

The Nature of International Integration and HR Policies in Multinational Companies

Tony Edwards
King's College London

Multinationals and the Incentive to Develop a Global Dimension to HR/IR

- Do MNCs have strong incentives to develop a 'global' dimension to how they manage their international workforces?
- Or do they make a virtue out of national differences by adapting to local conditions?

Two Dimensions of Globalisation

Standardisation

A part of this is MNCs moving towards uniform products and ways of operating across countries

Segmentation

A different part is the move towards distinct parts of a production process being geographically separated from one another

Patterns in the IHRM Literature

-the global-local approach

assumes that there is a trade-off between a common element across borders and adapting to national specificities

- the segmentation thesis

argues that MNCs segment their operations across borders and HR/IR practice reflects the nature of the operations in question

International Integration in MNCs: Type of Economies

First-order issue

Does the multinational:

- seek to achieve financial economies from a diverse set of international operations (non-integrated)?
- or look to realise synergies across borders (integrated)?

International Integration in MNCs: Form of Integration

Second-order issue

In integrated MNCs, does the firm:

- give each operating unit a distinct role according to what the location offers with trading links between them (segmented)?
- or create comparable operating units that perform the same tasks (replicated)?

International Integration in MNCs: Variant of Replication

Third-order issue

In MNCs that are replicated, does the firm:

- tailor the product or service to nationally specific factors (differentiated)?
- or use a local presence to supply homogeneous products to national markets (standardised)?

International Integration in MNCs

1st Order

Type of
Economies

Financial

Synergies

2nd Order

Form of
Integration

-

Segmentation

Replication

3rd Order

Variant of
Replication

-

-

Differentiation

Standardisation ⁸

Implications for HR/IR in MNCs

Financial

Very little global dimension

Segmentation

Global dimension limited by distinct roles, but might cover issues such as CSR and 'key' groups of staff

Differentiation

A global dimension is feasible due to the replicated approach but is constrained by local adaptation

Standardisation

Strong potential for a global dimension across a range of areas of HR/IR practice

Qualifications to the Framework

1. The distinction between these four types is not as neat as the categorisation suggests

In practice, MNCs combine elements of different forms of integration

2. Conditions at the sector and national level give rise to considerable variation

e.g. the extent of segmentation varies by sector and its nature varies by nationality

The Survey: Charting the Contours of Multinationals in Britain

with Paul Edwards, Anthony Ferner, Paul Marginson and Olga Tregaskis

There are a large number of surveys of HR in multinationals, but they tend to suffer from a series of problems:

- Limited remit e.g. by sector
- No details of population listing
- Small N
- 'Spin offs' from other surveys

Challenges in Conducting a Nationally Representative Survey of MNCs in Britain

- incomplete databases
- 'churn'
- the need to 'screen' the population
- difficulties in arriving at response rates and weights

The Data

Derived mainly from a 70 minute face-to-face interview with a senior HR manager or director (N = 302)

Allows analysis of a range of aspects of international HR policy, both processual (e.g. mgt style, discretion) and substantive (e.g. CSR, EWCs)

Key Measures

Nationality

An eight-fold distinction by nationality and region

First Order Issue – Type of Economies

Based on a four-way distinction according to the degree of diversification

Second Order Issue – Form of Integration

Covers the existence of trading links between the UK sites and others belonging to the same firm

Third Order Issue – Variant of Replication

Relates to whether the product or service is standardised or adapted

The Models

Several regression models have been built to explain variation in:

- management style
- the discretion of the UK operations
- international CSR codes
- European Works Councils

All four models have a measure of nationality, the three 'strategy' variables and some controls

Model 1: Management Style

Nationality

Significant - US MNCs more likely to adopt an ethnocentric orientation

Strategy

The third order issue is significant – MNCs with a uniform product more likely to have a geocentric orientation

Diversification and form of integration are not significant

Model 2: Discretion

Nationality

Significant – US MNCs allow their UK operations less discretion

Strategy

The third order issue is again significant – those MNCs with a uniform product allow less discretion

Diversification and form of integration are not significant

Model 3: International CSR Code

Nationality

Significant – US MNCs are *more* likely to have an international CSR code but *less* likely to negotiate it

Strategy

The second order issue is significant – two-way forms of integration are more likely to have negotiated the code

The other two measures of strategy are insignificant

Model 4: European Works Councils

Nationality

US MNCs less likely than European (particularly Nordic) MNCs to have an EWC

Strategy

The second and third order issues are significant here – uniform products and two-way linkages across borders are positively associated with the existence of an EWC

Conclusion

The literature has been dominated by a national effects approach and has played down a focus on corporate strategy ...

... but those that have focused on strategy have dispensed too readily with national effects

Our analysis integrates the two, showing the inter-relationships between them