The Nature of International Integration and HR Policies in Multinational Companies

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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.
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

<table>
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<tr>
<th>1&lt;sup&gt;st&lt;/sup&gt; Order Type of Economies</th>
<th>2&lt;sup&gt;nd&lt;/sup&gt; Order Form of Integration</th>
<th>3&lt;sup&gt;rd&lt;/sup&gt; Order Variant of Replication</th>
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<tr>
<td>Financial</td>
<td>Segmentation</td>
<td>Differentiation</td>
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<td>Synergies</td>
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## Implications for HR/IR in MNCs

<table>
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<th>Category</th>
<th>Implication</th>
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<tr>
<td><strong>Financial</strong></td>
<td>Very little global dimension</td>
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<tr>
<td><strong>Segmentation</strong></td>
<td>Global dimension limited by distinct roles, but might cover issues such as CSR and ‘key’ groups of staff</td>
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<tr>
<td><strong>Differentiation</strong></td>
<td>A global dimension is feasible due to the replicated approach but is constrained by local adaptation</td>
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<tr>
<td><strong>Standardisation</strong></td>
<td>Strong potential for a global dimension across a range of areas of HR/IR practice</td>
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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