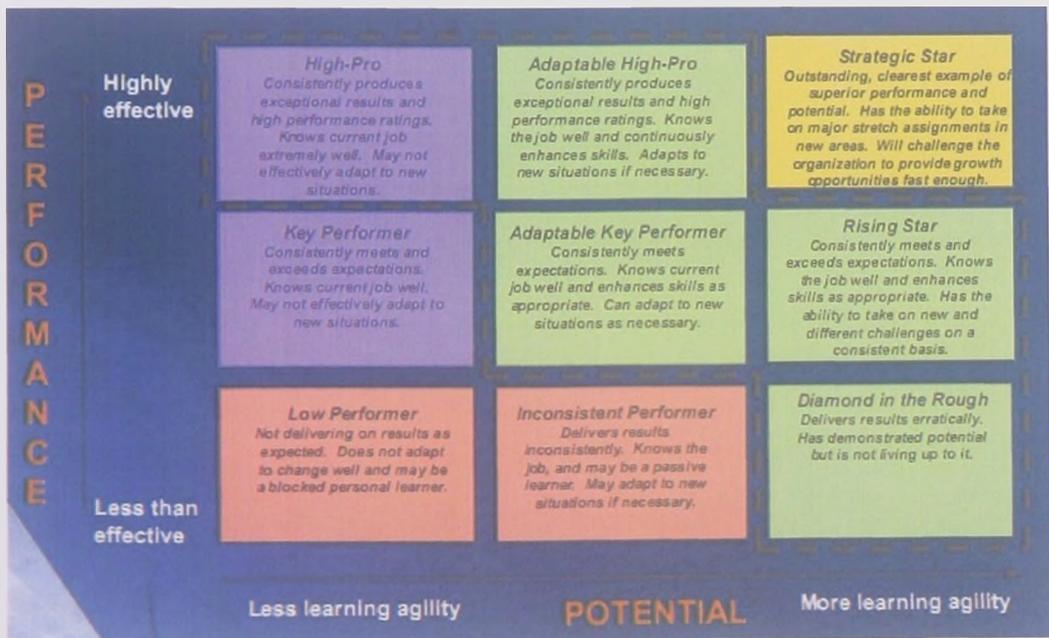
Source: Meddevco Internal Presentation

Figure 5.11: Role of Computerised Systems in Talent Management



Source: Developed for this Research

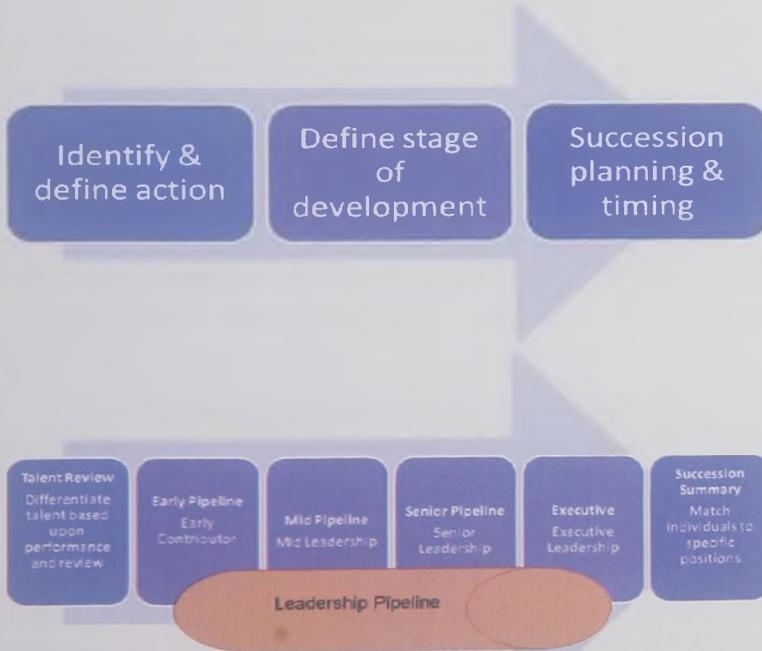
Figure 5.12: Talent Definitions in Meddevco



Source: Meddevco Internal Presentation

The apparent lack of resistance to TMS implementation may also be related to insufficient awareness of the TMS process. It seems surprising that none of the key stakeholders interviewed were able (or willing) to comment on the talent categories identified in Figure 5.12 when asked about TM and TMS in the firm. Perhaps surprisingly, the Finance / HR manager of the German Manufacturing Plant did *not* know of the existence of this system. Line managers interviewed for this research were also unaware of this ‘Talent Pipeline’ and their level of knowledge of the TMS was limited to entering performance management data on the system. A quality manager in the Irish Manufacturing Plant did know about these talent profiles, but asserted that himself and his colleagues merely paid lip service to completing these to ‘keep management happy’. An additional part of the talent review process consists of a section to be completed by the line manager of an individual employee, which is also to be completed online. This section is utilised to record the employee’s progress and management potential. The completion of this section is carried out ordinarily unknown to the employee. An Irish quality manager stated that this section also included a forced ranking of the employee from one to five (five indicating the highest management potential). He stated that few line managers awarded a score of five as these rankings were also used to determine promotions and pay rises and large numbers of maximum scores would distort this process. Issues arose also at the individual user level.

Figure 5.13: Differentiation and Development of Talent



Source: Meddevco Internal Presentation (modified)

The interview data seem to imply that some employees may be weary of volunteering personal information online, which is a common feature in the GHRIT literature (Eddy, et al., 1999; Lippert & Swiercz, 2005; Stanton & Stam, 2003; G. S. Taylor & Davis, 1989). In response, Meddevco has introduced a simple but effective way to ensure compliance – without completing their online profiles, staff cannot be considered for promotion. A similar policy ensures that line managers use the online appraisal mechanism – employees will not receive pay rises, share allocations or bonus payments, which they would be entitled to otherwise, if the appraisal has not been conducted via the online system. Notwithstanding the severity of these measures, not all members of staff appear to comply. A further reason for the reluctance to complete these talent profiles might be related to initial problems with the system, that is key data from PeopleSoft did not feed into the talent profiles of employees when they were first imported, according to the German HRIS Super User. Each subsidiary also has to reach quotas of employees that are captured by the system. The Sales HQ for the Central Region even handed out explanatory leaflets in German to increase the number of people completing their profiles. Individual HR Directors and Plant Directors for the smaller operations are responsible for meetings these targets. However, the Senior Director of HR Systems stated:

*Well every region uses the system in the same way and enters the required information. But if they don't use certain features fully there is very little we can do.*

The fact that these quotas exist illustrates a certain lack of compliance. The lack of compliance is explained by the Senior Director of HR Systems.

*The way in which we utilise the system is that we have introduced global processes and we have a very high adoption rate. We have identified 50 data elements for every employee that must be entered into the system. So, every subsidiary has to do that. But there are other processes such as talent management, which are more problematic, particularly in manufacturing in Europe, where it is not possible to grant every employee access to a computer. We have installed some computer kiosks but that can't solve that problem. So for some of the other processes we achieve a usage rate of 50 per cent - 70 per cent.*

These usage rates appear rather low. Usage rates of close to 100 per cent ought to be the norm in order to attain any efficiency and effectiveness gains purported in the literature.

In view of the evidence presented above regarding the alleged strategic importance of TM for the organisation, it seems rather surprising that Meddevco resorts to these type of measures to ensure employee 'buy in' into the TM process. The change management literature perpetually stipulates that creating a shared vision and gaining commitment to this vision were hallmarks of a successful change initiative (see for example Kotter & Schlesinger, 1979). The TM policies used in practice at Meddevco bear few of these hallmarks. Hence, it is questionable whether the firm can actually reap

the potential benefits conferred upon TM by the (practitioner-based) literature (Burbach and Royle, 2010).

Thus, it seems the firm is unable to generate a true picture of its talent, as all of Meddevco's TM processes, including Talent Profiles, Talent Reviews and Talent Rankings are either under-utilised, under-subscribed or reinterpreted at various hierarchical levels within the corporation. This apparent lack of commitment to the TM process at the (European) subsidiary level is perhaps also attributable to the lack of key stakeholder involvement at the subsidiary level and the resulting inertia concerning headquarter initiatives such as TMS. This torpor is also evident in other areas of HRM and GHRIT utilisation, as previous sections of this chapter have demonstrated. The research evidence presented here and the discussion of same has unearthed quite a number of issues associated with TM in the MNC.

The literature review has highlighted that TM and particularly TMS as fields of research are merely developing (Scullion, et al., 2010) and that these lack an accepted and empirically tested model to assess the TMS processes in this organisation. The succeeding section will focus on one of these frameworks that is frequently advanced in the literature – Cappelli's (2008b) 'Talent on Demand Framework' – to assess the TMS process in Meddevco.

Cappelli (2008b) contends that the tell tale signs of successful TM are that it is inclusive and that it can address and resolve any incongruity between the supply and demand of talent. Essentially, Cappelli (2008b) argues, many firms are out of sync in that they have either too many employees for available positions or a talent shortfall but always at the wrong times. Both of these scenarios are associated with significant risks in terms of talent and costs to the organisation, which need to be managed. First, the risk of disparity between employees and the skills sets required and, second, the risk of forfeiting investments in talent as firms are unable to hold on to (potential) key personnel. Managing this risk is of particular importance for the case study firm, which operates in the medical devices sector, a sector that is highly regulated and that depends on skilled labour. In fact, the majority of workers in the German Manufacturing Plant hold a primary and postgraduate degree. A further important point made by Cappelli (2008b) is that TM should *not* be about employee development or succession-planning, like many of the commonplace definitions of TM suggest. The key purpose of TM, he suggests, is to help a firm attain its strategic objectives. The view that HR should become a strategic business partner is widely supported in the literature (Ulrich, 1998; Yeung, et al., 1994). The evidence presented above intimates that the case study organisation purports to do just that. It has developed a HR Partnership model, of which TM forms a key element, while the key objectives of the TM strategy include both employee development and succession-planning (see the key objectives of Talent Reviews above). Some of the key stakeholders interviewed for this research (e.g. Senior Director HR Systems, Head of IHRIS Centre or HR Director for the Central Region) do view TM as a strategic tool that can enhance HR's status within the corporation. It seems, however, that this view does not filter through to all of the subsidiaries, such as the German Manufacturing Plant, and the wider population of employees (as is evidenced by the lack of completion of Talent

Profiles; see discussion above). The following section appraises the MNCs TM strategy *vis-à-vis* the four principles in Cappelli's (2008b) 'Talent on Demand' framework.

The first of these principles suggests that firms should 'Make and Buy Talent to Manage the Demand-Side Risk'. In essence, this process is designed to help organisations anticipate costs associated with poor talent demand forecasts. The findings evince that the case study organisation aligns both its recruitment and TM processes. For instance, the company's e-recruitment system is linked to its TMS. However, it could not be ascertained whether the firm tried to predict the opportunity costs involved in TM.

Meddevco, it seems, undertakes a number of efforts aimed at 'Reducing the Uncertainty in Talent Demand' – the second of the principles. The corporation utilises a number of systems which, when combined, could in fact reduce the inherent uncertainty in managing demand. For example, the multinational marries talent-planning, succession-planning and organisation charting tools to account for variability in talent demand.

The third principle of the Talent on Demand Framework focuses on 'Earning a Return on Investments in Developing Employees' and centres on maximising the ROI from talent. While the organisation's 'Talent Pipeline' and 'Development Model' may lead some way towards ensuring that the firm maximises an employee's potential, this research could not reveal any evidence to suggest that ROI is measured in some form. In fact, the HR Director for the Central Region (Europe) stated that the organisation had no means of measuring the value added by the GHRIS.

The fourth and final principle is founded on the idea that employee interests should be balanced by creating an internal labour market that offers all of the advantages of the external labour market to reduce staff turnover and to avoid the associated loss of talent and costs. The data intimates that Meddevco has a number of mechanisms in place that can help the organisation match existing talent with future jobs. The key mechanisms for this purpose appears to be the 'Talent Pipeline', whereby talent is identified early in their developmental process and channelled through this leadership pipeline by way of coordinated development efforts, which includes more challenging tasks, mentors, feedback and courses, all of which are designed to increase talent retention. Finally, Cappelli's (2008b) 'Talent on Demand Framework' and the principles it promulgates appear to be useful for benchmarking an organisation against (a form of) best practice in talent management. What the framework cannot do, however, is actually reduce risks and uncertainty involved in managing talent. Nor can it ensure that organisations earn a return on investment, which it purports to do. Therefore, a widening abyss emerges when the HQ rhetoric is contrasted with the realities of managing talent across the subsidiaries of a large MNC.

The debate regarding the diffusion of HR practices, which arguably includes TM dependent on which stance one adopts concerning the positioning of TM, across the subsidiaries of an MNC endures and a number of factors have been put forward including home country and host country effects, the strength of national business systems, sectoral influences, micro-political constellations within the MNC, or the forces of local

isomorphism vs. internal consistency (see for example Colling & Clark, 2002; Edwards & Ferner, 2002; McGraw, 2004; Mense-Petermann, 2006; Muller-Camen, et al., 2001; Royle, 2006; Tregaskis & Brewster, 2006). The findings indicate that all of these also pertain to the diffusion of TMS, albeit to varying degrees. Nonetheless, it seems that the extent to which the system was utilised was less contingent on contextual factors such as the national business system or the business sector. Instead, it appears that the level of TMS application was related to the degree of senior management support and HQ pressure to engage with the system, with individual user acceptance and perceptions playing an important role in the level of cooperation shown by employees (Burbach and Royle, 2011). Nevertheless, even if employees were willing to complete their online profiles, the lack of computer access in the Irish manufacturing facility demonstrated earlier represents a further barrier to doing so. This cooperation is crucial as above discussion has evinced, since the success of the TMS hinges on the accuracy of talent profiles and talent reviews.

The remaining sections of this chapter now centre on issues arising specifically from the diffusion and implementation of GHRIT. In particular, evidence relating to internal consistency versus local adaptation and the impact of micro-political relationships within Meddevco will be examined.

## 5.5 The Role of Host Country Effects in GHRIT Transfer and/or Diffusion

Chapter 2 has illustrated that HR (and potentially GHRIT) practice transfer may be subject to a range of host country effects depending on the relative strength of the national business system a subsidiary operates within. Consequently, one might expect there to be considerable difficulties at the implementation stage of the GHRIT. Despite comments made independently by the Irish HR Director and the HR Director for the Central Region stating that the initial implementation of GHRIT in Ireland and Germany respectively did not pose any difficulties, a broad range of host country effects, which arguably had varying degrees of impact on GHRIT utilisation, could be discerned in the different subsidiaries. The Central Region Sales HQ in Germany was not unionised, which may have helped to avoid some of the issues associated with system implementation arising from the German system of co-determination. In addition, staff members at the German Sales HQ for the Central Region were not consulted about the introduction of the system.

*PeopleSoft was dictated by the US. They simply said we are going to introduce this [system] worldwide so that we have a global system. ... We did not conduct a consultation, because we do not have a Betriebsrat [Works Council] in Germany, among other reasons... This makes matters obviously a lot easier. What we did was, we simply included a passage in the employment contracts in which employees agree for their personal data to be transferred to Meddevco Inc. or Meddevco Switzerland [as part of European Data Protection Legislation] (German HRIS Super User).*

According to a European Directive on Data Protection, which is transposed into Irish, Dutch and German legislation, employees must consent to their personal information being shared in a global system with, for instance, the USA. To deal with this issue the corporation simply reissued employees with amended contracts, in which they had to give their consent to the sharing of personal data to retain their jobs. Interview data does not suggest any resistance to this matter in the Sales HQ, although it is evident that the decision to amend the employment contracts would have had to be put to a works council in the sales office in Germany had there been one in place. This was the case in the German Manufacturing Plant.

*So, the first hurdle, the Betriebsrat had to agree that personnel data is pumped somewhere into a global system. [That] was a huge effort. But we managed to do it (German Manufacturing Plant Director).*

In the German Sales HQ, many issues arose out of the incompatibility of the GHRIS with the existing payroll system and the subsequent difficulties in creating an interface. The implementation process took over a year and the problems in implementing the system are illustrated by the German HRIS Super User thus:

*The big problem was that we had to build this interface [between the payroll system and PeopleSoft]. That happened in the US the problem was simply that PeopleSoft didn't have a lot of the data entry fields that we needed, that are specific to German payroll ... All of these pages were created especially for Germany. That was the huge problem to get it working with our payroll system. For almost a whole year we had to do two accounts, that is I inputted data as normal in PAISY [payroll software] and then we sent the data to a test version of PeopleSoft and compared the two payroll accounts.*

*That was a disaster, really.*

*Well, after half a year we spoke to our General Manager, it can't really go on like this, this is a huge effort. And then we said, ok, we won't keep doing this, but there our concerns fell on deaf ears and then we were more or less forced to continue. This we did eventually. It got better when we were allocated a contact person here in Europe [the European IT Business Systems Analyst], because she had a completely different understanding of our needs. She knew that all European countries differ in compiling their payroll and that you need to focus on each country individually. To gain that understanding in the USA was unbelievably difficult.*

In the Irish case, PeopleSoft was adopted when the subsidiary was taken over by Meddevco, which might also suggest that implementation of the system might have been more straightforward. Considering that this subsidiary was unionised, one might have assumed that changes that were introduced to the system by the US parent at a later stage would have faced some resistance in implementation or at least been subject to some form of consultation. Notwithstanding the company's claims that it has a very consultative approach towards its employee relations (NCPP, 2004) – and the presence of an Information and Consultation Forum in line with the 2002 European Union Information and Consultation of Employees Directive, which was transposed into Irish legislation in 2005 (EMPLOYEES (PROVISION OF INFORMATION AND

CONSULTATION) BILL 2005, 2005), employees were neither informed nor consulted regarding these changes. This finding corresponds with Burbach and Dundon's (2005) research on GHRIT utilisation in Ireland, which highlighted that nine out of ten organisations neither consult with nor inform employees of GHRIT implementation. A number of authors maintain that a lack of stakeholder consultation and involvement in the introduction process of (HR) IT projects could potentially lead to, inter alia, system under-utilisation, lack of ownership of the system, and/or increased resistance to change (Davenport, 1994; DeSanctis, 1986; Miller & Cardy, 2000; Tansley, et al., 2001; Wilkens, 1973). Nonetheless, the Irish HR Director revealed that

*In theory, they could tell us how to use the system but we have a very good relationship with [the IHRIS Centre] and any system use or new system introduction is discussed with us.*

The Irish HRIS Super User commented on the decision-making processes leading to implementation of GHRIT components as follows.

*It is funny enough in a way, in that, you are kind of left up to your own devices a bit with PeopleSoft. It's left there as a tool and you can use different parts of it if you like. We weren't using the recruitment thing. We were doing it all by paper. So it's just – they would recommend that, Europe the technical expertise centre [the IHRIS Centre] would recommend that you should take on e-recruit. We [the IHRIS Centre] work with you to bring it in. And that's generally how it happens. They [the IHRIS Centre] would say, yeah you are using a lot of stuff, here is another idea you could take on or we would go to them with ideas and they would take it on.*

*Sometimes when you get a project that cuts down on admin you find that in the long run it creates more admin. Like the whole e-recruit thing was supposed to be a seamless way for online recruiting. But there are so many different areas to it and if one part of the process doesn't work, the whole thing is gone.*

The above quotes illustrates that what is promoted as a strategic approach to HRIT utilisation by the HQ, common practice in the Irish subsidiary, appears to be more *ad hoc* and emergent rather than planned. While the literature is awash with suggestions of efficiency gains at a transactional level (Hendrickson, 2003; Lepak & Snell, 1998; Ruël, et al., 2004a; Ruël, et al., 2007), the GHRIT appears to have increased administration in some instances or failed to deliver on its efficiency promises. For instance, the training and development software was supposed to

*Get rid off the paper trail ... And unfortunately we haven't (Irish HR Director).*

At Meddevco, only the German manufacturing plant consulted with its employees about the initial introduction of the GHRIS and this is probably due to the fact that this SBU is unionised by Germany's largest and arguably most influential union, the metalworkers' union, *IG Metall (IGM)*. The German system of industrial relations is often described as institutionally strong (Müller-Jentsch, 2003, 2007) and in theory unions could veto the introduction of new work practices and indeed the implementation of any GHRIT element through the influence of their union representatives on the works

council (that is, GHRIS, modules, GHRSSC, TMS, LMS, etc.) (Burbach & Royle, 2008a). The German Plant Director described the consultation process as such:

*With PeopleSoft, we had two sessions [with staff and the Betriebsrat]. We wanted to introduce PeopleSoft, the HR administrator introduced it. These are the things which we use on a daily basis, individual development plans, performance evaluation, that represents something that can reduce my workload. We wanted to introduce it. The holding company has approached us with this. Ultimately, we have to push it through.*

The superficial approach to implementation taken is illustrated by the following quotes by the German Manufacturing Plant Director:

*Everyone has it [the system]. Everyone gets it. Therefore, we also got it. Of course, we also wanted it. It's quite normal. An infant in kindergarten, they all run after the new toys.*

*[The IHRIS Manager] had the job of bringing PeopleSoft to [us] and he went home with his homework done. The job was done in two days. How can we enter our job codes? That he couldn't tell us. He was not a decision-maker. He was a software designer. Click 'escape' to get to the next screen or do this or that. And then he carried out some training. He thinks, 'super, [they] got everything, know everything, it works' I can even understand his point of view. If you are also in a big corporation, which is rather inert, and also has its own dynamic, and nobody bothers you again and everything seems ok, and if you have lots of other construction sites, and when you have other things to deal with on a daily basis, I have better things to do than to talk with [him] all day about PeopleSoft.*

*Now, I need a fulltime PeopleSoft expert, who knows everything about the software, the installation and all the other software gimmicks and then I need somebody for HR administration. Before you know it, you need two additional positions and if I asked for these my boss would ask me whether my bath water was too hot.*

These quotes point towards what has been described in the literature as 'ceremonial implementation'. That is, little effort is made to address user acceptance by providing the necessary supports and training and to ensure greater levels of institutionalisation of the technology. It is therefore not surprising that the German Manufacturing Plant Director appeared to be somewhat disillusioned after the implementation of the HR system, which is illustrated by the following quote:

*You introduce such a system, because you want to benefit from its rationalising effects, because you want to introduce a global system that can communicate with each other in the entire holding company. For us this means 75 per cent more administration, because nothing is like it used to be, because nothing works the way we would like it to work. And now there is somebody who says, PeopleSoft, there you've got it and he doesn't realise how could they actually manage it? How should they handle it? How much personnel will they need to derive any value from using the system? A [CEO] presses a button and sees his 100 best employees. ... He has a staff of 100 people that present everything that they generate out of the system on a silver platter—brilliant. But what use is it to me? I*

*am not [the CEO]. My main priority is that my employees receive their correct wages at the right time. PeopleSoft can't do that. There, I don't care about PeopleSoft. PeopleSoft is at the very back of my list of priorities. Not because I don't like the system but because a production facility has its own laws.*

Another issue that arose during implementation relates to the fact that staff at the IHRIS Centre had no HR background (see section 5.3) and thus were unable to assist with HR-related queries during the implementation process. The German Finance / HR Manager stated:

*The people that were here during the implementation of PeopleSoft were his [IHRIS Manager] staff, but they only looked after the installation, therefore purely IT related. But with directly [HR] related queries, there they couldn't help.*

Evidently, GHRIT elements took a long time to implement (two years or more in some cases) and were the source of frustration, as the promised efficiency gains could not be attained due to a lack of integration of the various sub-systems and support from the HQ. The GHRIT literature suggests that the use of GHRIT and e-HRM can free HR staff from administrative work (Ruël, et al., 2004a; Ruta, 2005; Strohmeier, 2007, 2009). At least in the German Manufacturing plant, this does not appear to be the case. Other evidence presented above has already illustrated that the German Manufacturing Plant did not have sufficient staff to avail of the full functionality of GHRIT. In addition, the system was not considered a priority by the HR / Finance Manager and the Plant Director and some of the modules such as talent management or e-recruitment were simply not used. Therefore, the implementation process also appears to be mediated by the size of the operation. In other words, larger subsidiaries will find it far easier to expend the necessary manpower to implement a new system functionality. The Irish HR Director commented on this issue:

*In the implementation process of new systems, we have an advantage over other locations such as in Germany where they might only have two or three people dedicated to HR. Here we might have 20 and we can easily pull a person from one function for example recruitment to help us with implementation of a new system such as the new T&A system.*

While published research evidence evinces that the use of GHRIT is related to the size of an operation (Ball, 2001; Burbach & Dundon, 2005b), the academic literature has thus far failed to consider the size of the subsidiary as the unit of analysis as an important factor in GHRIT practice diffusion. The willingness of subsidiaries to cooperate in the implementation of GHRIT practices also seems to hinge on the perceived utility and fit of particular sub-systems and GHRIT modules. The Irish HRIS Super User remarked on this point:

*Workforce development, competency management, we haven't got into that yet. There are certain things that PeopleSoft, like the budget increases, where you can do all that online. We haven't got into that, yet. Because our process is very different from, what they want to roll onto us online. But we could do it if we wanted, yes.*

The Irish HR Director observed:

*In PeopleSoft, there are a lot of modules and functions that we don't use but that HQ wants us to use, for example, Salary Modelling. If we can build a business case as to why we don't use something we can get away with it. There are other systems such as SABA, which we don't like using but which we have to use because this is what HQ want us to use.*

This quote indicates that implementation may only be avoided to a certain degree, if the HQ is fully committed to the process. However, this commitment to utilise the system fully, which would entail the allocation of adequate resources to do so, is not always noticeable. The German Manufacturing Plant Director, for instance, reports:

*What we are missing, on the one hand, is this pressure, you have to go 100 per cent life, with every employee and with everything that you've got there, and then we will check. So this 'I want you to use 100 per cent of it' statement, that doesn't exist. On the other hand, there is no 100 per cent commitment.*

He also feels somewhat powerless *vis-à-vis* the unilateral decision-making processes.

*... concerning the decision-making processes that determine which software to use, we are left completely out of the loop. It could easily happen that we have to use a different system tomorrow. So what? Then we just have to implement that one.*

*The influence [on decision-making processes] is 100 per cent Zero. If we want a specific change to the system here in [the subsidiary] then the chance that this request is turned down is 99 per cent. If through some fortunate circumstance we are able to please the holding company with our request and if they also want that [change], then there is a bigger possibility that we might get it some time (German Manufacturing Plant Director).*

Nevertheless, even the full commitment and determination by Meddevco is not always sufficient to implement successfully a process as the HRSSC example has shown. The IHRIS Centre was initially set up to deal with and facilitate the implementation process. Notwithstanding the claims of a smooth implementation process by some of the stakeholders, resistance to the initial implementation was considerable, as the corporation adopted a 'sink or swim' approach to GHRIT implementation in Europe. In the words of the Head of the HRSSC Project Team:

*So, the resistance was significant that we had with implementing it. It also took a very long time to implement it.*

*As I said before there was no way to get around [the system]. The way that they accepted it was simply that there was no way out. Their VP said, you are going to do this, this is priority. Now you see that people embrace the system. So, we had to push it down through their throat, to say it that way. Once they had it, a year later, two years later, they started seeing the benefits.*

Nonetheless, the findings indicate that some form of resistance appears to persist in the subsidiaries. For instance, some line and sales managers seem to maintain what has been referred to as 'shadow administration' by the Irish HR Director to circumvent the use of the global system, which may point towards resistance to the system. This shadow administration supplements the data held on the GHRIS and can take various forms including Excel and paper-based files. The German HR/Finance Manager stated

*It is still the case that the HR department mainly uses Excel files and they are kept in parallel [to PeopleSoft].*

While officials know of their existence and their inappropriateness, they appear to have resigned themselves to the fact that they continue to be used.

*I am almost certain that there are still managers that still have these. One has to concede that managers do not work daily with PeopleSoft. One can be almost sure that one or the other personnel file still exists. Fine. You can't do anything about it. It also won't change in the near future (HR Director for the Central Region).*

The Head of the European HRSSC Project Team volunteered a different rationale for this unofficial filing system.

*See there is another reason for that. There are privacy laws [which state] that every employee can go to their HR department and have the right to see their file in HR. If you as a manager have a separate file, which is not stored in HR, that's where managers write in things, which employees cannot see. So, in principal it's the illegal version of a file. But that's what you see in many areas where this is happening. Because at the moment something is in PeopleSoft, the employee has the right to see what's in there. I can now go up to the HR department and say, 'show me everything that you are collecting of me'. And they simply can't refuse that, but Mike sitting there has another file of me, which is not in HR. I have no idea that he is capturing those kinds of things.*

These remarks are perhaps somewhat surprising considering that data protection legislation prohibits the maintenance of such 'unofficial' files, which employees cannot have access to should they request to do so. Line managers in the MNC have merely access rights to the HR system, that is, they can view information and print various reports, but they do not possess the authority to alter any data in the system, which perhaps represents an additional reason for the existence of this 'shadow administration'. Therefore, it may be more expedient for line managers to hold files, which they can actually manipulate. While access to HRIT may increase the efficiency of managers, it may also place an onus on managers to use information more efficiently (Gardner, et al., 2003). Planned changes to the GHRIT set-up, namely the introduction of self-service (see 5.4.3), will provide line managers with the facility to change certain data.

An auxiliary form of latent resistance evident in this MNC is what is termed here as 'use-to-rule' (analogous to the work-to-rule approach to industrial action), that is, the minimum use of the system, which will not cause any serious repercussions by the head office, but yet will lead to inefficiencies in using the system. 'Use-to-rule' is an

combination of a number of strategic responses to institutional pressures identified by Oliver (1991) and to innovation implementation put forward by (Klein & Sorra, 1996). These include acquiescence, avoidance, defiance and manipulation. Thus, reactions to the system take a number of different forms of resistance from passive to active (Oliver, 1991). Zucker (1977) for instance argues that the greater the level of cultural institutionalisation of a practice is the greater the level of resistance will be.

Other GHRIT features that may potentially, or did actually, give rise to resistance to change are the planned HRSSC, the completion of talent profiles or performance evaluations. These issues have already been alluded to in the above sections. A number of authors purport that organisational (e.g. Fiona Fui-Hoon, Islam, & Tan, 2007; Jones, Cline, & Ryan, 2006; Palanisamy, 2007) and / or national differences and cultural peculiarities (e.g. Agourram, 2009; M. Krumbholz, Galliers, Coulianos, & Maiden, 2000; Ngai, et al., 2008; Sheu, et al., 2004; Yen & Sheu, 2004) add further layers of complexity to multinational ERP implementation which may give rise to some resistance to change. Other authors have stressed the importance of considering cultural issues in IT usage in organisations in general (Coombs, et al., 1992) and GHRIT and e-HRM implementation in particular (Romm, et al., 1995; R. A. Stone & Davis, 2008; Stone-Romero, 2005). The mediating influence of national culture on the transmission of HR practices in MNCs is also a common theme in the IHRM literature (Aycan, 2005; Bae, et al., 1998; Black, 2005; Ferner, 1997; Ferner, Quintanilla, & Varul, 2001; Gerhart & Fang, 2005; Liberman & Torbiorn, 2000; Myloni, Harzing, & Mirza, 2004; Papalexandris & Panayotopoulou, 2004). The following quotes pertain to the introduction of a performance management system and the planned introduction of HR self-service respectively and illustrate how cultural idiosyncrasies may give rise to possible problems during the implementation process.

*I found now with performance evaluation with everybody putting it in, Ireland is one of the countries where I get a lot of questions from. Who can see this? They want to know who can see this, because they suddenly realise their manager can see it and it really bugs them, which is kind of strange because eventually it needs to go to them.*

*[...] I think Germany sort of expects that sort of thing (European IT Business Systems analyst).*

*Irish people are kind of funny about giving away personal details. They talk about their neighbours but not about themselves. It's the whole 'big brother' thing. Irish people are not comfortable with that. People are even reluctant to provide the details of their next of kin (Irish HR Director).*

The above evidence illustrates the ethnocentric approach adopted by the MNC's HQ and the influence of US country of origin effects on system implementation and utilisation. Apparently, the MNC exhibits little concern for national or regional idiosyncrasies in the diffusion of GHRIT, which might have mediated the effectiveness of GHRIT. It is also palpable from this research that Meddevco poorly managed users' perceptions of this technology. This seems astonishing considering the time, cost and labour resources that need to be invested in the implementation of ERP and information systems (Belardo, Otto, & Kavanagh, 2008; Hendricks, et al., 2007; Sharma, Yetton, &

Zmud, 2008). While the ERP literature extensively proposes resistance to change as a key factor in the implementation process (Aladwani, 2001; Bradley, 2008; Hoelscher, 2002; Weston, 2001; Yongbeom, Zoonky, & Sanjay, 2005), resistance to GHRIT introduction and implementation is scarcely dealt with in the GHRIT literature. Ruta (2005) mentions resistance in the context of HR portal introduction in an MNC but fails to elaborate further on this issue. Smale and Heikkilä (Heikkilä & Smale, 2011; Smale & Heikkilä, 2009) allude to resistance in an MNC arising from e-HRM introduction. Their articles imply that resistance may lead to impaired user acceptance. In particular, perceived ease of use, the perceived impact on the job performance and the social fit of the technology can positively affect acceptance (Ruta, 2005).

The literature review has already highlighted the importance of change management and the management of user acceptance, which may ultimately lead to implementation failure, as users' perceptions are inextricably connected with the actual use of IT and HRIT (Fisher & Howell, 2004; Ruta, 2005; R. A. Stone & Davis, 2008). While this research did not attempt to gauge the level of user acceptance, interview data indicate that usage rates and user acceptance of different GHRIT elements in Meddevco's subsidiaries are low. Thus, it appears that organisational readiness for ERP (Abdinnour-Helm, Lengnick-Hall, & Lengnick-Hall, 2003; Motwani, et al., 2002; Zhu, et al., 2010) and thus also GHRIT implementation as well as the organisational fit (Hong & Kim, 2002) of that technology are of critical importance in the diffusion of GHRIT. The concept of institutional fit has also been raised in the context of successful HR practice diffusion (Kostova & Roth, 2002; Glenn Morgan & Kristensen, 2006).

However, Rikhardsson & Kræmmergaard (2006) contend that enterprise systems (ES) implementation turns into a perpetual process and that it is therefore impossible for organisations to foresee the implications of ES implementation for organisational actors. In fact, they (Rikhardsson & Kræmmergaard, 2006) claim that ES themselves metamorphose into organisational actors, which can shape the values, culture, and behaviour of other actors.

One of the tenets of the debate surrounding the diffusion of HR practices is the extent to which MNCs strive to attain internal consistency in their transmission of HR practices or to what degree they may have to succumb to local isomorphic pressures arising from the host environment of the subsidiaries (Myloni, et al., 2007; Rosenzweig & Nohria, 1994; Tregaskis, et al., 2001). The following section will investigate the degree to which Meddevco may attain internal consistency in its GHRIT operations given the 'no customisation unless legally required policy' propagated by the upper echelons of this MNC.

### ***5.5.1 Internal Consistency versus Local Adaptation of GHRIT Practices***

One of the main challenges for any MNC is managing what Pudelko and Harzing (2008) term the 'Golden Triangle', that is balancing forces for standardisation and local adaptation of practices, whereby standardisation can take two forms, standardisation

towards HQ practices and standardisation towards global practices. The aim of this section will be to assess whether Meddevco's GHRIT practices in the subsidiaries are converging towards the GHRIT template promoted by US HQ or whether the GHRIT practices in the subsidiaries are adapted locally.

The graphical user interface of a GHRIT system consists of a variety of screens containing a series of entry fields, which capture relevant data. Each area of HR that is supported by the system will utilise its own entry screens. The collected data is stored in a database that can be queried by system users, for instance, to prepare monthly reports. For a global system to run effectively and to gain an operational and strategic advantage, it is arguably paramount that all entry screens and entry fields gather the same type of information in the same format to enable universal storage, use and analysis of information. Thus, the data and types of information collected throughout Meddevco's subsidiaries ought to be uniform. It seems obvious, therefore, that the HQ should favour a standardised implementation across all of its subsidiaries in Europe and beyond (Ruël, et al., 2004a). It also follows that MNCs ought to control and keep isomorphic pressures to a minimum. The Finance / HR Manager of the German Manufacturing Plant explained the customisation strategy thus:

*The global aspect is always checked and if [a customisation] can be implemented globally and if it is advantageous not only for [us] then it is highly likely that it will be implemented quickly. If it is specific to our location and if you don't have a sufficient rationale as to how important it is, then nothing will happen.*

However, a number of examples exist where the corporation had to make concessions to individual subsidiaries and countries with regard to data entry. Most customisations occurred due to legal and compliance issues, although in the Sales HQ for the Central Region problems arose during the implementation stage, as data 'seemed to get lost in the system' and data inaccuracies continue to arise (German HRIS Super User). The payroll manager for the Benelux and Nordic countries provided the following example of how the system needed to be amended:

*That's done when we take over a new country, we've had the example for Sweden, where we sort of copy the things we had for Belgium and the Netherlands, because we try to standardise as much as possible, and then before implementation we went to them and say, this would be the procedures if we were just to take it over. They said, well in a new hire process there are certain questions in Sweden you can't ask. So, you need to take them out. But again we go through that process before the implementation and then again the system is set up.*

Since GHRIT is based on a US template, additional issues surfaced in Germany regarding the entry of the qualifications of employees for which no American equivalent existed. For instance the German system of initial vocational training does not exist in the US, nor does the system recognise German third level education qualifications or German universities (for a detailed account of vocational training see Cantor, 1989). Since the IHRIS Centre was not prepared to allow for these distinctions within the system, the German Manufacturing Plant Director stated, the corporation simply turned a

blind eye when qualifications of (German) employees were entered incorrectly. This practice of course compromises the integrity of the data collected and makes subsequent analysis of the data meaningless. The global system does not provide any scope for entering different pay scales for the same level of employees, which is necessary in the German Manufacturing Plant to distinguish between those workers that are covered by sectoral collective bargaining agreements and those that are not. Thus, the subsidiary is allowed to leave some employee information on the system unpopulated, as the pay information relating to these employees cannot be captured by the system. However, these distinctions had to be maintained in the plant-specific payroll system for legal and accounting reasons. To resolve some of these issues the IHRIS Centre had to add an extra entry page for Germany to allow the entry of data specific to the German context (see quote below).

*... if you don't do things in the same way, you can never ever make global reports and it just doesn't work like that. So the starting point in Europe, ... was to put down those global processes and only by doing that, saying this is the way we do it, we could actually get to a point where we have a core module that works the same for everybody. But then when we came to the countries, each country just had a little bit more information than what we could put into PeopleSoft that needed to go to the payroll. ... So, if you didn't need the information we didn't put it into PeopleSoft. So in most of the countries we have something that we call miscellaneous data and that would be like country specific. So [we] added on one page per country. Germany has got a couple extra (European IT Business Systems Analyst).*

In this regard, German HR practitioners appeared to be more successful in influencing the system than their Irish counterparts. German managers in part attributed this influence to a more complex institutional environment.

In the opinion of the HR Director for the Central Region, this effect would have been further compounded had the central office in Germany been unionised, because any changes or amendments would have had to go through a formal consultation process. He argued that any veto by a WC would effectively have put a halt to the usage of the system (Frege, 2003). The absence of a works council affords some advantages in the daily HR operations of the Sales Head Office, according to the German HRIS Super-User:

*Because we don't have a Betriebsrat [works council], this recruitment process is simplified immensely for us. Because if you have a Betriebsrat, then you have to first announce all positions internally for two weeks before you can go external. This for instance would be an issue that we would have to incorporate [in the system] if we had a Betriebsrat, but since we have none ...*

These issues, of course, did not arise, since staff were not unionised nor was there a WC in place in the Sales HQ, although the latter would have to be initiated by the workforce. Statutory legislation in Germany would even have provided for a full-time official, given the size of the subsidiary (Bundesministerium der Justiz, 2009). According to the HR Director for the Central Region, staff had never shown any interest in collective representation, which, in his opinion, was a sign of 'good' industrial

relations and the result of above average compensation and benefits and an 'open door policy'. Employees that voice the desire to found a WC are called to the HR Director for the Central Region, who 'assures' these employees that their problems are of an individual rather than a collective nature:

*Of course, there are always individuals who, whenever they encounter a problem which is not resolved to their satisfaction, who come upstairs [and state] 'We should really found one [a works council]'. However, the employee will then change his mind, because [the HR Director suggests to the employee that] I don't found a Betriebsrat because of my own problems, what would that look like? That's what I get from the conversations at least.*

It is interesting to note that the subsidiary (established in 1970) has thus far been able to avoid the installation of a works council (WC) in Germany's highly regulated institutional environment. The HR Director for the Central Region in this study insisted, however, that the firm did not pursue a non-works council policy. Muller (1998) suggests that if organisations want to avoid WCs, they ought to establish alternative channels for employees to voice their opinions. The Sales HQ relied solely on individual bargaining. Sadowski, Backes-Gellner and Frick (1995), on the other hand, claim that works councils can often be perceived very positively by organisations. Similarly, Eberwein and Tholen (1990) hold that most German managers see the WC as a useful institution, which allows management to deal with worker grievances more effectively. Muller (1998) also asserts that predominantly small companies are able to follow co-determination avoidance strategies, while large organisations have no choice but to participate in co-determination and can aim solely to curtail the influence of works councils. Other research evidence, however, indicates that large MNCs are indeed able to circumvent the German system and that the use and/or choice of avoidance strategies may well be due to other factors, such as the industry sector (Ferner & Edwards, 1995; Royle, 1998, 2000, 2004; Royle & Ortiz, 2009). Unlike the Central Region Sales HQ, the German Manufacturing Plant had a WC, which did not seem to object to the system, but whether this was representative of the views of most employees is unknown. This is in part because the works council chairman and his deputy belonged to the management team of the German Manufacturing Plant. The German Plant Director explains the constellation of the WC:

*We have covered all hierarchical levels: chairman of the Betriebsrat [statutory works council] is the plant manager, the deputy chairman is in middle management, Mrs [...] is a supervisor...*

The German Works Council Chairman and Plant Manager described how the system was introduced to staff as follows:

*When the introduction of PeopleSoft here was looming, we presented the system to our employees. We carried out an opinion poll before the actual implementation. Of course, there were questions and objections. But we tried to clarify these, in individual conversations if necessary. PeopleSoft doesn't pose a problem for us [the works*

*council]. The system here is still in its infancy and this will remain that way for a long time.*

Thus, the level of GHRIT use at the German Manufacturing Plant is limited. Similar issues arose in the international head office in Switzerland and some adjustments had to be made to the system for compliance reasons. Since the international HQ in Switzerland was considered a showpiece for the organisation and an extension of the HQ in the US, additional customisations or divergence from GHRIT policies were not an option according to the Senior HR Systems Director who is part located in the International HQ.

At a European level, Meddevco has, to date, been unable to introduce a HRSSC. Claimed by some of the key stakeholders interviewed, European managers are fundamentally opposed to this idea and their combined resistance has already led to the failure of the first attempt to introduce such a HRSSC (discussed in 5.4.3). Mimetic pressure arises from the MNC's key competitor (DiMaggio & Powell, 1983), which has already introduced such a HRSSC. Auxiliary key drivers for the global standardisation of HRM practices include organisational structure and culture (Dowling, et al., 2007). One might therefore argue that the standardisation of GHRIT practices is just as subject to the 'drivers for localisation' (Dowling, et al., 2007) as other HR practices such as recruitment or training are. At any given time, these localisation drivers provide a counter force to the drivers for standardisation and include, inter alia, national culture, national institutions and national business systems as well as the subunits themselves (Festing & Eidems, 2007). Therefore, Beaman (2002; in Kavanagh & Michel, 2008, p. 386) argues, the phrase 'think global, act local' should be inverted, as firms ought to 'think locally' first to comprehend the business environment that they are operating in before they 'act globally' by streamlining their operations. Complex reporting and organisational structures, centralised control and decision-making in this MNC, which have previously been alluded to, all act as strong drivers for standardisation. National institutions and business systems in Germany and Ireland diverge considerably as the discussion earlier in the chapter has highlighted. The localisation drivers, or high context specific drivers, in the unionised German Manufacturing Plant seem to outweigh the drivers for standardisation to some extent. This is not the case in the also unionised Irish Manufacturing Plant where the force of localisation drivers appear to be low compared to the drivers for standardisation. It comes, therefore, as no surprise that the Irish subsidiary looks to be rather more willing to adopt US practices than the German plant, although the former has blocked a number of HR practices and was able to do so but for reasons other than the drivers in question (see the discussion on micro-political power relationships in this chapter). The picture in the Sales HQ for the Central Region is similar to that in the Irish Manufacturing Plant.

The picture of GHRIT practices used in the subsidiaries that manifests itself here is rather fragmented. Overall, it appears that GHRIT decisions in Meddevco are made unilaterally at HRC level without the input of the IHRIS Centre and European subsidiaries and the collected data would indicate that Meddevco strives towards the alignment of HQ and International HQ GHRIT practices. Therefore, the country of origin factor may well be the most important factor in determining management decision-

making in respect of the promulgation of HR (Almond, et al., 2005; Ferner, 1997; Noorderhaven & Harzing, 2003) and GHRIT practices. Yet, some of the evidence also suggests the influence of home country effects on the actual operationalisation of GHRIT (Burbach & Royle, 2007a, 2008a).

Furthermore, not all GHRIT practices used in Europe originated in the US. In some cases, 'Europe' has been able to develop successfully and implement unique GHRIT practices, which were adopted *ex post facto* by the US in a process of backward integration (Edwards, 1998, 2000; Edwards, et al., 2005; Ferner & Varul, 2000). The Head of the HRSSC Project Team and the Senior Systems Analyst put forward that, for instance, internet recruitment (analysed in another section of this chapter) and salary modelling (which was in fact rejected by the Irish Manufacturing Plant) were two initiatives that were developed in Europe and, after (apparently) 'successful implementation', were then rolled out in the US. This finding lends support to the 'reverse diffusion' of HR practices thesis advocated in the literature (Edwards, 1998, 2000; Edwards, et al., 2005; Ferner & Varul, 2000). Notwithstanding the reverse diffusion of some practices, Meddevco appears to align its GHRIT towards its US template rather than a global best practice model (Pudelko & Harzing, 2008).

The evidence presented in this chapter thus far highlights the complex nature of the relationship between home and host country effects and pressures for standardisation. As one might suspect legal compliance issues represent the key reasons for locally adapting GHRIT practices. The evidence has also shown, however, that using supplementary systems may circumvent these legal issues, as was the case with payroll systems. Unionisation in Meddevco did not seem to affect the use of this system as union influence appeared to be low, at least with respect to GHRIT diffusion, although in theory that could be the case. While the evidence might indicate that the German Manufacturing Plant is able to mediate the transmission of GHRIT practices to a greater extent than other SBUs, it emerges that this apparent lack of compliance is largely due to the lack of resources of this SBU in implementing some of these practices combined with a lack of commitment by the MNC to enforce these rather than factors in the German business system that might prevent it from doing so. The larger sites, including the Central Region Sales HQ, the IHRIS Centre, the International HQ and the US HQ, as one might expect, utilised available GHRIT to a far greater extent. Nevertheless, the findings suggest that different dynamic capabilities possessed by the Irish subsidiary, and the IHRIS Centre in particular, may provide some scope for (temporarily) blocking the introduction of practices. The effect of such capabilities and the micro-political factors within Meddevco are examined in the following sections.

### ***5.5.2 The Effects of Micro-Political Relationships on GHRIT Diffusion in the Subsidiaries***

The previous sections have already stressed that Meddevco is highly centralised in its decision-making processes and that it uses a number of control mechanisms, such as complex reporting structures and budgets. Regarding the use of the GHRIT, a number of

examples exist that underscore the strict control mechanisms employed by Meddevco. For instance, the corporation's policies on the completion of online talent profiles and performance appraisals are designed to ensure compliance.

*Well, in terms of the talent profiles, people will not be promoted without completing a talent profile. And if managers don't fill in the performance appraisal people will not get paid, that is, they will not receive share allocations and bonuses that they would be entitled to. This certainly makes line managers comply.*

*Line managers like it or they don't. But at the end of the day, they don't have much choice in using the system. We have quotas to fulfil and they have to complete performance evaluations and timesheets (Irish HR Director).*

Some perceptible tension appears to exist between corporate interests and subsidiary interests.

*I think we have overcome some of the 'ignorances' if you want to call them that way. The tension that we now mainly have is conflict of priorities that the US HR organisation wants. Let's say they want a system for [rewards]. Europe says this is not a priority for us, we have other things on our mind. So, don't bring me any system. ... And that's where the tension comes on, because in the US, HR systems says, hey we need to deploy this globally and we say, ah sorry, we are not going to do it. Same for the self-service that was then just recently implemented in the US for the employees, employee self-service. Our VP for HR in Europe says, you are not going to touch my operation, you are not going to bring in self-service. You are going to do this in the next fiscal year. So and then, so that's where the tension comes up (Head of the HRSSC Project Team).*

The conflict of interest between European and US interests is also raised by the IHRIS Manager.

*I think that it all comes down to and I don't know if that is reflective in every company but there is priorities that Europe has and from a European perspective, this is one thing that I have learnt from my time here that make perfect sense. There are priorities that the US has and from a US perspective, they make perfect sense. But sometimes those priorities that each organisation, generally strategically aligned but operationally might have some places where they, where they run into some problems.*

The Senior Director of HR Systems agrees. However, she points out that HQ will ultimately get their way. Questioned about possible differences of opinion on how GHRIT should be operated she asserts:

*... where should I start? There are so many unresolved issues. Ultimately, the only thing we can do is negotiate. But not if, only when. So, it's not a matter if a system feature will be implemented but the timing of the implementation can be negotiated. Our HRC is very powerful.*

While corporate formal authority is evidently strong, some organisational actors appear to be able to establish some level of resource power within the MNC. Since its

takeover in 1999, the Irish Manufacturing Plant has increased rapidly in size and in strategic importance within the corporation. In recent years, the plant has developed into a major research and development hub. The research data provides strong evidence that this operation possesses a high level of point centrality (Freeman, 1978 in Bartlett & Ghoshal, 2000) due to its strategic capabilities and strong links with the US and with Europe. In addition, the operation's size also plays an important role in inner-organisational relations. The Irish HR Director states:

*We have now reached a critical mass of 2300 employees where we could say that no new systems would be introduced in Europe without our ok – the economies of scale just would not work – there wouldn't be enough people in the rest of Europe to make it work.*

Other evidence confirms the subsidiary's ability to influence the flow of authority, as this quote from Irish HRIS Super User might imply:

*With regard to the HRIS, there are examples where we refused to use a PeopleSoft Module, even though we were told by HQ to use it and this is going on for two years now. They wanted us to introduce a salary-modelling tool, which we thought was too complicated. The system we use is Excel-based, simple, and very user-friendly – different salaries can be determined straight away. So here, we have been able to resist the introduction of new practices.*

The Head of the HRSSC Project Team also underscored the unique role of the Irish plant, because of its size and because it reported directly to the US. Using the example of HRSSC introduction, he argued that even though 'Europe' had decided not to implement a HRSSC, when faced with a HQ decision to do so, this decision would have to be reconsidered if Ireland would decide that it wanted to implement it. It is apparent that the Irish subsidiary has gained considerable strategic importance and resource power, which it is able to leverage in exchange relations with the HQ and other SBUs (Birkinshaw, 1996; Dörrenbächer & Gammelgaard, 2006; Ferner & Edwards, 1995; Kristensen & Zeitlin, 2001).

Unlike the Irish Plant, which evidently has far-reaching influence on the introduction or non-introduction of some GHRIT practices, the much smaller German Manufacturing Plant finds itself in a rather different and perhaps even precarious situation. On the one hand, the site is under increasing pressure in terms of production costs (one product line has already been transferred to Puerto Rico). On the other hand, the German Manufacturing Plant Director states that the German site has a number of advantages. First, Germany is the only production facility for a particular product outside the US. Second, some international patents will not permit the production of certain goods in the US. Third, in order to sell products successfully in Germany the company ought to have a base in the country. Fourth, the corporation received some bad publicity in the past; the company was involved in the infamous 'Herzklappenskandal' (cardiac valve scandal) in the early 1990s, in which consultants were found to have received pay offs from medical technology companies to use their products (DPA, 1998). Any more bad publicity could negatively affect the company image and brand. Finally, without exception the majority of the 100 employees at the site are highly skilled professionals

(including 15 engineers, three of which with a doctorate). Notwithstanding these advantages, the future of the plant is not secure. The following quotes by the German Manufacturing Plant Director seem to point up that the German subsidiary tries not to arouse suspicion among the HQ regarding its inability to cope with GHRIT and the increasing number of modules that are rolled out in the subsidiaries.

*A production facility derives its strength from its ability to come up with fast pragmatic solutions and to be able to say, we can do this, we will do this, that's it, what's next. But if I get entangled in the web of this large corporation ... What I don't want is to raise suspicion, suspicion that causes them [the corporation] to say, look at them, they are only going on our nerves, that's a chicken pen, let us close them down at long last, we don't care anymore. Because if you constantly draw attention to yourself by annoying them ... Never go to your boss, unless he contacts you first. Every week there is a weekly report, which I send off and if I call my boss twice a month that's considered a lot. Apart from that I don't, I have nothing to report apart from 'operations are going smoothly' I mean, he receives twelve other reports every day that annoy him. So there is no need for me to bulge in from Germany at 7:30 in the morning, teacher I know something, to tell him that something in the PeopleSoft system is not working properly. He doesn't care about that.*

*My personal view is that I approach the holding company as little as possible if it means costs, problems or trouble for them. ... You don't do yourself any favours. ... You don't want to alert any sleeping dogs. We are too small in a big corporation such as Meddevco.*

*They [Meddevco] don't like to see it when we [management and unions] mangle each other.*

Although the product division that the German SBU belonged to was acquired some years ago, its organisational structure and job titles remain distinctly different from those in Meddevco. This poor level of integration with the corporation appears to represent a continuing source of internal politics and conflicts. The relationship between this SBU and the HQ can most closely be defined as the integrated variety type identified by Ghoshal and Nohria (1993). That is, Meddevco uses different control mechanisms in its subsidiaries, while it also uses dominant integrative mechanisms, such as quarterly reports, code of conduct, or operating frameworks, to align the relationships with its SBUs. However, other SBU – HQ relationships resemble more the structural uniformity type of formal structural and bureaucratic control. The complex reporting structures are also mirrored in the GHRIT organisation shown in Figure 5.3. The findings also confirm the propensity for US MNCs to favour highly standardised policies, procedures, frequent documentation, and reports (G. Martin & Beaumont, 1999).

*The American is suspicious. Anything that he can't see that is not in the system, where he gets an Excel file from me, I have to be careful that I don't attract suspicion with my simple actions. ... But the American doesn't believe anything. The American wants to see everything in black and white. That's a motivation for us to say, be careful that we don't fall into discredit (German Manufacturing Plant Director).*

Notwithstanding the capture of the union movement by management (see above) in this plant, the union nonetheless provides a useful power resource, which may be used to influence corporate decision-making (Ferner, et al., 2004; Geppert, Williams, et al., 2003). On the issue of offshoring, the chairman of the works council commented:

*This is a very good site and the people are working very hard to keep it here. One product line has already been transferred to Puerto Rico. Although they can produce more cheaply, they can't keep up from a quality point of view. Should the corporation try offshoring the entire operation we will show them what we are made of. There are a number of things we can do as the works council and as a member of IG Metall. But we will see what will happen when we cross that line.*

The Sales HQ for the Central Region is well established and integrated into the corporation and perhaps due to the size of the operation utilises all of the HR system features available in Europe except SABA, the e-learning tool. While the German Manufacturing Plant did not seem to be able to leverage any changes to the system to suit their operational environment, interview evidence suggests that the Sales HQ was able to do so. For example, they were able to add some typically German qualifications to the system set-up. It appears that this SBU is far better connected than its manufacturing counterpart is. First, the HR Director for the Central Region had been a member of the HRC at one point. Second, he is also a member of the EHRC. Third, the sales office regularly deals with the IHRIS Centre and Senior VPs in the US.

At a European level, SBUs were also able to exert some political influence. Despite their otherwise limited influence on GHRIT decision-making, European managers of Meddevco were able to resist the introduction of the HR self-service system.

*A big issue with Shared Services is that European managers wanted language support and the original design didn't include that, but we decided to incorporate that. So, this led to a delayed adoption of the model. This is all a process of negotiation with the regional managers, because we can't really force them to adopt things. But it's also a matter of money. Because money drives adoption. The more money you can spend on implementing a new system the more resources you can dedicate to that and the easier it will be to implement it (Senior Director HR Systems).*

In addition, individual countries have been very successful in maintaining their own payroll system and training and attendance systems. For instance, each of the subsidiaries visited utilised a different payroll system in response to diverse payroll procedures and legislation in the subsidiaries, despite HQ's efforts to standardise the system. As already indicated above, this may lend support to the host country effect thesis (Almond, et al., 2005; I. Clark, et al., 2002; Muller-Camen, et al., 2001), while it may also indicate that SBU managers take advantage of the NBS to circumvent company policy (Dörrenbächer & Geppert, 2006; Geppert, Williams, et al., 2003; Tempel, et al., 2006). Nevertheless, the two German subsidiaries also employed different systems. The German manufacturing unit was acquired in 2000 and the legacy system was simply never changed. This indicates that this MNC acquisition has indeed remained and

continues to remain in a 'semi-digested' state for a long time (Ferner & Edwards, 1995). The German Manufacturing Plant Director for example argues that:

*... the core problem that prevails in a big corporation such as Meddevco is that you cannot integrate various newly acquired parts of the corporation as quickly as one would like to. ...*

*Meddevco has never really managed to integrate new acquisitions to a level of synergy effects in production, where we could do something for [other business units].*

Aside from inheriting a range of legacy systems, Meddevco's acquisition strategy has another immediate impact on the GHRIT. The GHRIT produces an organisation chart based upon job codes associated with specific positions within the organisation. In addition, these job codes determine the pay of individuals. In an acquisition, new employees with different job codes and pay structures need to be assimilated by the system, which can create problems that are illustrated by the German Manufacturing Plant Director when he describes what happened after the acquisition by Meddevco:

*When I am being integrated into the system, then I need somebody to tell me, you, you belong exactly here [in the organisation chart]. That doesn't just drop from the sky. That's like a security number, if you don't request it from the local authorities then you won't get one. So, and it's exactly the same with the job codes. ... The biggest problem is that the [former] job titles are on the whole one level higher than in Meddevco. So that means, we had 1,000 employees then, which merged with a 25,000 [now over 45,000] people corporation. It is natural that there were more Vice-Presidents among those 1,000 than one could fit into their [system]. So therefore everybody lives in an illusory world and thinks, while I am a Director I don't want to be called a Senior Manager. And as a result of these conflicts, you create complications that need to be resolved by [the former HQ], which still lives on with its old job codes. They just squeezed themselves somewhere into [the system] regarding the job codes. But if I look up my former boss, who used to be Vice-President, Manufacturing Operations, he is now a Director Manufacturing, just like myself, perhaps a pay band higher. That doesn't match up, that's a total mess. And of course, it's all very frustrating. Why should I give myself a title that I don't want? Next thing, I am Senior Manager Operations Germany or whatever, brilliant!*

This example shows that an acquisition strategy and subsequent poor integration of pay structures, reporting structures, and job titles can undermine the integrity of the data elements contained in the system, particularly if these incompatible legacy structures are transferred into an existing structure, as was the case in Meddevco. This has obvious implications for the accuracy and usability of the information. In other words, any decisions made upon the analysis of information based on this type of data would be flawed. However, as the German Manufacturing Plant Director and Irish HR Director pointed out, the emphasis concerning the utilisation of the system in the organisation is on compliance with orders by the HQ to employ certain system functionality and to enter certain types of information rather than on the actual analysability, accuracy and integrity of the information entered. A similar picture emerges when the views of the line managers are considered. They stated that, for Meddevco, the fact that, for instance,

performance appraisals were carried out using the system, was more important than the actual content of the appraisal, as long as all of the 'boxes were ticked'. The literature suggests that the use of HRIS can be limited (Burbach & Dundon, 2005b) and that issues may arise because of the incongruity of HR managers' and line managers' views on the role that e-HRM plays in the attainment of organisational goals (Foster, 2009). The quote above also implies that the incomplete transition of the subsidiary into the corporation gives rise to both micro political issues (the incompatibility of job titles and related lack of status) as well as data integrity issues concerning the artificial nature of job titles of the acquired company, which do not reflect existing job titles but which are nonetheless incorporated in the system.

This part of the discussion and analysis has demonstrated the complex nature of micro-political factors and issues that arise within Meddevco. This discussion has also shown that these factors may moderate and in some cases override home country effects and that micro-political influences may compound existing host country effects and thus impact in a notable fashion on the diffusion and use of GHRIT. Micro-political issues in Meddevco arise largely as a consequence of centralised decision-making processes and control in the corporation, which seem to trigger resistance to using GHRIT (Burbach & Royle, 2007b). In addition, the lack of integration of subsidiaries during the post-acquisition period causes data inaccuracies. The lack of support for subsidiary management causes managers to concentrate their efforts on other systems. Moreover, the fragmented nature of the interests of the subsidiaries and the role of local management as translators and implementers of corporate HR policy undermines the integration of, and effective utilisation of, GHRIT. Dynamic capabilities garnered by some subsidiaries within Europe and the centrality of individual subsidiaries within the corporation allows some subsidiaries to have a greater influence on how and which GHRIT elements are implemented in these and other subsidiaries. An additional issue derives from the divergence of interests of European HR management and corporate HR management, which can ultimately lead to (the delay or) non-diffusion of corporate GHRIT practices (particularly vis-à-vis the role out of a HRSSC in Europe).

## 5.6 Chapter Summary

This chapter provided a detailed analysis of the decision-making processes, including the alignment of GHRIT strategy to business strategy, governing the implementation and use of GHRIT in the subsidiaries. The analysis highlights that, in theory, the use of GHRIT is both vertically and horizontally aligned with business and functional strategies in the MNC. In practice, this is not necessarily the case, as the use and implementation of GHRIT is shaped by a number of contextual factors. In addition, it is evident that GHRIT shapes, and is part of, the structure of the organisation as organisational actors continue to interact with that technology (Orlikowski, 1992, 2000). The chapter has also furnished evidence that decisions regarding the use of GHRIT are made unilaterally at the corporate HQ in the US, without the input of the International HQ in Switzerland, which in theory governs all business processes in Europe, the Middle East, Africa, Canada, Latin America, India and other emerging markets (see Figure 4.1).

Moreover, the European influence on these decision-making processes appears to be rather limited and for the most part European subsidiary managers are tasked with the local adaptation of global business practices. This analysis has also revealed that what is promoted as a global system is in fact an organically grown web of sub-systems, which in some cases are poorly integrated with the overall system and, which rather than create efficiency savings, place additional labour constraints on particularly the smaller German subsidiary. This chapter has also stressed that GHRIT use by employees and line managers is limited. Even senior managers only used the system to a limited extent. The main users are the designated 'Super Users'. While the organisation aims to outsource a number of GHRIT practices in the future, only payroll processing is outsourced in some subsidiaries at present. Additionally, research data furnished here has unearthed major difficulties for the organisation in implementing a global HRSSC, which would improve system access and service levels significantly and would be a major step towards the introduction of e-HRM. The analysis pertaining to the use of TMS as part of the GHRIT configuration has also revealed a wide abyss between corporate rhetoric and everyday use of TMS. The latter part of this chapter focussed on the diffusion and implementation of GHRIT practices in the subsidiaries. While the same GHRIT practices have been rolled out to all of the subsidiaries under investigation, the extent of their utilisation diverges significantly because of a complex amalgamation of contextual factors. The efficient and effective operation and, therefore, the transformative capacity of GHRIT arguably hinge on the introduction of global practices. As can be expected, the home country effect emerges as one of the determinants of GHRIT practice diffusion. However, home country effects, particularly in Germany with its institutionally strong NBS, micro-political power relationships between subsidiaries and between the subsidiaries and the HQ, as well as individual level factors such as user acceptance mediate the transfer of GHRIT practices and act as counter forces for the standardisation of GHRIT practices. The succeeding chapter will discuss these findings in relation to the conceptual model developed in Chapter Two.

## Chapter Six: Discussion of GHRIT Diffusion Model

### 6.1 Introduction

A common thread running throughout this thesis has been the socially constructed nature of the transnational expanse within which MNC's operate (E. Clark & Geppert, 2006; Geppert, Williams, et al., 2003), which is reflected in the varieties of capitalism approach (P. A. Hall & Soskice, 2001a) and the socially constituted nature of business and HR practices employed by MNC's and their subsidiaries (Kostova & Roth, 2002; Kostova, et al., 2008) in these 'contested spaces' (Glenn Morgan & Kristensen, 2006). In the research sites, the level of transfer and therefore the level of institutionalisation appear to hinge on the configuration of the MNC's multi-layered institutional GHRIT environment (see Figure 2.10). The GHRIT Diffusion Model, which was detailed in Chapter Two, is a combination of a number of models extracted from different disciplines. The model aims to illustrate that an MNC's ability to diffuse successfully GHRIT practices is conditional on the firm's corporate, HR and GHRIT strategies, various layers of its institutional context, and the level of integration of a particular GHRIT practice in its subsidiaries. In this chapter, each element of this model will be assessed on account of the research evidence presented and discussed in Chapter Five in order to explore and evaluate the level of diffusion and therefore the transfer success of GHRIT practices in Meddevco. First, this chapter considers the institutional layers that may affect GHRIT diffusion. Second, GHRIT strategy and GHRIT outcomes are contrasted. Third, the validity of the theoretical model will be appraised and the model will be refined to reflect the findings of this research.

### 6.2 The Institutional Context of Global Human Resource Information Technology Diffusion

The GHRIT Diffusion Model suggests that the success of GHRIT practice diffusion in MNC subsidiaries is commensurate with the degree of implementation, internalisation and integration whereby a practice which is merely implemented may not be considered a successful transmission of that practice. Hence, a positive diffusion outcome hinges on the full institutionalisation of the transferred procedure (Tolbert & Zucker, 1983; Tolbert & Zucker, 1996), as the discussion in Chapter Two revealed.

With regard to GHRIT practice diffusion, implementation refers to the installation of a particular system module or the rollout of a new GHRIT practice. It may or may not entail basic user training. Implementation appertains to discernable actions (by the subsidiary) that represent the (internal) legitimisation of a diffused practice (Björkman & Lervik, 2007). As a new system element or practice is available for use and any (technical) teething problems have been ironed out, Meddevco's HQ appears to consider the practice to be successfully implemented. On the surface, this may well be the case. However, mere implementation will not actually result in

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employees and management actually adopting a particular practice (Björkman & Lervik, 2007; Kostova, 1999; Kostova & Roth, 2002). Instead, ritualistic adoption and decoupling of the process from existing processes is likely with the result that any efficiency gains anticipated from the introduction of a new practice are unlikely to materialise.

Only when employees attribute value and meaning to a GHRIT practice and when employees are committed to a practice does internalisation occur (Björkman & Lervik, 2007; Kostova, 1999; Kostova & Roth, 2002). Björkman & Lervik (2007, p. 321) refer to internalisation as the 'attitudinal dimension of transfer'. Various factors have the potential to mediate this process. Among others, the perceived utility of a GHRIT practice or the assumption that a practice can be used by the MNC to assess a subsidiary's (and therefore also its managers') performance will be conducive to internalisation (Björkman & Lervik, 2007). Therefore, internalisation is both a social process and an outcome of socialisation. As internalisation is attitudinal, GHRIT practice transmission success will be subject to institutional pressures. In other words, it can reasonably be expected that strong pressures to adopt a particular practice will lead to resistance and defiance or at least to decoupling and ceremonial adoption (Björkman & Lervik, 2007; Kostova, 1999; Kostova & Roth, 2002, Oliver, 2001). These effects were also tangible in Meddevco.

Extending beyond internalisation, Björkman & Lervik (2007) propose that only the full integration of a business practice with existing business practices and the alignment with corporate and HR strategy can be considered as a successful transfer, that is diffusion of practices. Chapter Two and Chapter Five have echoed that a high degree of integration is essential for the successful diffusion of GHRIT. Indeed, the Irish HRIS Super User stated that the subsidiary will always aim to assess and tailor new GHRIT practices to match those HR practices already in existence, although this is difficult to achieve given the standardised nature of IS. Nonetheless, from a practical point of view, implementation is far easier to assess than internalisation or integration, which is why subsidiary managers are more concerned with implementation rather than deeper levels of institutionalisation of practices (Björkman & Lervik, 2007). It comes as no surprise, therefore, that even SAP, one of the world's leading ERP manufacturers, does not measure the extent to which their systems have been integrated into individual firms. In a conversation with a Vice President of SAP at the 3<sup>rd</sup> European Academic Workshop on Electronic Human Resource Management in 2010, the researcher established that SAP merely measures adoption by site that is the number of firms that adopt a type of SAP product, as it would be 'impractical' to do otherwise.

Martin and Beaumont (2001) theorise strategic HR change management processes in MNCs. They suggest that successful change initiatives go through three stages – habitualisation, objectification and sedimentation. Habitualisation relies on an MNC-wide transmission and adoption of strategic change initiatives and on change champions in the subsidiaries which demonstrate value to subsidiary management. Objectification, similar to Kostova's internalisation stage, focuses on the establishment of shared meanings of HR processes. Sedimentation results in changed observable behaviours and ownership of the new processes. Communication, discourse and

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creating a positive image of the change to be introduced from the basis of their model (G. Martin & Beaumont, 2001). Findings from this research have already demonstrated that these building blocks did not feature in the rollout of GHRIT in Meddevco.

Additionally, the literature review in Chapter Two has stressed that firms ought to develop and adapt business strategies and practices to attain consistency, recognition and legitimacy within their institutional environment (Glenn Morgan & Kristensen, 2006). DiMaggio and Powell (1983) and Scott (2001) have put forward three categories of isomorphic pressures that may (often simultaneously) impinge upon an organisation's *modus operandi*. These include a coercive, a mimetic and a normative dimension. It is difficult to discern these three isomorphic forces, as they can often coincide (DiMaggio and Powell, 1983). The dichotomy between these institutional pressures and the need for internal consistency to maintain competitiveness within the MNC has been described as 'institutional duality' (Kostova, 1999; Kostova & Roth, 2002). The level and types of transfer of a business practice are therefore dependent on an organisation's institutional profile (Kostova & Roth, 2002), which Kostova (1999) also terms 'social context' (see Figure 3.1).

The evidence presented in Chapters 4 and 5 has illustrated that GHRIT diffusion and utilisation in Meddevco is first and foremost dictated by the country of origin effect, which reflects other research into the transfer of business and HR practices in US MNC (Quintanilla, et al., 2008). Notwithstanding this finding, GHRIT practice transfer is, particularly in Germany, subject to regulatory pressures from the existing and highly regulated institutional context. For example, the findings have displayed that the use of GHRIT could be vetoed by a works council or that the GHRIT had to be amended to reflect German vocational training qualifications despite the 'no customisation policy'. Effects of coercive isomorphism are less palpable in the Irish subsidiary. One could therefore argue that the institutional environment in Germany is less favourable than in Ireland with regard to GHRIT practice diffusion. An institutional environment can be described as favourable when existing laws, rules and practices, social norms and structures positively affect transfer (Kostova and Roth, 2002). Thus, this research demonstrates that the diffusion of GHRIT in subsidiaries of MNCs can be subject to host country effects.

In addition, Chapter Four has highlighted that uniform and complex regulatory pressures apply across the entire medical devices sector in the form of US Food and Drug Administration (FDA) and in Europe under the Medical Devices Directives (MDD). Of course, if a product is marketed in both areas it has to conform to both the US and the European standards.

Moreover, this research has accentuated mimetic pressures arising from the highly competitive medical devices environment of the MNC, while normative pressures arise from both the sectoral environment and the adaption of accepted work and GHRIT practices from the national institutional environment. The fact that emails from Meddevco to Medgeco, its key competitor, are automatically blocked may well be evidence of this competitive environment. Kostova and Roth (2002) imply that practice adoption is positively related to favourable mimetic and normative environments but

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that it is negatively associated with a favourable regulatory environment. In this research, the need to adapt GHRIT to local regulatory idiosyncrasies does indeed hamper the use of GHRIT, while those pressures arising from the regulated nature of the sector do not seem to pose any difficulties with regard to GHRIT diffusion. Unlike in Kostova's research, normative pressures founded upon German custom and practice, e.g. traditional forms of recruitment, sector level bargaining arrangements and vocational training, do hinder the transfer of GHRIT practices in Meddevco's German subsidiaries. The social context, therefore, negatively affects internalisation and integration.

The relational context identified by Kostova (1999), and included in the GHRIT Diffusion Model developed for this research, pertains to the commitment of the subsidiaries to (or dependence on) the parent, the perceived identity with the parent organisation and the trust relationship with the parent. In essence, the relational context is the glue that connects the subsidiaries and the MNC HQ (Bartlett & Ghoshal, 1989). The relationships between these units influence the manner in which a particular practice is translated and adopted at the subsidiary level. Micro-political power relationships based on strategic resource power, for instance the research and development capabilities of the Irish manufacturing plant, can amplify the host country effect and can allow a subsidiary to shape the transfer of GHRIT practices to that and other subsidiaries. Findings in this research compliment existing diffusion of HR practice research in that GHRIT were also translated by local management to suit the institutional context, albeit to a far lesser extent than ordinary HR practices arguably due to the uniform nature of information systems.

The introduction of any new practice is likely to be the source of increased uncertainty and ambiguity, especially since any practice is socially constructed in the home country and since it might thus be perceived as alien in the host country (Kostova and Roth, 2002). The greater the institutional distance between host and home country is the more pronounced this effect is likely to be. Therefore, any new practice ideally ought to be aligned with the value and belief systems in the host country (Kostova and Roth, 2002), even though this may be difficult to achieve. This assumption is also inherent in the socio-technical perspective discussed later on. Under these conditions, trust emerges as a crucial factor in diffusion. Trust as a relational factor is also put forward by Björkman and Lervik (2007) and is raised as a feature in HRIT implementation success by Lippert and Swiercz (2005), who differentiate between organisational trust, community and culture and the trust by individual users in the organisation. The third aspect affecting HRIT trust in the organisation focuses on the features of the technology to be introduced, namely the level of adoption and its utility and usability (Lippert and Swiercz, 2005). Interview data in this study suggests that the levels of trust of the subsidiaries in the MNC is low and conversely that trust from the MNC in its subsidiaries is equally low, while the former is arguably a result of the latter. Burnes and James (1995) advocate that organisations which foster a culture of trust are far more open to change than those that do not. Trust also appears as a key issue in ERP implementation success (Gefen, 2004; Wang & Chen, 2006).

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*Recent trust research in the information systems (IS) field has described trust as a primary predictor of technology usage and a fundamental construct for understanding user perceptions of technology. Initial trust formation is particularly relevant in an IS context, as users must overcome perceptions of risk and uncertainty before using a novel technology (Li, et al., 2008, p. 39).*

Trust, interaction ties and shared cognition can have a direct impact upon GHRIT practice transmission (Björkman & Lervik, 2007). In other words, if the intra-organisational social capital of the organisation – its structural, cognitive, and relational dimensions – were well developed in an organisation, greater levels of trust could be expected, which in turn would cultivate institutionalisation. The silo reporting structure in Meddevco is not conducive to developing social capital among the subsidiaries in this study. While the key stakeholders knew of each other, they had no contact with each other, with the exception of the Head of the HRSSC Project Team, whom all of the other key stakeholders had met at some point when he was still the International GHRIS Manager. Shared cognition in terms of language use is a key aspect of GHRIT implementation. Heikkilä and Smale (2011), for instance, demonstrate that a common input language in an e-HRM system was one of the key inhibitors of e-HRM implementation. However, the use of a common corporate language in an MNC is highly contentious and is rather difficult to attain (Fredriksson, Barner-Rasmussen, & Piekkari, 2006). Intra-corporate interaction ties, such as expatriate personnel, staff exchanges or joint development programmes, which could have facilitated the transfer of GHRIT practices in Meddevco (Cerdin, 2003; Harzing, 2001b; Hocking, et al., 2004) were not evident in this study, although it ought to be noted that this research did not set out to assess these interaction ties.

Although this research did not aim to investigate or assess Meddevco's organisational culture, the findings highlight a number of sub-cultures within different subsidiaries, for instance the culture in the German Central Region Sales HQ is markedly different from that of the German manufacturing site, which is understandable given the contrasting nature of work carried out in both. As one might expect, the cultures in these subsidiaries also differ from the Irish manufacturing site. It thus follows that these variances cannot just be explained by divergent national cultures, subsidiary - HQ relationships and institutional frameworks. Dissimilarities are also likely to be the result of the acquisition strategy pursued by the MNC, which has left some parts of the organisation such as the German manufacturing plant in a 'semi-digested' condition. Lippert and Swiercz's (2005) model purports that organisational culture and individual predisposition to trust (which is also a result of culture) can affect HRIT technology trust and success. This effect, one might suspect, is compounded by the existence of multiple sub-cultures in Meddevco.

Kostova (Kostova, 1999; Kostova & Roth, 2002) purports that a positive relationship exists between the perceived identity with the parent organisation and the implementation and internalisation of a business practice, whereby identification refers to the extent to which employees in the subsidiaries feel a sense of belonging and identification with the firm's values and belief systems. The researcher was invited to view the HRIS Centre, the German and Irish manufacturing plants. The artefacts (e.g.

posters, banners, dress code) displayed in these sites and the conversations held with stakeholders in each facility would suggest a cultural distance between the German Sales HQ, the German manufacturing plant, the Irish manufacturing plant and the Dutch HRIS Centre. In particular, the culture in the Irish plant appears to be closer aligned with that in the US HQ (Bartlett & Ghoshal, 1998). Cultural identities and distances also play a key role in micro-political power relationships in MNCs (Ybema & Byun, 2011). Given the greater degree of GHRIT practice utilisation in Ireland (when compared with both German facilities), it appears that cultural proximity and mimetic and normative isomorphism will foster implementation and internalisation (Kostova and Roth, 2002).

The commitment of the subsidiary to the parent and its relative dependence on resources provided by the parent are commensurate with the level of compliance shown by the subsidiaries with edicts from HQ (Kostova & Roth, 2002). These power and dependence relationships are complicated by the competition for resources between subsidiaries, which is evident in the firm's German manufacturing plant, which had already seen the transfer of a production line to another subsidiary in Puerto Rico. Kostova (1999) makes the salient point that resource dependence is likely to lead to implementation but that it is unlikely to result in internalisation as employees are likely to view transferred practices as being forced upon them. It is, therefore, improbable that employees will develop a positive attitude to these practices. Ceremonial adoption is the probable outcome of diffusion based on resource dependence relationships (Kostova & Roth, 2002). Björkman & Lervik (2007) note that MNCs will follow the path of least resistance in this regard, as internalisation and integration will be much more difficult to pursue. Previous chapters have already alluded to the complex reporting structures and control mechanisms in place in Meddevco, which lead to complex micro-political power relationships between the subsidiaries themselves and the MNC HQ. It appears that subsidiaries will be more or less resource dependent contingent on the 'critical resources' that they can bring into the bargain (Festing, et al., 2007; Sorge & Rothe, 2011). In Meddevco, the German manufacturing plant was disproportionately more resource dependent than its Irish counterpart. Despite the divergence in resource power, evidence from both plants suggests that a number of practices were adopted formally and were therefore considered 'implemented' by the HQ, but were never internalised in practice. That said the critical mass developed by the Irish plant certainly changes the dynamics of the relationship between the HQ and its subsidiary.

Hybridisation and adaption of GHRIT practices would in theory increase the level of internalisation. In practice, however, hybridisation of a series of software packages would be difficult to attain. Yet, the subsidiaries in this research have reacted in a number of different ways to different GHRIT practices. Depending on the practice, the subsidiary and the country, the responses by the subsidiaries to the introduction of GHRIT practices encompassed varying levels of acquiescence, compromise, avoidance, defiance and manipulation (Klein & Sorra, 1996; Oliver, 1991). For instance, as far as e-recruitment was concerned the Irish plant's response far exceeded 'acquiescence', because the system evidently suited the talent acquisition strategy of that subsidiary. In fact, the subsidiary developed practices that were subsequently adopted by HQ in a process of reverse diffusion. Conversely, the German plant simply chose not to use e-

## Chapter Six: Discussion of GHRIT Diffusion Model

recruitment as it was not deemed relevant by the plant director. The Irish manufacturing plant was defiant in the use of a salary-modelling tool, which was perceived not to add value, whereas the German plant had never been approached about using the tool to begin with. 'Compromise' was evident in a range of GHRIT practices, where the MNC simply accepted that subsidiaries did not want, or were not in a position, to comply despite the introduction of measures to ensure compliance, e.g. talent management. 'Manipulation' was evident in the context of GHRSSC introduction, where European senior managers could influence and shape the manner in which the MNC approached the planned introduction, albeit after a failed attempt to do so. Rupidara and McGraw (2011) put forward that subsidiary HR managers are instrumental in shaping the HR configuration of subsidiaries. However, the findings also highlight that ultimately individual subsidiaries have limited influence on GHRIT practice transfer when the HQ is determined to introduce a particular practice which of course may only lead to symbolic adoption rather than internalisation.

Symbolic or ceremonial adoption should be considered a high level of implementation (Kostova & Roth, 2002) *vis-à-vis* the mere installation of GHRIT. Ceremonial adoption may be defined as the formal compliance with the instruction by the HQ to introduce a particular business practice, but which does not precipitate a positive mindset toward that practice (Kostova & Roth, 2002). Ceremonial adoption can be anticipated where a practice is perceived to be uncertain, where no value is attached to the practice and where the practice is perceived to have been forced upon the subsidiary (Kostova & Roth, 2002; Meyer & Rowan, 1977; Tolbert & Zucker, 1983). GHRIT utilisation in Meddevco is surrounded by a great deal of uncertainty, particularly since the introduction of SAP as an ERP for manufacturing, as SAP is PeopleSoft's (Oracle's) key competitor in the market. Almost all of the key stakeholders interviewed, including the Senior Systems Analyst, the International HRIS Manager, the Head of the HRSSC Implementation Team, the Irish HR Director and the HR Director for the Central Region, voiced their concerns over the introduction of SAP. Their concerns ranged from questions over compatibility to issues surrounding the commitment of the organisation to either one or the other system. The German Plant Director was perturbed as he did not have enough staff to support both systems in parallel. However, uncertainty levels regarding GHRIT implementation have always been high in Meddevco. The Irish HR Director, for instance, stressed that one never knew what was around the corner regarding new GHRIT practices. Given the multiplicity of sub-systems in place in Meddevco the conjoined sentiment of these stakeholders was one of tangible bewilderment and dismay at the unilateral decision-making process leading to the implementation of GHRIT practices in Europe. Perhaps because of this lack of involvement, the perceived value of GHRIT practices in general was low. Additionally, little value is ascribed to practices that are considered the flavour of the month (Kostova and Roth, 2002). For instance, the German Plant Director stated that he did not care about PeopleSoft, as he was faced with a number of other production systems that he needed to deal with also. However, he also stated that he did not (officially) object to the manner in which GHRIT had been implemented in order to avoid raising suspicion in the head office. Kostova and Roth (2002) point out that conformity with HQ initiatives will ultimately augment a subsidiary's standing and legitimacy within the corporation, which is particularly important if a subsidiary is as resource dependent as

the German manufacturing subsidiary is. In this exploration, the perceived value of a GHRIT practice differed from subsidiary to subsidiary and depending on the situation. For instance, while the training module, SABA, received poor feedback in the HRIS Centre, the German sites and the Irish manufacturing site, both the Irish HR Director and the German Plant Director commented on its utility in providing SAP training to users which supported the rollout of that system. The line managers interviewed in the Irish plant and the German Plant Director placed little value on the GHRIT practices in place. The evidence presented here suggests that GHRIT practice transfer in Meddevco meets the conditions for ceremonial adoption.

Klein and her colleagues (Klein, et al., 2001; Klein & Knight, 2005; Klein & Sorra, 1996) focus specifically on innovation implementation in their articles. Klein argues that the chief reason for the failure of firms to capitalise on the benefits of innovation 'is not innovation failure but implementation failure'. Organisational factors that are conducive to successful innovation implementation comprise financial and managerial support, a constructive implementation climate, and a focus on learning (Klein, et al., 2001; Klein & Knight, 2005; Klein & Sorra, 1996). Undoubtedly, Meddevco is willing to invest a considerable amount of resources into the rollout of GHRIT. Furthermore, the ongoing success of Meddevco in the medical devices industry and the rapid development of new products are evidence of the learning orientation in the firm. However, the research evidence discussed in this chapter demonstrates that Meddevco did not invest the necessary resources, for instance support structures, training, and employee involvement in order to create a constructive implementation climate. This became particularly apparent in the failed attempt to introduce a HRSSC in Europe.

Björkman & Lervik (2007) infer that satisfaction levels with existing HR systems in the subsidiaries are likely to have an influence on the adoption levels of new HR practices. Therefore, subsidiaries will be less inclined to adopt new HR practices if they are satisfied with those that are already in existence, particularly if they have been developed by the subsidiary. This point is of particular relevance in Meddevco given that the manufacturing plants in this case study have become part of the corporation through acquisition and each subsidiary would have operated a distinct set of HR practices and legacy GHRIT practices and systems. The management attitude towards GHRIT in the Irish manufacturing plant was very positive from the outset. The Irish HR Director stated that the existing system did not meet the needs of the growing organisation and that Meddevco's PeopleSoft system promised many advantages. Apart from payroll software, GHRIT was an alien concept in the German manufacturing plant. Even after the introduction of GHRIT, the subsidiary continued to carry out HR activities as it had done before the take over. GHRIT use in the subsidiary was still in its infancy according to the German Plant Manager. Therefore, conditions for the rollout of GHRIT practices in the subsidiaries varied greatly.

In addition, internalisation and integration are more likely to occur in organisations with highly developed HR capabilities (Björkman & Lervik, 2007). In a similar vein, research by Burbach (Burbach, 2003; Burbach & Dundon, 2009) has shown that organisations with high IT capabilities are more likely to employ GHRIT for

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strategic decision-making purposes than those that do not possess this capability. Both of these assumptions are mirrored to some extent in the findings of this investigation. Because of their size and the staff available the Irish Manufacturing Plant, the International HQ, the Sales HQ for the Central Region and the International HRIS Centre were better placed to utilise available GHRIT when compared with the much smaller German manufacturing site. Equally, the IT capabilities of these subsidiaries outperformed those of the German plant. Nonetheless, the evidence presented throughout this discourse shows that additional factors besides existing IT and HR capabilities mediate the transfer of GHRIT practices, which may or may not lead to the actual diffusion, integration or institutionalisation of a practice.

Thus, it comes as no surprise that Meddevco is unable to capture fully the strategic advantages of GHRIT and that the implementation of individual GHRIT practices was less than successful. It therefore appears that practices were transferred (a fact that resonates in statements made by the German Plant Director) but not diffused. This dissertation has demonstrated *ad nauseam* that many organisations fail to capitalise on the strategic potential of GHRIT (Burbach & Dundon, 2005b, 2009; Burbach & Royle, 2010). Nevertheless, this chapter also stresses that many of the pitfalls arise because of poor management of the implementation process on the part of the HQ. The change management (Burnes, 1996, 1997; Burnes & James, 1994; Beer & Nohria; 2000; Doyle, Claydon & Buchana, 2000; Kotter, 1995), HRIT (Al-Ibraheem & Ruël, 2009; Martisons & Chong, 1999; Ruta, 2005; R. A. Stone & Davis, 2008), ERP (Motwani, et al., 2002; Yongbeom, et al., 2005) or IT (Gash & Orlikowski) literature has frequently flagged that change management initiatives often do not result in the desired outcomes. In the context of HR practice diffusion, Geppert, Matten and Williams (2002; 2003) purport that global, national and societal effects impinge upon change management efforts in MNCs. At the subsidiary level, Björkman & Lervik (2007) advocate that leadership of change and the perceived fairness of the change initiative will positively affect internalisation and integration. This research shows that the agency entrusted with leading the introduction of GHRIT practices, the International HRIS Centre, provided little support to the subsidiaries in the implementation process, although issues of fairness were not a consideration in implementation. In Ruta's (2005) model of HR portal implementation in an MNC, which combines user acceptance with change management theories, the importance of a general and local implementation plan is stressed. While GHRIT plays a key role in operationalising Meddevco's corporate and HR strategy, the organisation did not have specific plans for the implementation of GHRIT other than that the GHRIS had to be rolled out in all of the subsidiaries in the coming years.

### 6.3 GHRIT Strategy, GHRIT Goals and GHRIT Types

Ruël et al. (2004) argue that e-HRM outcomes are shaped by an organisation's HR strategy, the type of e-HRM (operational, transformational, or relational) pursued by the firm and by the environment. In a similar vein, Martin, Reddington and Alexander (2008a) list the strategic environment, HR competencies, HR resources, the absorptive

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capacity of HR, the HR change model, and user acceptance as factors mediating the adoption of e-HRM. These factors, which are largely congruent with the organisational dimension in the research of Kostova as well as Björkman and Lervik's, are also evident in this research, as the discourses in both Chapter Five and this chapter have shown. The MNC in this research has a very clearly articulated GHRIT strategy and objectives (see relevant section above), which are both vertically and horizontally integrated in its corporate and functional strategies. Using Ruël's model (see Figure 2.5), Meddevco's HR strategy can be best described as the bureaucratic variety, which is characterised by complex reporting mechanisms and centralised control. According to Orlikowski (1992), the use of technology may in fact serve to reinforce corporate authority and control. The types of e-HRM the organisation sets out to employ range from operational and relational to transformational. This means that based on in its GHRIT objectives, the organisation aims to attain efficiency gains in payroll and training; it hopes to improve the level of communication and service provision; and it aspires to add value to the organisation by engaging in strategic HR activities (see Figure 5.2).

Decided upon unilaterally at the Board and HRC level, GHRIT strategy is translated and implemented at a local level by the International GHRIS centre and local subsidiary managers. This analysis has shown that a variety of macro and micro institutional, as well as individual user level factors, affect the diffusion of GHRIT practices. Notwithstanding these factors, the MNC has evidently attained some efficiency gains in some areas. The evidence underlines that transaction costs could be reduced, while reported usage rates of 70 per cent for some processes highlight a significant uptake of some GHRIT practices. These findings are echoed in the practitioner-based literature which lists efficiency improvements and transaction cost reductions as advantages of HRIT utilisation (Clement, 2008). However, the level of usage and level of institutionalisation and therefore transfer success of GHRIT processes diverges from one subsidiary to the next. In the German manufacturing plant, for example, the use of the GHRIT remains purely operational in nature. While this research focuses on the diffusion of GHRIT in the German and Irish subsidiaries of Meddevco, interviews at the International GHRIT Centre stressed that the immediate use of GHRIT in developing countries will be for payroll purposes only. As the firm has not been able to introduce HR self-service and the planned GHRSSC and as employee and line manager access to GHRIT is limited, the relational objectives set by the MNC have not been attained. The findings considered above reveal that the fragmented manner in which GHRIT strategy is operationalised in and across the subsidiaries prevents the organisation from attaining many of the added value, service, efficiency and business partnering gains envisaged by the MNC as the guiding principles for the use of this technology might suggest. In the main, the findings show that the outcomes are, by and large, at the managerial or 'informating' level (Zuboff, 1988). Meddevco has not been able to employ its undoubtedly sophisticated and plentiful GHRIT applications for strategic or transformational purposes. This places the use of the system in the unsophisticated or transactional category of the HRIT classification summary (see Table 2.2), and the Administrative Use / High IT Capability category in Burbach's (Burbach, 2003; Burbach and Dundon, 2009) HRIT Utilisation Matrix (see Figure 2.4).

#### 6.4 GHRIT Strategy versus GHRIT Outcomes

In their research on e-HRM use in five MNCs, Ruël et al. (2004) demonstrated that expected e-HRM goals frequently do not translate into expected e-HRM outcomes. Similarly, Stone, Stone-Romero and Lukaszewski (D. L. Stone, et al., 2003) put forward that HRIT use in organisations may lead to both 'functional' and 'dysfunctional' organisational outcomes. They identify a range of unintended outcomes which they group into organisational, managerial and employee consequences. However, it is argued here that not all unintended outcomes are necessarily dysfunctional. Martin et al (2008a) therefore differentiate between intended and unintended, positive and negative, and transformational and transactional outcomes. For instance, the reverse diffusion of e-recruitment from the Irish manufacturing plant and International HRIS centre to the US HQ is a good example of an unintended yet positive outcome, which could be characterised as both transformational (adding a strategic benefit) and transactional (reducing processing time). Various types of outcomes also result because different actors enact technology in different ways. Boudreau and Robey (2005), for instance, report that following the implementation of ERP initial user inertia may be followed by the reinvention of how the system might be used.

From an organisational point of view, a review of the literature has already underlined that the cost of GHRIT cannot be justified by cost savings alone (Minneman, 1996). Nevertheless, long implementation phases highlighted in the literature (Cedar, 2001) can quickly erode any return on investment. A similar picture emerges in Meddevco, where a considerable investment is taking place to roll out GHRIT and in particular the PeopleSoft HRIS in all subsidiaries around the globe. The evidence also suggests that the period of time involved in implementing the system can be as long as one to two years, whereby it is evident that GHRIT diffusion in some cases did not extend beyond implementation and did not reach greater levels of institutionalisation indicated by internalisation and integration in the diffusion model. These outcomes may be categorised as unintended, negative and transactional.

In addition, the standardisation of HR practices necessary for the efficient and effective use of GHRIT may cause rigidity (D. L. Stone, et al., 2003). In other words, due to standardisation, both changes to GHRIT and existing HR policies and procedures are difficult to put in place, which in turn may lead to dissatisfaction and frustration as such a system cannot meet the needs of its users. The suggestions are mirrored by the findings in this study where a number of key stakeholders have expressed their frustration, disengagement and disillusionment with the system. These could also be considered unintended and negative transactional outcomes of the implementation process. Stone and Lukaszewski's (2009) 'expanded model of the factors affecting the acceptance and effectiveness of e-HRM systems' purports that firms ought to design systems that capture individuals' attention (by using information-rich personalised communication) and augment their levels of understanding of the information provided in order to attain the organisation's GHRIT objectives. This view is echoed by Reddington and Hyde (2008). However, these conditions may be difficult to attain in a

global operation such as Meddevco's. In fact, both the e-HRM (Savage & Alexander, 2008) and ERP (Haines, 2009; Parr & Shanks, 2000) literature suggest that customisations of information systems should be kept to a minimum and that a 'vanilla' (that is, the opposite of bespoke) implementation ought to be favoured. This of course implies that existing business practices ought to be tailored to fit GHRIT practices (Savage & Alexander, 2008), which would effectively mean that the technology strategy is driving business strategy. However, a significant redesign of business practices is neither practical nor does it meet the information needs of a business (Gattiker & Goodhue, 2002; W. Luo & Strong, 2004; Soh, Sia, & Tay-Yap, 2000; Yick, 2011). Shrivastava and Shaw (2003) opine that some customisation of HR technology is necessary to capitalise on its value-adding potential. The 'no customisation unless legally required policy' in Meddevco implies that the MNC is also pursuing a 'vanilla' approach to its HRIS, even though the number of sub-systems in place represents a *de facto* customisation of the HRIS. For instance, disparate payroll and time and attendance software *in situ* in the subsidiaries correspond to local concessions concerning GHRIT.

Rigidity and resulting dissatisfaction represent one of the key barriers to successful implementation and integration of IS in general and GHRIT in particular. The interview evidence obtained in this case study reflect the findings in the literature, which establish a link between the perceived quality of a system (information provided by the system, system usability, service provided by the system), the intention to use the system, user satisfaction, the actual use of the system and the net gains actually obtained from using IS and GHRIT (W. DeLone & E. McLean, 2003; W. DeLone & Mclean, 2004; W. H. DeLone & McLean, 1992; R. A. Stone & Davis, 2008; Venkatesh, et al., 2003). In other words, the Irish HR Director and German Plant Director were critical of the information provided by the system and the usability of the system, which again represent the unintended negative, transactional effects of GHRIT diffusion. Both the German Plant Director and the HR Director for the Central Region described their ideal system as a fully integrated solution which provides relevant and digestible information in a matter of a few clicks of a mouse. The GHRIT in use in Meddevco could not offer this, largely because of the various poorly integrated sub-systems that form part of the GHRIT (see relevant section above).

Further examples of negative and unintended transformational outcomes include the existence of a shadow administration and the lack of line manager and employee access described above. These may indicate that the usability and satisfaction with the service provided by the system is low. The lack of use and buy-in into some of the GHRIT components and practices also demonstrate this. Moreover, actual adoption levels of GHRIT practices in general could also be considered low. While some GHRIT practices are used more in one subsidiary than in another, for instance e-recruitment, the buy-in into the talent profiles discussed earlier lags far behind the expectations of the MNC, which introduced various compliance measures such as quotas at the subsidiary level and barriers to promotion at the individual level. These initiatives are indicative of poor user acceptance which represents a further key factor in successful GHRIT (and IS) implementation (Fisher & Howell, 2004; Nah, et al., 2004; Ruta, 2005; Youngberg, et

al., 2009). Institutional pressure of this sort will also prevent internalisation and integration.

It has been proposed that information and consultation with stakeholders is positively related to user acceptance and system success (Epstein & Rejc Buhovac, 2008; Ruël, et al., 2007; D. L. Stone & Lukaszewski, 2009), while the lack of involvement has been associated with increased levels of resistance to change and system failure (Hong & Kim, 2002; Klein & Sorra, 1996; Krasner, 2000; Landles, 1987). This research evidence exhibits that stakeholders (except senior management) were not involved in the implementation process, while various forms of resistance to the system were on display in the subsidiaries. Therefore, it appears that the use of GHRIT among stakeholders in Meddevco was not always voluntary, even though 'voluntariness of use' has been identified as a contributing factor of user acceptance in IT research (Venkatesh, et al., 2003). This represents further evidence of the lack of user acceptance and at most a symbolic adoption of GHRIT practices in Meddevco.

These difficulties are compounded by the lack of flexibility of GHRIT, an additional dysfunctional outcome of GHRIT (G. Martin, et al., 2008a; D. L. Stone, et al., 2003), evident particularly in the German subsidiaries. As the capabilities of GHRIT augment and employees and line managers are granted more access to the systems, increased demands are placed upon workers and managers with regard to their ability to use the system (D. L. Stone, et al., 2003). Employee and line management access to the GHRIT in Meddevco is currently limited to carrying out performance appraisals, online training and the completion of talent profiles. E-HRM initiatives will be received in a more positive light if line managers and employees can see actual benefits in using e-HRM (Schuessler, 2008). The opposite was the case in Meddevco, where the line managers interviewed felt that GHRIT placed additional unnecessary demands on their work schedule. However, the lack of computer access and skills and the make-up of the workforce in Ireland (predominantly low-skilled employees in manufacturing) may present challenges in this regard as part of the planned GHRSSC in the future.

Furthermore, the impersonal nature of a computer system and disenchantment with GHRIT may result in impaired organisational citizenship behaviour (OCB) and employee morale (Landles, 1987; D.L. Stone, et al., 2003). Conversely, OCB has been identified as a key factor in ERP success (Yen, Li, & Niehoff, 2008; Yoon, 2009). In this context, the disenchantment, disengagement and disillusionment with the GHRIT expressed by some of the key stakeholders such as the German HRIS Super User or German Finance / HR Manager, may negatively affect OCB and thus system success.

Some of the evidence from this case study may indicate that Irish users have privacy concerns, which may negatively influence user acceptance and technology trust and thus present a barrier to internalisation and integration. Various authors have raised this point (Eddy, et al., 1999; M. M. Harris, et al., 2003; Lippert & Swiercz, 2005; Paschal, et al., 2009; Phillips, et al., 2008; Stanton & Stam, 2003; D. L. Stone, et al., 2006). Stone et al. (2003) also list data accuracy issues as an unwanted outcome of GHRIT use. This also appears to be an issue in Meddevco, where stakeholders such as the German Super User reported that information appeared to get lost in the system

during the implementation phase or the Irish Super User who disclosed the system incompatibility between the training system and the GHRIS. According to Martin et al (2008), these effects can also be categorised as unintended, negative and transactional, as are the issues highlighted in the following paragraph.

Dysfunctional outcomes of GHRIT may also be expected for managers, according to Stone et al. (2003). For instance, they intimate that managers' workload may actually increase rather than decrease, as suggested by proponents of HRIT. Interview data confirms this point. Managers in the German manufacturing plant, for instance, complained of an increase in their workload as a direct result of GHRIT implementation. Additionally, Stone et al. (2003) advocate that dedicated GHRIT applications for managers are limited, as self-service systems are predominantly aimed at regular employees. The interview data confirms that line manager access to, and knowledge of, the system is limited. This finding yields additional evidence to support the suggestion that Meddevco does not tap into the strategic potential of GHRIT. A number of authors argue that line manager access to GHRIT is one of the keys to strategic use of technology in the HR function (Broderick & Boudreau, 1992; Ulrich & Brockbank, 2005; Yeung, et al., 1994). By definition, Meddevco's use of GHRIT should not be considered e-HRM, as one of the cornerstones of e-HRM is the provision of HR services to all stakeholders (Ruël et al., 2004), which is not the case here.

The remedy for these dysfunctional outcomes of GHRIT prescribed by Stone and her colleagues (D.L. Stone, et al., 2003) is to employ a sociotechnical approach to GHRIT systems introduction. At the core of the sociotechnical approach lies the realisation that the use of technology is shaped by the complex social interaction of human actors, technology and the environment (Baxter & Sommerville, 2011; Geels, 2004; Mumford, 2006). Therefore, focusing system design solely on technology misses an important point, such as:

*... systems often meet their [the firm's] technical 'requirements' but are considered to be a 'failure' because they do not deliver the expected support for the real work in the organisation. The source of the problem is that techno-centric approaches to systems design do not properly consider the complex relationships between the organisation, the people enacting business processes and the system that supports these processes (Norman, 1986 in Baxter & Sommerville, 2011, p. 4).*

Thus, the sociotechnical approach to system design entails the ongoing involvement of users in the design process (G. Baxter & Sommerville, 2011; Geels, 2004; Mumford, 2006; D. L. Stone, et al., 2003). Proponents of the sociotechnical approach advocate that tackling system design in this manner will result in greater levels of user acceptance and added value for the organisation. With regard to GHRIT implementation, this would suggest the necessity of involving employees in the implementation process which, as this section has already demonstrated, was not the case in Meddevco. Another critical issue and a related point is the need to train end-users in the use of GHRIT to attain greater levels of user acceptance (Bondarouk & Ruël, 2008; Dulebohn, 2003; Ruël, et al., 2007; D. L. Stone, et al., 2003). This research has demonstrated that, aside from the HRIS Super Users, users received very little

training. According to the German Finance / HR manager, staff implementing the system could not answer relevant questions pertaining to the day-to-day use and the focus of user training was confined to moving between screens rather than on how to enter relevant data or how to align data entry screens with German reporting requirements. Geels (2004) argues that the sociotechnical approach is inextricably connected to institutionalism as there exists a dynamic relationship and interactions between the technical systems, 'rule regimes' (coercive, normative, and cognitive pressures) and the social actors who use technology (see also Mumford, 2006), which emphasises Björkman & Lervik's (2007) point that HR practice transfer is above all a social process.

The socially constructed nature of IT use has long been advocated by Orlikowski and colleagues, who have often referred to the 'duality of technology' (Orlikowski, 1992, 2007; Orlikowski & Baroudi, 1991; Orlikowski & Robey, 1991). Technology, in her opinion, is physically and socially created by social actors in a social context. Nonetheless, actors may elect whether, how and for what purpose they will use technology (Orlikowski, 2000). Based on structuration theory, Orlikowski (1992) proposes a structuration model of IT that focuses on the interplay of organisational structures, IT and human actors. This interchange will undoubtedly affect the level of institutionalisation of GHRIT practices.

### **6.5 Implementation, Internalisation and Integration of GHRIT Practices in Meddevco: Toward a Refined GHRIT Diffusion Model**

These findings point toward the ceremonial adoption rather than internalisation or integration of GHRIT practices in the subsidiaries. The research evidence presented here highlights that various GHRIT practices in operation in Meddevco are adopted and integrated to varying degrees from transfer to successful diffusion. Findings discussed in Chapter Five explicate the multiplicity of PeopleSoft modules and other GHRIT sub-systems in existence, some of which were legacy systems while others were implemented to augment (e.g. BnV Resume Solution) or to replace (e.g. SABA) existing system functionality. These were met with varying levels of enthusiasm or not used at all in some cases. Table 6.1 provides examples of GHRIT diffusion success (or lack thereof) in the MNC subsidiaries. Within Europe, all subsidiaries had nominal access to the same GHRIT elements and practices, even though some of these were not utilised in every subsidiary. As could be expected, the International HQ and International HRIS Centre availed of virtually all GHRIT practices at their disposal. The Irish Manufacturing Plant implemented a range of GHRIT practices and worked closely with the IHRIS Centre on the introduction of new practices. However, some practices were not used. The German Sales HQ for the Central Region also used GHRIT extensively, which is to be expected given that a dedicated HRIS Super User was *in situ*. Nevertheless, GHRIT practises were implemented to a lesser degree when compared with the Irish Manufacturing Plant. The German Manufacturing Plant made little to no use of GHRIT and the GHRIS was ceremonially adopted to comply with HQ orders.

## Chapter Six: Discussion of GHRIT Diffusion Model

The discourses in this and the previous chapters demonstrate that most of the reasons for HRIT implementation failures listed in Table 2.3 apply to GHRIT transfer in Meddevco's subsidiaries. Meddevco failed to address sufficiently the key issues of project leadership, planning, change management, communication, training, and stakeholder involvement, which resulted in generally low levels of institutionalisation of GHRIT practices. The lack of planning and consultation resulted in the transfer, that is symbolic adoption, of GHRIT practices rather than the actual diffusion of these practices. However, it should be noted that a case study represents a snapshot at a particular point in time and that greater levels of internalisation and integration of processes may occur over a prolonged period of time, as social actors may gradually embed these practices into their daily routines. Indeed, Gamble and Huang (2009) argue that, based on a longitudinal study, over time organisational practices will become more institutionalised and isomorphic in relation to the host environment.

Following an extensive analysis of the research evidence, it emerges that the research model presented in Chapter Two ought to be amended in order to encapsulate factors, particularly at the micro-political and individual level, which mediate the transmission of GHRIT practices in the subsidiaries of the MNC. Furthermore, the model does not take into account the cross-fertilising nature of subsidiary practices and their micro- and macro-institutional environment. In particular, this research has shown that Oliver's (1991) responses to institutional pressures are applicable in GHRIT transfer. Another salient point made in the literature is that the institutional environment is not static but dynamic in nature, which is difficult to capture in a theoretical model. Additionally, the model ought to be extended to mirror the different types of GHRIT outcomes, both (intended and unintended) functional and dysfunctional effects. The model also takes cognisance of the fact that reverse diffusion of practices can occur and that (particularly negative) outcomes will affect future decision-making regarding the global use of HRIT. What is more, the research evidence revealed that the use of the coercive, mimetic, and normative isomorphism nomenclature (DiMaggio & Powell, 1983) is more suitable to portray the external institutional context of GHRIT practice diffusion than the regulatory, normative, and cognitive dimensions put forward by Kostova (1999) and Scott (W. R. Scott, 1987). To reflect this amendment the GHRIT Diffusion Model now refers to the external context rather than social context. The updated model is shown in Figure 6.1.

### 6.6 Chapter Summary

This chapter analysed the findings in relation to the conceptual model developed in Chapter Two which included the multi-layered institutional GHRIT context, GHRIT strategy *vis-à-vis* GHRIT outcomes and the different levels of institutionalisation (implementation, internalisation, integration), resulting in a further development of this conceptual model.

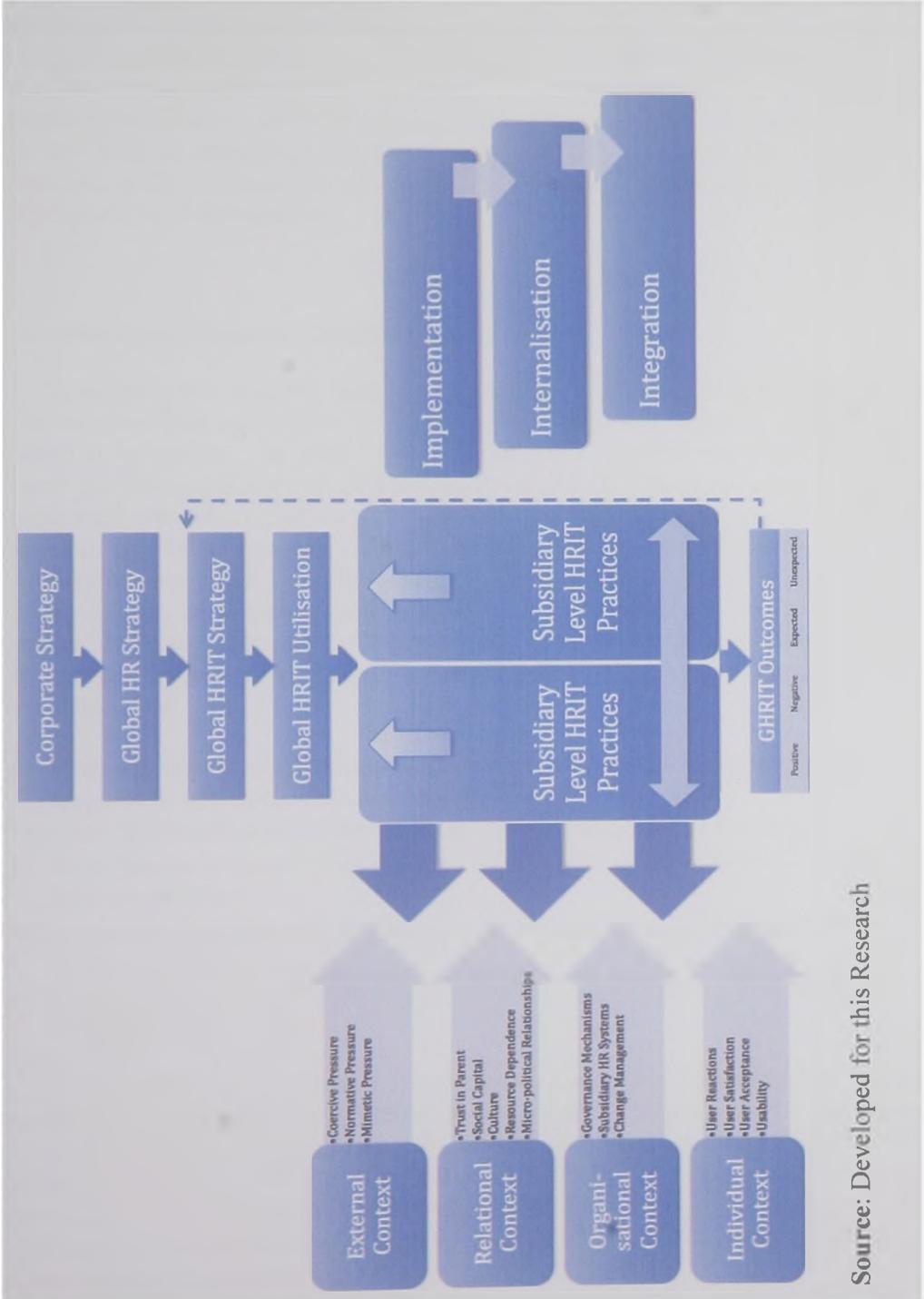
## Chapter Six: Discussion of GHRIT Diffusion Model

**Table 6.1: GHRIT Practice Diffusion Success**

Subsidiary	GHRIT Practice	Implementation / internalisation / Integration
Irish Manufacturing Plant	E-recruitment	Integration
	BnV Resume Solutions	Integration
	PeopleSoft Letter Generation	Non-adoption (own system in place)
	Salary Modelling Tools	Non-adoption (own system in place)
	SABA	Non-adoption
	Talent Profiles / Reviews	Implementation, low level Integration
	Performance Management	Implementation, low level Integration
	Trackwise	Non-adoption (own system in place)
	InfoHRM	No evidence of use
International HRIS Centre	Generally all practices available	Integration (with the exception of GHRSSC)
International HQ	Generally all practices available	Integration (with the exception of GHRSSC)
Sales HQ Central Region (Germany)	E-recruitment	Ceremonial Adoption
	BnV Resume Solutions	Ceremonial Adoption
	PeopleSoft Letter Generation	Non-adoption (own system in place)
	Salary Modelling Tools	No evidence of use
	SABA	Non-adoption (own system in place)
	Talent Profiles / Reviews	Implementation, low level Integration
	Performance Management	Implementation, low level Integration
	Trackwise	Non-adoption (own system in place)
	InfoHRM	No evidence of use
German Manufacturing Plant	E-recruitment	Non-adoption (own system in place)
	BnV Resume Solutions	Non-adoption (own system in place)
	PeopleSoft Letter Generation	Non-adoption (own system in place)
	Salary Modelling Tools	No evidence of use
	SABA	Non-adoption (own system in place)
	Talent Profiles / Reviews	Ceremonial Adoption
	Performance Management	Ceremonial Adoption
	Trackwise	Non-adoption (own system in place)
	InfoHRM	No evidence of use

**Source:** Developed for this Research

**Figure 6.1: Conceptual GHRIT Diffusion Model**



Source: Developed for this Research

## Chapter Seven: Conclusions

### 7.1 Introduction

The purpose of this chapter is to amalgamate and consolidate the various arguments and findings that have been put forward throughout the chapters of this thesis with a view to addressing the research aims and research questions. This chapter will set out the key contributions of this research to institutional theory, to the debate surrounding the diffusion of HRM practices in an international and comparative context and to the body of knowledge pertaining to the use of HRIT and ERP. Finally, the implications of this research for theory and practice will be discussed and areas for further research will be identified.

### 7.2 Addressing the Research Questions

In essence, this research aimed to examine the diffusion of GHRIT practices in the German and Irish subsidiaries of a US MNC. This study is both explanatory and instrumental in nature. In other words, it aimed to explain the decision-making processes governing diffusion as well as the impact of institutional factors and actors on the successful transmission of GHRIT practices. As this investigation focuses on the broad issues of GHRIT practice diffusion, it is instrumental in highlighting the issues surrounding the successful transfer of these practices in MNCs in general. Furthermore, this study aimed to assess whether GHRIT practice diffusion can be understood employing the same schemata as the body of literature on (standard) HR practice diffusion might suggest. The following research questions were formulated in order to address these aims:

- What decision-making processes affect HRIT diffusion in a multinational corporation and its German and Irish subsidiaries?
- Does HRIT utilisation differ in the subsidiaries and if so in what way?
- What factors influence HRIT diffusion and utilisation in the MNC's German and Irish subsidiaries?
- How does the MNC manage these factors with regard to diffusing and utilising global HRIT?
- How can the process of diffusion of HRIT in the subsidiaries of the MNC be conceptualised?

This research draws on multiple bodies of literature including international management, international and strategic human resource management, organisation theory, HRIS and e-HRM, ERP, IT and IS. The theoretical lens underpinning this study is institutional theory. Utilising a single case study but multiple units of analysis research design, data collection mechanisms included semi-structured interviews with key stakeholders and documentary analysis. The key findings pertaining to each of the research questions are outlined below.

### ***7.2.1 Decision-Making Processes Affecting HRIT Diffusion in MNCs***

A review of the literature suggests that MNCs employ a variety of control mechanisms to coordinate the activities of their subsidiaries (Becker-Ritterspach, Lange, & Lohr, 2002; Björkman, et al., 2004; Ferner, 2000; Harzing, 1999; Harzing & Noorderhaven, 2006; G. Martin & Beaumont, 1999; O'Donnell, 2000). The MNC in this study, Meddevco, relies predominantly on centralised decision-making, standardised policies and procedures, bureaucratic control systems, annual budgets, rigid and complex hierarchical reporting structures as sources of formal authority power, which are accentuated by its silo structure based on product divisions. It is apparent that Meddevco strives for internal consistency (as opposed to local adaptation) across its entire operation, which makes perfect sense in the context of enterprise systems, as a high degree of adaptation would arguably compromise the quality of the data collected by the system. Of course, increased levels of control to maintain consistency may also be associated with low levels of implementation and internalisation of diffused practices (Kostova & Roth, 2002). Lengnick-Hall and Lengnick-Hall (2006) purport that while ERP system implementations compliment firms with bureaucratic control systems, the innate lethargy and resistance to change in these organisations represent barriers to full ERP utilisation. Nevertheless, these types of control systems appear to be common among US MNCs (Edwards & Ferner, 2002; Ferner, et al., 2004; Gunnigle, et al., 2005; Gunnigle, et al., 2003; Muller, 1998; Pulignano, 2006b). As Ferner and Edwards (1995) propose, this analysis also concludes that MNCs rely on a blend of formal, informal, and cultural channels of influence in the transfer of employment practices

Global HR and HRIT decisions in Meddevco are made unilaterally in the US HQ at the level of the Human Resource Council by senior vice presidents of various functions, which report to the board of directors of the firm. Interestingly, the International HQ in Switzerland, which is distinct to the US HQ, is not involved in decision-making processes at this level. The International HQ is in fact responsible for the coordination of training and sales and marketing activities, and so its role appears to be more of an operational and managerial nature. The European influence on corporate HR decision-making is very limited for three reasons. First, the European representative on the HRC, the HR decision-making body, rotates on a yearly basis. Second, the influence of the EHRC looks to be limited to translating global HRIT practices into a European and country specific context. Third, due to the divisional structure of the organisation, many European subsidiaries report directly to the US and have therefore no voice in the European context. The latter fact is partially a result of the expansion through acquisition by Meddevco. One may argue, therefore, that the complicated reporting structure in Meddevco also counteracts the emergence of a stronger European voice in company matters. Nonetheless, European SBUs including the Irish and German manufacturing plants in this research, which report directly to the US, have been quite successful in resisting the introduction of a US style HR shared services centre. While there is some evidence of directional convergence of employment practices in the European subsidiaries of Meddevco, there appears to be no evidence for final convergence, as the level of use and the outcomes of practice transfer have been quite different in each subsidiary. Thus, these findings seem to corroborate other

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research by, for example, Mayrhofer and colleagues (Mayrhofer & Brewster, 2005; Mayrhofer, et al., 2011).

Key stakeholders in this research also expressed their frustration over the decision-making processes leading to the introduction of GHRIT practices, their lack of involvement in the process, the apparent randomness at which practices were implemented and the lack of commitment to these practices once they had been introduced, all of which evinces a centralised decision-making process at Meddevco.

Chapter Five demonstrated that the Senior Director for HR Systems and the International HRIS Centre in the Netherlands are embedded in the information systems reporting structure. For instance, the Senior Director for HR Systems reports to the Chief Information Officer and not to the Senior VP for HR. Thus, it seems that GHRIT use is governed by IS rather than HR strategy, even though the MNC had moved the International HRIS Centre under the remit of the HR function giving the illusion that this was not the case. The lack of focus on HR concerns during the implementation process of GHRIT practices may explain some of the problems that arose in the subsidiaries as part of the introduction of new practices. Williams et al. (2009), for example, argue that specialist HR *and* IT knowledge and skills are required if GHRIT projects are to be implemented successfully.

GHRIT practices are first implemented in the US before they filter through to the International HRIS Centre. The Centre is then charged with adapting the GHRIT practices to the European and International context, which is not easy given the strict 'no customisation unless legally required' policy. Yet, this research has shown that the position of the IHRIS centre in the decision-making structure governing the use of GHRIT has a crucial impact on the diffusion of GHRIT in the subsidiaries of an MNC. At subsidiary level, Directors for Manufacturing and HR Directors have the difficult task of creating a fit between existing HR policies and procedures and the GHRIT practices and systems prescribed by the HQ. Evidence from this research further validates findings from related research, which intimates that regional managers can use the institutional context to shape the practices to be transferred and can thus act as the gatekeepers and moderators of corporate policies and procedures (Edwards & Kuruvilla, 2005; Ferner, et al., 2004; G. Martin & Beaumont, 1999; Rupidara & McGraw, 2011).

### ***7.2.2 Differences in Subsidiary HRIT Utilisation***

The use of HR technology is implanted in Meddevco's business, HR, and GHRIT strategy and this it seems guides the rollout of new system functionality (e.g. HR self service and HRSSC). With regard to talent management, for instance, HQ strategy and policy concerning the management of talent exhibits considerable overlap with the talent management mechanisms advocated in the literature (Burbach & Royle, 2010). Evidence from this research does, however, show that the level of use and type of GHRIT practices employed in the subsidiaries differ considerably. Not only can

dissimilarities in utilisation be discerned in the two country settings investigated, but also in the two German subsidiaries where interviews took place. Moreover, evidence points to the limited use of GHRIT practices in subsidiaries outside of Europe and North America. Previous chapters have already highlighted that subsidiaries diverged in their utilisation of payroll, e-recruitment, talent management, online training using SABA and performance management, which gave rise to the introduction of quotas of system utilisation that the subsidiaries had to meet and which as such is another control mechanism employed by the MNC.

In addition, this research provides evidence to suggest that what is promoted as a single global HR system and data repository by the MNC in practice translates into an array of specialised sub-systems (and legacy systems) utilised by the subsidiaries, which frequently tend to lack compatibility with the main system. It could also be argued that the process of implementing such a system may not achieve the desired 'strategic' effects within subsidiaries. In other words, the duplication of records and incongruity of sub-systems ultimately defeat the purpose of a global system and may negate any of the potential strategic gains global HRIT could offer. In addition, poor usability will also negatively affect user acceptance (D. L. Stone & Lukaszewski, 2009; D. L. Stone, et al., 2006) and therefore the integration of GHRIT practices. Thus, it is argued here that variations in GHRIT utilisation and GHRIT transfer success occur as a consequence of contextual factors.

### *7.2.3 Factors Influencing HRIT Diffusion in MNC Subsidiaries*

Orlikowski and Barley (2001) advocate that technology use in organisations cannot be understood without taking account of the micro and macro institutional context that is shaping the use of technology. The evidence reveals a wide abyss between the literature and the realities of employing GHRIT to deliver uniform HR services across an MNC's subsidiaries. While these findings confirm previous research findings propounding the often purely administrative use of HRIT (Burbach & Dundon, 2005a), interview data also suggests that the key stakeholders interviewed actively support the strategic use of these systems. However, their attempts are frequently mediated by contextual complexities. This disparity arises owing to a synthesis of a number of factors. The evidence presented in previous chapters highlights the complex nature of the relationship between home and host country effects, pressures for standardisation and resource capabilities of subsidiaries. Similar findings have been advanced in the context of TM in the subsidiaries of this MNC (see Burbach & Royle, 2010). A number of authors have argued that the dynamic nature of national economic systems further complicates an accurate assessment of the factors shaping the constellation of HR practices in the MNC (Geppert, Matten, et al., 2003). Björkman and Lervik (2007) suggest that the transfer of employment practices is influenced by corporate governance, subsidiary and HQ relationships, the nature of existing HR systems and the strategy used by the HQ to introduce practices, which resonate with evidence in this study.

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The findings suggest a number of pertinent issues regarding the ‘Americanisation’ of Irish and German GHRIT and thus HR practices in this corporation. Predominantly, these results lend support to the concept of the country of origin effect (Edwards & Ferner, 2002; Ferner, et al., 2001; Noorderhaven & Harzing, 2003), while limited host country influences could also be substantiated (Geppert, Williams, et al., 2003; Muller-Camen, et al., 2001; Pulignano, 2006a, 2006b). In other words, despite the convergence of GHRIT practices towards the US template of using the system, discernible variations exist between the GHRIT practices used by the multinational abroad and those employed in the home country (Bae, et al., 1998; Carr, 2005; Harzing & Sorge, 2003). Nevertheless, the evidence also offers support for the ‘Cherrypicking Approach’ described by Geppert and Matten (2006), which holds that MNCs selectively adopt practices from their home and host countries. The evidence also lends support to the thesis that some GHRIT practices, such as performance management or talent management, are more prone to convergence than others (Ferner, et al., 2001; Sparrow, et al., 1994; Tregaskis, et al., 2001). Despite the MNC’s efforts to promote a global system (but effectively shaped by the US HQ), integration, coercive, normative, and mimetic pressures shaped the GHRIT practices in the subsidiaries in practice. The findings lend support to Ferner et al. (2011), who purport that the structure of the corporate HR function defines the level of discretion the subsidiary HR department has in adopting certain HR practices. In particular, these findings confirm that subsidiary discretion on GHRIT practices was influenced by country of origin and host country effects as well as the reporting relationships with higher-level HR functions.

The study revealed for instance that in Germany a separate payroll system had to be maintained to account for workers paid according to sector-level collective bargaining arrangements. In addition, input screens had to be adapted to account for German qualifications and German vocational training practices. Furthermore, the evidence highlighted that the existence of a *Betriebsrat* (statutory works council) could potentially have a significant impact on the overall operation of GHRIT in Germany through its ability to veto a particular practice or the entire system. These findings mirror Giardini, Kabst and Müller-Camen’s (2005) suggestion that, because of the existing strong institutional background in Germany, US style business practices cannot just be installed in Germany and that GHRIT transfer may indeed be the result of ‘bargained globalisation’ (K. Williams & Geppert, 2011, p. 72). Moreover, pan-European legislation such as the 1995 Data Protection Directive or the 2003 Working Time Directive (WTD), which stipulates minimum rest periods and holidays and the maximum weekly working time, influenced the operation of the system. For example, time and attendance software had to be amended to reflect this WTD legislation. Coercive isomorphism was less palpable in the Irish context, which also appears to confirm existing research on developments in the Irish institutional context (Collings, Gunnigle, & Morley, 2008; Gunnigle, et al., 2001). Coercive pressure also arises from the highly regulated nature of the medical devices sector, which meant for instance that specific types of training and qualifications of key personnel had to be documented. While this research did not compare sectoral influences, a growing body of literature suggests that sectoral influences represent a significant mediator in the diffusion of employment practices across MNCs. Royle (2004, 2006), for instance in his

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international studies of the fast-food industry, argues that in some cases sectoral characteristics seem to outweigh host-country effects, suggesting that there can be considerable levels of variation within national industrial relations systems.

Normative pressure for the MNC in terms of GHRIT practices emerged from accepted work practices (e.g. recruitment practices) of the respective institutional environments. In addition, IT staff and vendors may also exert normative pressures to adopt (or reject) certain GHRIT practices (Benders, et al., 2006). In other words, the training and educational background of decision-makers can influence the type of practices that are used (DiMaggio & Powell, 1983).

The highly competitive environment of the medical devices sector provided for mimetic pressures that the MNC succumbed to. Royle (2004; 2006) also found that there was a tendency for MNCs in the fast-food sector to adapt to mimetic pressures with less successful firms copying the behaviour of the dominant leader in the sector. In this research, it emerged from the pilot study that Meddevco's key competitor, Medgeco, also used SAP, introduced HR self-service, and had a HRIS centre in the Netherlands. As SAP and Oracle materialise as the two key ERP providers worldwide, it seems that large organisations in general follow mimetic pressures to adopt either one or the other ERP system. Meddevco used the PeopleSoft HRIS supplied by Oracle and an SAP ERP system. This type of standardisation is also referred to as technical isomorphism, which may also have an impact on practice transfer (Benders, et al., 2006; Liang, Saraf, Hu, & Xue, 2007). The research evidence seems to suggest that GHRIT system implementation is driving business process alignment, which mirrors evidence from the literature (D. Robey, Ross, & Boudreau, 2002).

'Institutional duality' (Kostova & Roth, 2002; Tempel, et al., 2006) and resulting micro-political relationships between the subsidiaries and the head office of the MNC appear to influence the diffusion of practices (Burbach & Royle, 2010; Dörrenbächer & Geppert, 2011a; Glenn Morgan & Kristensen, 2006). The balance of decision-making power in the MNC is the result of negotiation and micro-political activities between organisational actors and business units, which is mediated by contextual and structural constraints within which the organisation is located (Ferner, et al., 2004; McGaughey & Cieri, 1999).

Research findings from the Irish Manufacturing Plant in particular illustrate how dynamic capabilities (Festing & Eidems, 2011; Festing, et al., 2007), such as research and development capabilities or a critical mass of employees may be used to influence the transfer of certain GHRIT practices (Birkinshaw, 1996; Ferner & Edwards, 1995; Ghoshal & Bartlett, 1990; Kristensen & Zeitlin, 2001). The SBUs experienced varying degrees of success in leveraging their unique power resources. Undoubtedly, every subsidiary possesses some power resources but the degree to which they can employ these to influence organisational politics is likely to diverge.

The Sales HQ for the Central Region in Germany was, for example, able to exercise some influence on political exchanges, although much of this power seemed to derive from its connectedness within the organisation, which might lend support to

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Freeman's (1978) point centrality. Due to its position within the organisation, the Sales HQ in Germany maintains a large number of direct exchange relations with other organisational actors resulting in a greater degree of structural power within the multinational network.

Although the German Manufacturing Plant holds resource power in the form of production expertise, quality, skilled workforce and to some extent is constrained by a works council, its ability to modify or even resist company policies and procedures appears very restricted which seemed to be explained by the small size of the operation and perhaps by the lack of strategic significance. Comments made by the German Head of the WC imply that the power resources of the WC and trade union to influence management decisions is only likely to be mobilised if some form of existentialist threat such as off-shoring becomes an immediate threat to the operation, although this issue is not related to the operation of GHRIT. The findings suggest, therefore, that the apparent *regulated* nature of the German institutional system, which in theory decreases opportunities for diffusion (Muller, 1998), does not always represent a major obstacle to the transfer of HR practices, as workers have to mobilise the resources available through the WC to have an effect on the decision-making process. This, however, seems unlikely given the limited role of the WC in this subsidiary. While, in comparison, the more *deregulated* nature of the Irish industrial relations system would imply that MNCs are more likely to transfer employment practices to their subsidiaries with fewer constraints (Gunnigle, et al., 2001). Nonetheless, it is evident that the Irish SBU, due to its control over strategic power resources, is capable of mediating the diffusion of GHRIT practices to a considerable extent.

The International HRIS Centre also commands very distinct knowledge and skills in terms of international system implementation and has wielded its influence to delay projects and to change the modus operandi of some GHRIT practices. Following the Morgan and Kristensen (2006) typology these subsidiaries could be categorised as either 'boy scouts' (those that follow MNC orders without question) or 'subversive strategists' (those that carve out their own niche within the MNC), although in some respects neither of these categories is really appropriate. Existing research purports that micro-political power relations are the result of the interplay of an intricate web of internal and external forces (Dörrenbächer & Gammelgaard, 2011; Ferner, Almond, Colling, et al., 2005). This analysis also suggests that MNC subsidiaries are governed by a set of micro-political and power relationships within the broader political structure of the MNC and as such are capable of moderating (but not necessarily of preventing) a multinational's capacity to disseminate human resource practices from the country of origin to its subsidiaries (Burbach & Royle, 2010). As a consequence of the interplay of change processes involved in the diffusion of GHRIT practices, the strategic importance gained by some subsidiaries and micro-political forces within the corporation, some organisational actors were capable of creating a 'new organisational reality' (Taplin, 2006, p. 284).

Additionally, the size of the subsidiary and its HR capabilities appears to be a factor in GHRIT practice diffusion. For example, the Irish Manufacturing Plant had a large number of HR generalists and managers at their disposal, while its German

counterpart did not even have a full time HR staff member, which makes it almost impossible to successfully implement any GHRIT practice. This confirms findings by Burbach and Dundon (2005) and Buonanno et al. (2005), even though e-HRM, it is suggested, can be very beneficial even for small companies in terms of efficiency gains (Field, 2008). Similarly, the IT capability of the subsidiary seems to play an important role in practice transfer (Burbach & Dundon, 2009). This research adds to the transfer of business practices debate by establishing individual level factors such as user acceptance, usability and user satisfaction as some of the key aspects of GHRIT practice implementation, internalisation and integration. What is more, this thesis demonstrates that the actual management of the implementation process is instrumental in securing GHRIT transfer success.

#### ***7.2.4 MNC Management of Global HRIT Diffusion Process***

Findings from this investigation have demonstrated Meddevco's failure to manage adequately the transfer process, despite the existence of a very clear organisational philosophy and strategy underlying the use of enterprise technology in this MNC. Change management has been described as one of the key success factors in ERP (and GHRIT) implementation, even though the concept in the context of ERP implementation is ill-defined (Finney & Corbett, 2007). The ERP, IS and HRIT literature suggests several critical success factors (CSFs) including strategic vision of implementation, implementation team composition, project management, top management support, communication, cooperation, training and the system itself for the introduction of the respective technologies (Akkermans & van Helden, 2002; Belardo, et al., 2008; Finney & Corbett, 2007; Nah & Delgado, 2006; Ngai, et al., 2008; Plant & Willcocks, 2007; Tahssain & Zgheib, 2009). Most of these seem obvious and yet the organisation apparently omitted to take account of these CSFs.

These findings show that the MNC had no process in place for evaluating successful implementation or otherwise. In addition, no assessment of ROI took place (Hitt, Wu, & Xiaoge, 2002). Furthermore, the MNC did not seem to have a formulated plan for the actual implementation process of GHRIT, even though the literature suggests that the existence of a pro-active strategic implementation plan and assistance would be essential in the implementation of enterprise systems (Bernroider, 2008; Plant & Willcocks, 2007). Moreover, post-installation user training was limited yet this is regarded as a key issue in implementation (Bradford & Florin, 2003). This research also highlights the importance of stakeholder involvement in HRIT projects to limit overt and covert resistance to change and to encourage greater buy-in into the use of the system (Aladwani, 2001; Keebler & Rhodes, 2002; Legare, 1995), which may help the organisation attain its strategic objectives by capitalising on the purported strategic decision-making and value adding properties of its GHRIT across all of the subsidiaries of the MNC. The complexities involved in institutionalising strategic HR change are discussed in detail by Martin and Beaumont (2001). The lack of commitment to, and lack of leadership of, the transfer process were also features in Meddevco (Avolio, et al.,

2000). Furthermore, there was no evidence of top management support of the transmission process (Bradford & Florin, 2003; Wang, et al., 2008). The diffusion process in the MNC appeared to be solely driven by the control mechanisms suggested earlier and compliance-driven measures discussed in previous chapters, which, according to Kostova and Roth (2002), are only likely to engender resistance and low levels of implementation. Considering the high costs involved in introducing GHRIT in Meddevco, which is mirrored in the ERP literature (Grabski, Leech, & Lu, 2003; Markus, Axline, Petrie, & Tanis, 2003; Sumner, 2003), it was rather surprising to find the lack of vision governing the actual implementation process in the MNC.

Notwithstanding the diverse nature of the findings from this research, a discernible pattern of Anglo-Saxon influences on GHRIT practices within the subsidiaries of this US MNC emerges. This research has brought back to the fore arguments which call for an integrated model that can account for the dynamic, multi-faceted and multi-layered context in which HR policies and procedures develop, are being adopted by, and transferred between, the subsidiaries and the headquarters of an MNC.

### *7.2.5 Conceptualisation of the GHRIT Diffusion Process*

The GHRIT Diffusion Model developed in Chapter Two and updated in Chapter Six constitutes one of the key contributions of this thesis. The model is an amalgamation and refinement of a number of models extracted from the international and comparative management literature, the IS and IT literature, and the GHRIT literature. The model illuminates the multifarious and complex nature and interplay of a variety of institutional factors that shape the diffusion process of HRIT in the MNC and as such is unique in this context.

This research established that the successful transfer of GHRIT practices is affected by the external context, that is, GHRIT diffusion was subject to coercive, normative and mimetic isomorphism. The importance of the institutional context is also mirrored in the ERP (Liang, et al., 2007; H. Liu, Ke, Wei, Gu, & Chen, 2010; H. H. Teo, et al., 2003), international HRM (Björkman, 2006; Ferner, Almond, & Colling, 2005; Ferner, et al., 2006; Paauwe & Boselie, 2003), international management (Geppert & Matten, 2006; Kostova, 1999; Kostova & Roth, 2002; Kostova, et al., 2008; Glenn Morgan & Kristensen, 2006) and organisation theory literatures (Fernandez-Alles & Valle-Cabrera, 2006; Meyer & Rowan, 1977; Oliver, 1991; Powell & DiMaggio, 1991; W. R. Scott, 1987; Zucker, 1977). Factors that arise within the relational and organisational context were found to be of particular relevance in GHRIT transfer.

Trust in the parent (and the subsidiaries) (Björkman & Lervik, 2007; Kostova, 1999; Kostova & Roth, 2002), social capital (Björkman & Lervik, 2007), organisational and implementation climate (Dong, Neufeld, & Higgins, 2008; Ehie & Madsen, 2005; Klein & Sorra, 1996; Sobkowiak & LeBleau, 1996; Yen, et al., 2008) or organisational

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readiness for change (Abdinnour-Helm, et al., 2003; Ash & Burn, 2003; Motwani, et al., 2002), resource dependence (Festing, et al., 2007) and resulting micro-political power relationships between the subsidiaries and the HQ (Dörrenbächer & Gammelgaard, 2006, 2011; Edwards, et al., 1999; Ferner, Almond, Colling, et al., 2005) were highlighted in the findings as key aspects of the relational context of the MNC where GHRIT diffusion was concerned.

Jackson, Schuler and Rivero (1989) purport that organisational characteristics are the key determinants of HR practices. Organisational fit (Hong & Kim, 2002; Morton & Hu, 2008; Zhu, et al., 2010), HR system (Björkman & Lervik, 2007; Bondarouk & Ruël, 2008; Carstensen, 2003; Lengnick-Hall & Lengnick-Hall, 2006; M.G. Martinsons & Chong, 1999), change management (Al-Mashari, Sairi, et al., 2006; Aladwani, 2001; Becerra-Fernandez, et al., 2005; Martisons & Chong, 1999; Nah & Delgado, 2006; Ruta, 2005; R. A. Stone & Davis, 2008), governance mechanisms within the MNC (Alpay, Bodur, Ener, & Talug, 2005; Björkman & Lervik, 2007) and control of the implementation process (Clemmons & Simon, 2001; Grabski & Leech, 2007) represent key features of the organisational context that have been found to mediate GHRIT transmission in this study. In addition, organisational structure (Markus, Tanis, & Fenema, 2000; Taplin, 2006) and the structure of the GHRIT function, which are part of the decision-making processes within the MNC, all play an important role in the diffusion of GHRIT across the subsidiaries and ultimately its success.

Based on published research in the ERP, IS and HRIT literature and confirmed by findings of this study, the GHRIT Diffusion Model adds the crucial layer of the individual context to the established external, relational, and organisational contextual layers. The individual user level has thus far, and notably, been neglected in the 'diffusion of business practice' literature, even though individuals are inadvertently and uniquely affected by an organisation's HR policies and procedures. This research helps to close this research gap. The technology acceptance model (TAM), which was first developed by Davis (Davis, 1993; Davis, Bagozzi, & Warshaw, 1989) and extended by Venkatesh & Davis (Venkatesh & Davis, 2000) identifies underlying relationships between perceived utility, perceived usability, design features of technology, user attitude and actual usage. As the findings demonstrate this may positively or negatively affect the transfer of GHRIT practices in the subsidiaries and is likely to determine the types of outcomes an organisation may be able to anticipate from the introduction of this technology (D. L. Stone & Lukaszewski, 2009). In addition, trust in the technology itself is a key factor in GHRIT transfer (Li, et al., 2008; Lippert & Swiercz, 2005; Tung, Chang, & Chou, 2008). Worley et al. (2005) argue that processes should be tailored to meet user's roles, competences and knowledge to improve ERP implementation success, even though, in reality, senior management who decide upon system implementation often have little concern for the users. Combining the influences of the organisational and individual dimension Voermans and Van Veldhoven (2007) report that perceived usability and the type of HR roles assumed by managers may affect the attitude towards e-HRM systems. The diffusion model developed here also stresses the cross-fertilising nature of internal organisational contextual factors and external institutional factors.

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A salient point made in the IS, ERP and HRIT literature is the need for strategic alignment of technology with business processes (Barki, Oktamis, & Pinsonneault, 2005; Barki & Pinsonneault, 2005; Bondarouk & Looise, 2009; Chan & Reich, 2007; Haines, 2009; Ma, Liu, Li, & Cui, 2008; W. Oh & A. Pinsonneault, 2007; Staudinger, et al., 2009). This is echoed by certain findings from this research and reflected in the diffusion model. Nonetheless, some of the ERP and HRIT literature appears to advocate a minimum of customisations in the implementation process, so-called 'plain vanilla' implementations (Parr & Shanks, 2000, 2003). Yet, this research suggests that customisations ought to be made to pre-empt implementation problems (Elbanna, 2006; Willis & Willis-Brown, 2002), to meet the information needs of the organisation and to avoid a situation where GHRIT strategy drives HR process rather than the other way around. However, customisation decisions ought to be made strategically rather than in an ad hoc fashion, as appears to be the case in Meddevco, in order to ensure the strategic alignment with other business processes (Haines, 2009). Al-Ibraheem and Ruël (2009) argue that in-house developed e-HRM systems combined with continuous user involvement, communication and change management may lead to greater system success, although this option may be too resource intensive for a large corporation. While Meddevco evidently aims to pursue a 'vanilla' (that is limited customisation) implementation, in this case, the lack of integration of the system into the subsidiaries shows that a greater degree of flexibility regarding customisation would perhaps have been the better option in that regard.

Previous research has thus far neglected the transfer of GHRIT within the subsidiaries of a corporation, as opposed to the diffusion of GHRIT or a particular GHRIT practice (e.g. e-learning) across a sector or region. Most studies carried out to date focus on specific practices and research studies focusing on the use of GHRIT in general are rare (Strohmeier, 2007). Moreover, this research stresses the significance of successful implementation, that is, integration and internalisation, of GHRIT, which is essential in attaining the efficiency and effectiveness gains that can be derived from 'informating' the HR function and that are purported in the literature. While low levels of implementation may render some efficiency gains, as this research has shown, only internalisation and integration of individual GHRIT practices can be expected to lead to the optimal use of GHRIT in the subsidiaries and thus in the MNC. In practice though, the majority of technology implementations are either unsuccessful or do not meet the organisations' expectations (Davenport, 2000). In Meddevco, GHRIT diffusion as a whole did not extend beyond higher levels of implementation and may, therefore, be judged as unsuccessful, even though some practices such as e-recruitment were fully integrated in the Irish manufacturing plant. However, overall, HQ management in Meddevco appeared to be content with the implementation as opposed to integration possibly because implementation is far easier to assess and to attain than internalisation and integration. The exemplary use of GHRIT referred to above appears, therefore, to be little more than an organisational aspiration or 'ideal state' that may be approximated, but never attained, given the inordinately large amount of evidence suggesting that firms time and time again fail to fully capitalise on the strategic and value-adding potential of HRIT (Ball, 2001; Burbach & Dundon, 2005b; CedarCrestone, 2007; Oiry, 2009; Ruël, et al., 2004a; Sloman, 2008).

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The GHRIT Diffusion Model also recognises that the diffusion process can induce both expected and unexpected outcomes, which themselves can be positive or negative (G. Martin, et al., 2008a; Ruël, et al., 2004a; D. L. Stone, et al., 2003). Furthermore, the model acknowledges that GHRIT practices which may have originated in a subsidiary or region may be adopted by the MNC worldwide in a process of reverse diffusion (Edwards, 1998, 2000; Edwards, et al., 2005; Edwards & Ferner, 2004; Edwards & Tempel, 2010; Ferner & Varul, 2000; W. Liu, 2004). Additionally, feedback from the diffusion process informs (or rather ought to inform, as is the case in Meddevco) future rollouts of GHRIT practices (J. E. Scott & Vessey, 2003).

Thus, the GHRIT Diffusion Model furnishes a comprehensive conceptualisation of the GHRIT diffusion process and the factors mediating this process. What is more, the model helps to further our understanding of the mechanics of GHRIT, ERP and HR practice transfer across the subsidiaries. The model may be utilised to assess past transfusion exercises, to plan future transfer of practices and to guide future research on the diffusion of GHRIT, ERP and business practices within an MNC.

### 7.3 Implications for Theory and Practice

#### *7.3.1 Theoretical and Empirical Implications*

As this research and data analysis progressed, it became apparent that a number of theoretical paradigms, which have been mentioned throughout this thesis, could have served to explain some of the associations emerging from the data. For instance, the role of actors in this research could be addressed by agency theory (O'Donnell, 2000), while the use of technology and its influence on the structure of the organisation could in part be accounted for by structuration theory (Orlikowski & Robey, 1991). The manner in which the organisation employs technology could be assessed by the resource-based view of the firm (Bharadwaj, 2000), whereas micro-political power relationships might be rationalised by resource dependence theory (Blumentritt & Nigh, 2002). The evolution and dynamics of national economic systems are perhaps best observed through a path dependence theory lens (Deeg, 2006). Individual user level issues may be best explained using user acceptance theory (Ruta, 2005), innovation diffusion theory (Lau & Hooper, 2009) or systems theory (Mayfield, et al., 2003). Notwithstanding the multiplicity of theories available, the GHRIT Diffusion Model expounded above stresses the unifying influence of institutional factors on successful GHRIT practice diffusion and therefore points towards institutional theory as the most apposite theoretical paradigm for this study. As GHRIT, TMS, HRIT and e-HRM can form an integral part of ERP, this research also established institutional factors as CSFs in ERP implementation.

Thus, this research added to several bodies of literature. First, it provided additional insights into HRIT utilisation to deliver global HR services. Additionally, it established the factors that can mediate the transfer of GHRIT practices in the

subsidiaries of an MNC. These factors and the diffusion process were conceptualised in a model of GHRIT practice diffusion, which represents another key contribution of this research. Second, this study confirms and augments other research findings in the international and comparative management literature pertaining to the transfer of business (including HR) practices in MNCs. In particular, additional evidence is supplied to highlight the importance of attaining full institutionalisation of a practice and the complexities involved in doing so (Tolbert & Zucker, 1996). It examined the issues, challenges and strategies used by MNCs to manage this process. Third, findings have added to the varieties of capitalism discussion by highlighting national variances in GHRIT practices. In addition, this analysis has furnished evidence to confirm the relevance of institutional theory to GHRIT and ERP research and also has several practical implications.

### *7.3.2 Practical Implications*

This exploration has given prominence to the critical success factors of GHRIT implementation. Specifically, these findings stress the significance of change management, implementation plan and stakeholder involvement and communication in the implementation process of HRIT. For instance, Yrontis, Thrassou and Zin (2010) highlight the importance of internal marketing and perception management during the introduction phase of GHRIT. Moreover, the evidence has shown that adequate people resources and training ought to be made available to be able to take advantage of new GHRIT practices. Top-level management support and a 100 per cent commitment by the organisation were also found to be critical factors in GHRIT transfer (see also Altarawneh & Al-Shqairat, 2010; Razali & Vrontis, 2010). Additionally, this study flagged micro-political power relationships and resistance to change as key factors in diffusion. Disengagement, disenchantment and disillusionment with GHRIT practices and decision-making processes will result if stakeholders' concerns are not taken into account, which may result in low usage rates and even implementation failure (e.g. the HRSSC in this research). Thus, MNCs need to take cognisance of, and account for, these issues during the transfer process. This research also demonstrated the need to evaluate the level of implementation of GHRIT practices once they have been introduced in order to assess user satisfaction and to learn from the process for future rollouts. Notably, this research revealed that only higher levels of institutionalisation of a practice could lead to higher-level transformational effectiveness gains, although low levels of institutionalisation may still render transactional efficiency yields. Individual level factors such as user satisfaction and acceptance were also deemed to be essential in successful GHRIT practice transfer. This research and the GHRIT Diffusion Model presented herein provide guidance in the implementation process by underlining the importance of various layers of institutional factors (relational, organisational, external and individual) in the diffusion of GHRIT practices and by making the distinction between GHRIT implementation, internalisation and integration. These should be gauged to assess the overall success of transfer, although it appears that MNCs opt for the easy way out and simply measure implementation, which seems surprising

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considering the amount of financial and other resources invested by organisations in these technologies. Perhaps, GHRIT introduction signifies, as institutional theory suggests, merely an organisational response to mimetic, technological and normative isomorphic pressures and a steppingstone towards attaining legitimacy with its external environment.

Moreover, this research suggests that some GHRIT practices may be easier than others to implement successfully. This depends on both the organisational and institutional fit of the practice to be transmitted. Furthermore, this investigation confirmed the substantial incongruence between expected positive and realised positive and negative outcomes of GHRIT diffusion, which may influence major GHRIT investment decisions. The study also stresses that the 'vanilla' approach to system implementation may not be the best approach and that some customisations will be necessary to increase stakeholder adoption. What is more, the findings illuminate the importance of using a fully integrated system rather than a multitude of legacy and sub-systems, which will only give rise to people and technology issues and which will, as this research has shown, diminish a firm's capacity to exploit the strategic advantages of GHRIT.

These implications are of particular relevance to key decision-makers and project managers during the planning and implementation stages of GHRIT and ERP projects. Moreover, findings from this research will be relevant to GHRIT and ERP system providers and consultants and may be of interest to works council and trade union officials with respect to the potential impact of GHRIT diffusion on employees.

### 7.4 Limitations of this Research

Every epistemological approach, research, researcher and analysis has limitations. The research methodology has highlighted the limitations of case study and in particular those pertaining to a single case study, as is the case in this research. While this research applies a matched case and multiple units of analysis approach, it is nonetheless confined to one US MNC in one sector and its operations in two other countries. This research is therefore not representative of a wider population of MNCs nor does it claim to be. In addition, the study could have been expanded to include the views of employees or it could have focussed on other issues such as the effects of computer usage and computer monitoring on job performance, stress, privacy, and fairness in the workplace (see for example Delbert, et al., 1993; Nebeker & Tatum, 1993; Panina, 2009; Paschal, et al., 2009; Stanton & Stam, 2003). Furthermore, additional key stakeholders could perhaps have been consulted, although access to stakeholders became increasingly more restricted as the research progressed. Moreover, Chapter Two illustrates that a range of other theoretical frameworks, such as agency theory (B. Kim, et al., 2005), structuration theory (Foster, 2009), innovation diffusion theory (Lau & Hooper, 2009), or path dependency theory (Deeg, 2006), could have been used to underpin this research. Additional research could lend further credence to this study.

### 7.5 Areas for Future Research

Although research in this MNC was carried out over a seven-year period, it still only covers a relatively short timeframe considering that by definition institutionalisation and integration of business practices takes place over a prolonged period of time. Therefore, a longitudinal study of GHRIT implementation may perhaps furnish a somewhat different and possibly less negative picture of GHRIT integration in the MNC. In addition, this research could be extended to take account of GHRIT diffusion in MNC subsidiaries in other institutional contexts such as the BRIC countries (Goldman Sachs, 2011) or in the subsidiaries of European, Asian or other non-US-owned MNCs. Moreover, additional insights could be garnered by focusing on companies in the same sector and on companies in other sectors for comparative purposes. Increasing the sample size would also ameliorate the generalisability of the findings presented here. Future ERP and GHRIT research ought to take the diffusion model developed here into account in order to explain variations in subsidiary utilisation of ERP and GHRIT with a view to testing and developing the model further. Additional research at the individual user level would also be required to test the validity of the individual level factors in GHRIT diffusion, although a substantial body of the IS literature confirms its significance in system success (W. Delone & E. McLean, 2003; Venkatesh, et al., 2003). Further insights into GHRIT diffusion and acceptance could be gained by carrying out research in organisations that use employee and manager HR self-service and intranet applications. On a more general point, GHRIT research would benefit from greater theoretical diversity and future research could perhaps employ a combination of theoretical paradigms.

### 7.6 Final Comments

One may argue that GHRIT practice diffusion should be assessed along the same lines as ERP implementation or one could suggest that GHRIT transfer follows the same patterns as the transfer of other business practices. The author contends that the multi-disciplinary stance adopted in this study, which drew on several bodies of literature, resulted in a more rigorous analysis of the data and a cross-fertilisation of ideas between diverse discourses in international management, international HRM, HRIT and ERP. Thus, this research has paved the way for future multi-disciplinary research. In fact, it has often been argued that HRIT is the overlap between HR *and* IT (Thite & Kavanagh, 2008). Additionally, Orlikowski proposes that technology, work and organisations ought to be considered in unison. While these are often viewed as distinct units of analysis in research, they are in fact 'inherently inseparable' (Orlikowski, 2007; Orlikowski & Scott, 2008). Similar arguments are put forward by proponents of the socio-technical approach to systems design (Mumford, 2006). The arguments made herein are founded on the premise that GHRIT practice diffusion is essentially a social process (Björkman & Lervik, 2007), affected by social actors, and the institutional environment of organisations, which itself is socially constructed (W. R. Scott, 1987). Therefore, successful diffusion of GHRIT in the subsidiaries of an MNC is contingent on the interplay of social actors, the institutional context of the organisation and the

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subsidiaries, the GHRIT strategy and the GHRIT practices to be transferred, whereby the successful transfer of GHRIT practices refers to the internalisation and integration of that practice, which is likely to result in both expected and unexpected functional outcomes. In view of these intricate relationships between institutional factors and social actors that provide the backdrop to GHRIT transfer, it may well be the case that no matter how much commitment is given by the firm, institutional and agency constraints are always likely to make complete integration difficult or impossible. What is more, considering the length of time it might take to fully institutionalise GHRIT practices, rapid developments in technology could make these practices redundant before they are actually internalised and integrated with existing business practices.

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