

**Negotiation of HRM Practices in Australian Subsidiaries of Overseas MNCs**

Peter McGraw

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Peter McGraw

Senior Lecturer

Macquarie University Graduate School of Management

NSW, 2109, Australia

Tel: 61 2 9850 9034

Fax: 61 2 9850 9019

Email: [Peter.McGraw@mq.edu.au](mailto:Peter.McGraw@mq.edu.au)

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### **Abstract**

This paper addresses gaps in knowledge relating to the dynamics of diffusion of HRM in MNCs by reporting on the finding of a qualitative research project based on interviews with the HR managers of overseas MNC subsidiaries operating in Australia. The MNC countries of origin represented include Denmark, France, Germany, Switzerland, the UK, the USA and one company with bi-national origins. On the basis of interviewee responses, the paper critically questions the analytical utility of a number of standard factors that have traditionally been claimed, in the international HRM literature, to influence decisions concerning the appropriate balance between centralization and localization in HRM. The variables reviewed are primarily structural: industry sector, strategic role of the subsidiary, administrative heritage and formal organizational structure. The data suggests that the firms modify their formal structures frequently in response to environmental turbulence and have evolved towards structural forms that are radically asymmetrical. Two variables are identified that have received limited academic attention to date but which critically mediate the pattern of intended changes are identified. First, the perception by key actors in subsidiaries of HR competence elsewhere in the MNC network, particularly head office. Second, the propensity of the staff in the subsidiary to lobby politically against changes they did not perceive to be rational.

**Key Words:** Multi-national companies, International human resource management, centralization, localization, negotiation.

## **Introduction**

This paper is focused around a central issue relating to the management of HR in multinational companies (MNCs) – the appropriate balance between centralization and localization and the factors that influence decisions concerning this trade-off.

This issue is significant not only for understanding HRM practices in MNCs themselves but also for properly conceptualizing overall patterns of HRM in countries with high concentrations of overseas MNCs. This paper uses qualitative data from a wider, mixed method, project examining HR practices in overseas MNC operating in Australia. The data comes from interviews with HR managers of local subsidiaries of overseas owned MNCs. The genesis of the paper lay in frequent unsolicited, critical, comments made by respondents when asked about decisions to centralize or localize using extant frameworks derived from the academic literature on this question.

The major conclusions of this study are that many of the existing themes, particularly those based in the structural paradigm have less relevance in today's dynamic environment than previously. Moreover, as noted in a recent study from the UK (Ferner et al, 2003), decision making in MNCs is highly political and leads to structural outcomes that are subject to much temporal fluctuation.

The paper begins by outlining the importance of MNC subsidiaries in global terms and for Australia in particular. Key factors from the academic literature on MNCs and IHRM that are claimed to impact decisions to centralise or localise are then presented to inform the discussion of later findings. The methodology of the study is outlined followed by a discussion of the main empirical findings and the implications of these for conceptualising MNCs. Finally, conclusions are drawn and limitations of the study noted.

## **The Global Influence of MNCs and MNCs in the Australian Economy and Labour Market**

MNCs are commonly identified as the main agents in the internationalisation of business (Phatak, 1989; Ferner, 1994; Rugman, 1999) and key actors in the wider processes 'globalisation' (Child, 2000). The claim that MNCs constitute the engine of

globalisation is supported by data reporting that both foreign direct investments by MNCs, and cross-border trade within MNCs, have increased dramatically in the last decade. According to a recent review, more than half of the first tranche of world trade is now shipments inside the same company or, in other words, not trade as traditionally defined (James, 1999). The United Nations Committee on Trade and Development, estimates that the value of international production from the approximately 63,000 MNCs and their 690,000 subsidiaries in 1998 was in excess of \$US 11 trillion (UNCTAD, 1999; 2000). This compares with world trade in 1998 of \$US 7 trillion, which illustrates that international production by MNCs, has surpassed world trade as 'the dominant international dynamic' (Mathews, 2002, 22). Furthermore, it has been estimated that 20% of the workforce in developed economies are directly employed by MNCs with up to 40% working for their suppliers (Ruigrok and Van Tulder, 1995). All of this data highlight the point that an understanding of the management practices of MNCs is vital for an informed conceptualisation of contemporary management practice generally. In the case of Australia this is particularly relevant given the high level of overseas MNCs operating in the country and their importance in innovating and leading change to the landscape of Australian HRM.

In relation to ownership, the first Australian Workplace Industrial Relations (AWIRS 90) (Callus, Morehead, Cully and Buchanan, 1991) indicated that 28% of workplaces had some foreign ownership and 15% of workplaces (with over 20 employees) were wholly foreign owned. A total of 15% of all workplaces in the survey had overseas head offices. Whilst this is a relatively small number of companies it disguises their influence, which can be better estimated by the size of these organisation - they employed 27% of the workers in the survey. According to AWIRS 95, the percentage of private sector workplaces with some degree of foreign ownership had stayed constant at 28%. Similarly, the percentage that were wholly foreign owned had remained stable, with only a slight increase to 17%. However in the 1995 survey 'private sector workplaces that were partly foreign owned employed 38% of the employees in the private sector part of the survey population, while those that were (wholly) foreign owned employed 23% of this population' (Morehead, Steele, Alexander, Stephen and Duffin, 1997, 66). By 1995 the percentage of workplaces

with head offices outside Australia had also increased slightly to 18% (Morehead et al, 1996, 66).

Historically, the role that MNCs have played in introducing innovations in HRM into Australia has been well documented (Gardner and Palmer, 1997, Wright, 1995). Some of these practices have included Scientific Management, more strategic and planned approaches to the recruitment selection and maintenance of workforces, job re-design, computerisation, Just in Time production techniques, formal grievance handling procedures and quality initiatives. Practices claimed by Wright (1995) to have been employed at a higher frequency in MNC subsidiaries than local firms have included training, joint consultation, communication procedures, decentralisation of bargaining and high commitment work practices aimed at removing sources of worker discontent and at the same time reducing employee interest in union membership. The trend of MNCs to employ sophisticated work practices at higher rates than local companies continues today as revealed in a recent analysis of survey data relating to HRM practices in MNC subsidiaries in Australia (McGraw and Harley, 2003).

In summary, the high percentage of Australian workers employed by overseas MNCs and the ongoing propensity of MNC subsidiaries to set the pace in HR reform and innovation means that any proper academic understanding of HRM in Australia must be informed by an understanding of the role of MNC subsidiaries and how their HR policies and practices are shaped. Moreover, from a practical point of view, HR managers struggle daily with the issues raised by working in complex, multi-centred organisations such as MNCs. This is particularly true when it comes to finding the appropriate balance between centralised and standardised HR practices within the company on the one hand and diversified practices in response to local needs on the other (Bartlett and Ghoshal, 1989).

### **Centralisation and Localisation in MNCs**

MNCs have been defined as 'enterprises that have a network of wholly or partially (jointly with one or more foreign partners) owned producing, marketing or R&D affiliates located in a number of countries' (Phatak, 1989). The competitive strength of the MNC is largely based on a degree of cross-border integration based on

specialization, interchange and scale. As Kobrin (1991) has argued, integrated MNCs gain competitive advantage from comparative advantage (based on different national resource advantages), the bargaining strength and flexibility of an international network and economies of scale, scope and learning. In many respects subsidiaries in an integrated MNC network subsidiaries are often incomplete economic entities because their value is related to and dependent upon other parts of the network (Kobrin, 1991). However, levels of integration within MNCs can vary substantially. Traditional reasons advanced for these variations include industry (Porter, 1986), markets (Doz and Prahalad, 1986; Ghoshal and Nohria, 1993) and administrative heritage (Bartlett and Ghoshal, 1989). Also relevant here are factors such as the strategic role of the subsidiary (Bartlett and Ghoshal, 1989; Jarillo and Martinez, 1990). In the HRM domain, arguments for centralization revolve around the need for common systems to facilitate capabilities, knowledge and information flows as well as people throughout the network. Thus core HR assets such as recruitment, training and compensation and performance systems which are consistent not only facilitate integration but also leverage capability (Rosenweig and Nohria, 1993).

Other factors that can impact the level of integration are those that traditionally impose diversity upon organizational practice within MNCs. Foremost amongst these is the fact that MNCs operate in multiple external environments with widely varying social, economic, political and legislative institutional pressures which impose a force for localisation. In the HRM domain, factors such as the diverse nationalities of employees and thus diverse cultural orientations, different regulatory environments relating to labour markets, problems of communication resulting from geographic dispersion and the varying strategic goal orientations of different operating units all have a countervailing influence against integration. A final variable that has been hypothesized to influence the level of centralization of HRM, as well as other management practices, within MNCs subsidiaries is the country of origin of the parent. Substantial research into this by Anthony Ferner and his collaborators (Ferner, 1997, 2000; Ferner and Quintanilla, 1998; Ferner, Quintanilla and Varul, 2001; Ferner et al, 2003) has pointed out varying tendencies to centralize associated with country origin with, for example, US MNCs are much more likely to centralize and formalize HRM practices than European MNCs.

In summary, understanding HRM practices in MNCs is vital for understanding the global diffusion of management practice. The central research problem in studying HRM in MNC subsidiaries, from both a practical and a theoretical perspective, is the issue of centralisation versus localisation. This is reflected in studies from many academic perspectives which have examined local responsiveness and global integration in MNCs. Some studies have focused on factors which are external to the organisation, such as industry sector and markets, whereas others have examined factors internal to the organisation such as strategy, structure, corporate culture, management style, administrative heritage, political processes and country of origin effects.

Notwithstanding this substantial and growing presence of MNCs in Australia noted earlier, the HRM practices of MNC subsidiaries in Australia are an under-researched, with only a handful of studies focused directly on this topic. Taken together these studies suggest some notable differences between the HR practices of local companies with those of MNC subsidiaries and some interesting patterns relating to country of origin (Rodwell and Teo, 1999; Walsh, 2001; McGraw and Harley, 2003). However, these studies were all quantitative in method, and whilst revealing interesting patterns in the data, did not reveal much of the nuance relating to why HRM in MNCs should be different to those of local firms or much about the complex dynamics of decision making in complex, multi-centred organizations such as MNCs. Moreover, the quantitative analyses in these studies typically only tests propositions derived from extant theory and does not seek to question or go beyond these. This study begins to address the paucity of qualitative data relating to the HR practices of overseas MNCs operating in Australia by reporting data from a small qualitative study. The data challenge some of the theoretical orthodoxy that has come to be accepted in the study of HR practices in MNCs.

The remainder of this paper will outline in more detail a number of the specific factors that have been claimed to influence subsidiary HR practices within MNC subsidiaries. It will assess the adequacy of some of these approaches in the light of the interview data collected for this study and identify gaps in the theory which are suggested by this data

## **Method**

The data for this study was gathered as part of a larger study which employed both quantitative and qualitative methods. This paper reports only the qualitative data. The data was collected during semi-structured interviews with senior HR managers (either country heads or heads of functions) in from the Australian branches of overseas MNCs.

Altogether 15 managers were interviewed. Respondents were from a variety of industry sectors including: investment banking, manufacturing, pharmaceuticals, defence, health care and business services and represented MNCs from a number of countries including the USA, UK, France, Netherlands, Switzerland and Germany. The sample was primarily one of convenience using the researcher's access to key personnel and introductions from previous respondents.

Interviewees were asked to respond to an interview schedule inviting them to rate the degree of centralization and localization in all major HR functions and also to comment on the rationale for and contingent factors influencing their choice. In addition participants were encouraged to reflect their own perceptions of major issues impacting subsidiary-parent relations over HR issues.

This paper uses data only from participant commentaries which were extensive and often frank and critical. These commentaries were content analysed and coded (Easterby-Smith, Thorpe and Lowe, 1991) then related back to the original themes in the interview schedule. As such the data highlights the sense making of the individuals (Weick, 1995) and is used to highlight deficiencies in establishes theoretical frameworks and typologies and suggest ways in which these may be augmented or amended.

## **Industry Sector**

Michael Porter (1986) in his work on different patterns of international competition noted that some industries are multidomestic and tend to compete nationally whereas others are organised more globally and compete at the international level. Examples

of the former would include clothing, footwear, retailing and distribution whereas the latter would include electronics, transportation equipment and cars. With regard to HR, multidomestics would be expected to conform more to local norms whereas global organisations would be expected to have higher levels of internal HR integration as a reflection of their need to move people, products and information around more from country to country. As already noted HR practices in MNCs in general tend to be more locally isomorphic than internally consistent. However variation across industries was tested by Rosenzweig and Nohria (1994) who found no significant support for the distinction in a survey of 249 foreign MNCs operating in the USA.

Whilst the majority of industries examined as part of this study would tend more towards global integration, no significantly different responses were noted from any of the interviewees with regard to a direct question on industry influences. Even the health care, business services and pharmaceutical companies, which at first appeared to operate like multidomestics, had many mechanisms for internal coordination of HR matters, particularly those that related to managers. Generally, respondents typically referred to the need for higher levels of internal integration in order to become more competitive in response to globalisation and the requirement of coordination for the purpose of internal efficiency. All respondents referred to regular informal discussions with other subsidiaries in the region, as well as head offices, and several had formal positions chairing or coordinating international HR teams aimed at speeding up diffusion of HR practice around 'core' elements such as performance management, senior level recruitment and compensation, corporate communication and learning and development. In view of these findings it might be timely to question the ongoing utility of the multidomestic-global dichotomy. Perhaps in light of the emergence of divisionalised MNC structures, that will be discussed later, along with intensified global patterns of competition and better communications systems it is becoming increasingly difficult to identify MNC subsidiaries that operate in pure multidomestic form (Mathews, 2002). This is parallel to the argument that it is also harder today to find industries that are only domestic and compete only in one market without reference of any kind to others. In other words globalisation has made redundant the notion that any company, other than the most parochial, can operate only with reference to its domestic market.

A more reasonable conclusion to draw on the basis of this data is that, irrespective of industry type, global HR functions that relate closely to management competence will be overseen from the centre whereas other non-strategic HR matters will be determined locally. Moreover, HR for more junior staff will be determined locally but sometimes with reference to global systems. Thus, even for a function such as HR, which is heavily oriented towards local circumstances, there is an increasing reference within MNCs towards central policy.

For example, a respondent from the defence sector noted:

*Res I think we're in the era of what I call the US-centric dominance. It coincides with the rise of the economic star... and I hadn't seen this really, in my eleven years, I hadn't seen the um....the US dominance like this. Like you shall do what we say, until about three years ago. And it really matches the economic ....that economic curve.*

*Int. So you're saying, basically, very strong control from the centre.*

*Res. We've gone from decentralisation to a significant centralisation. The re-jigging of regions so that control (laughs) is vested in America. (Right) And um...and then that coincides with the move to globalisation of practice.*

Another from the investment banking sector said:

*Res. I think we've lost ....that was a fortress Australia mentality. Leave us alone, we know what we're doing, we're good at it. We had to face reality eventually that we didn't control our own destiny. But I think really we have got religion in the last couple of years. We are more and more becoming part of the regional and the global arena,*

Or another from business services:

*Res. Basically all our important systems are driven from the centre and this has become more and more the case in the last few years. We don't always accept everything but we have to report our numbers and this shapes the way we operate in all sorts of subtle and not so subtle ways.*

## Strategic Role of the Subsidiary

Subsidiaries of MNCs represent one part of a complex inter-organisational network, but not all subsidiaries play similar roles. Some subsidiaries are far more important than others in relation to the whole organisation. For example size, turnover, market position and functional role will all determine the amount of power a particular subsidiary wields within the overall organisation. Typologies of MNC roles have been developed (Bartlett and Ghoshal, 1989, Jarillo and Martinez, 1990) which outline these roles. If a subsidiary follows an autonomous strategy it is likely to carry out the majority of its functions independently of the parent organisation. On the other hand if it follows a receptive strategy its functions will tend to be highly regulated by and integrated with the rest of the organisation. Alternatively, the subsidiary may follow an active strategy wherein its activities are carried out with some autonomy from the parent but within a coordinated framework. In relation to HR this can mean that the organisation may have low levels of integration with parent policies and practice but high local responsiveness, the reverse or a combined approach. Research evidence for this pattern has been noted in one study conducted of MNC subsidiaries conducted in Taiwan (Hannon, Huang and Jaw, 1995). Evidence from this study indicates that, in relation to HR, the strategic importance of the subsidiary is substantially mediated by other factors, particularly political factors. All respondents noted that Australia was a very small market for their organisations. Nonetheless, in terms of accepting HR practices determined by head office all claimed to be highly activist. Indeed several commented on how the Australian offices were (in)famous within their corporate structures for having a voice out of all proportion to their size and campaigning vigorously to reject practices that did not suit their needs. Respondents from the Investment Banking sector, in particular, were highly critical of head office HR policies and rejoiced in their feisty reputation. Comments such as 'They know we won't take s\*\*\*', 'We are still in the process of educating them', 'Unlike some of the other (bigger) countries we will kick up a stink if they ask us to do something that is silly'.

All interviewees in this research commented on their high frequency of negotiation of HR policy with head office and all noted a differentiated acceptance of policy. Two key dimensions that emerged in all interviews were the perceptions of HR

competence in other parts of the organisation and the negotiated nature of the relationship with head office.

Referring to the frustration of being asked to relinquish practices considered 'state of the art' which had been developed locally for a new system developed in head office a training manager from an investment bank noted:

*Res. One of my frustrations is that there's a lot of opportunities lost by head office thinking that they are the owner of all the intellect, if you like. And, you know, not being prepared to listen to what's going on in the regional centres and hubs. And that's a personal frustration that I have.*

*Int. Why do you think they do that?*

*Res. My personal view is that there is no ...in HR as a function, there is no ...there's corporate strategy. There's no guiding principles, if you like. There's no clear structure and strategy....for the way that the product is to be delivered globally. You know, that there are some ...some corporate guiding principles that must be in place. And then it's up to the local areas to do what they want within that. But there is none of that. And I think that's an enormous frustration ...that's part of the reason why we have....been successfully autonomous for so long. And it's also part of the reason why we're copping a lot of flack for not wanting to go back to where, for example, the Germans are up to.*

Another respondent from pharmaceuticals, when looking at the typology of subsidiary roles discussed above, commented

*Res 'There's something of everything in there. On some issues we are here and on others we are there. Overall we'll give input if we know about decisions and upcoming policies. But it depends a lot on the issue. And whether or not we get listened to is another matter.*

Commenting on his reluctance to attend regional coordination meetings with much bigger subsidiaries, an HR Director in investment banking noted:

*Res ...my perception that we have a better link in Australia than there is in much of the off-shore stuff. I do think that it's patting ourselves on the back, but I think that um...there's more synergy and more integration. We are at places in HR in Australia where they're still talking about trying to get overseas. Particularly in Asia, you know, where they talk about being business partners. They talk about the desire to have relationships with the business heads and the business....well*

*we've got them. So, there's no value added to us in going.. you know, we go over there.... I can hear myself saying, you know what's all this about, we already do it.*

Another from healthcare commented:

*Res. You have to be practical in interpreting policy. For example headcounts, we've had edicts about hiring freezes when I needed to replace someone critical. So I found someone and brought them on part time (four days a week) for a while until things settled down. You have to learn how to break the rules otherwise you couldn't run the business...I know all the people in head office and they know me...I know which rules I can break and which ones I can't.*

An HR Director from a pharmaceutical company indicated in the following series of statements that there is an element of game playing around the negotiation of HR issues

*Res...In HR, we get away with more than some areas of the business...we don't believe that (the global performance management system) suits us and we resist using it,they have allowed us to develop our own form of it...here in Australia we call it a performance review but when I write to Alex in Germany I refer to it as – uses German phrase - (laughter)...but for senior managers the money side is linked to corporate performance and that's dictated by Germany...and we can't vary that. OK. So um...we tried. We tried to pull a swiftie on them and didn't get away with it (laughs)...essentially they are capping the bonus level. However, we have found ways to sort of override that where we need to on a local basis (laughs). And what I quote back at them is their statement that um....we adapt to local market conditions where we need to, to attract and retain the right people. Um...there is an acceptance by them of the fact that individual performance can vary greatly. And you know, there are people who should not be on the um...full bonus, if you like, because their performance doesn't warrant it. But there are others who can be over-achievers. And they accept that now.*

In conclusion whilst the power position of the subsidiary is critical to the amount of control wielded from head office, it is clearly mediated by personal relationships, negotiation ability, the national culture of the subsidiary and perceived competence of HR elsewhere in the organisation, including head office. Subsidiaries prepared to

negotiate more tenaciously for a degree of autonomy may compensate for their relative lack of power from other sources. Interestingly, although HR competence has been mentioned as an influence variable in earlier theoretical work from the resource dependency perspective, notably Taylor, Beechler and Napier (1986) it usually only refers to HR competence in the organisation as an undifferentiated entity. What is clear from this study is that from the subsidiary perspective HR competence is regarded as a differentiated within the organisation. Moreover, this is clearly a factor mediating the degree of control a subsidiary is prepared to accept voluntarily from other parts of the organisation.

### **Administrative Heritage**

Bartlett and Ghoshal (1989) have identified a typology of international business strategy, operations and organisational structures which relates approximately to the period when a firm became an international organisation and which have pre-disposed such organisations to structural problems in today's marketplaces as a result of their different 'administrative heritages'. These 'administrative heritages' are also broadly matched with a European, American and Japanese type of multinational organisation, although there are notable exceptions to this in each type.

A striking feature of the companies in this study was the amount of internal structural change they were experiencing and how this has impacted their internal cultures. Only one, family owned, company in the study had not been impacted by a merger, takeover or acquisition in the previous five years. Several companies had been through multiple cycles of merger or takeover activity and had completely changed their identity. In the most extreme case some local employees of one bank had been through five changes of ownership in five years.

As the HR Director commented:

*Res. I mean 50% or there about of the total staff of the Bank are now outside Germany. So, it's not just a German bank anymore. They don't understand yet, what it is that they ought to be centralising, what it is that should be mandated from the centre. And what freedom to act you should have at the business ...or um...or region, or local level. Those things haven't...are not clear.*

What was striking about comments in relation to administrative heritage was the need to integrate remnants of previous heritages from the old organisations and to overlay new identities. As an example one respondent from a defense/engineering company commented:

*Res. If we think about X, they invented (product mentioned), and these two names are the people who actually founded the companies. The same with Y, he founded (Company named)...Z you know, founded (Z company named). I mean we had A and B too, but they've been hived off now, because of um...basically, market dominance. You then had a position where a company like C, existed for um...120 years before ( DEF - the respondents conglomerate parent) decided to get out of mainstream aerospace. So, DEF then really got outside of domestic USA business to international, by acquiring C and then four years later acquiring X. So they acquired two entirely different cultures. Which in turn didn't fit the culture of DEF. And I think our challenge to-day is, what is the DEF culture that we're trying to build'*

Whilst these organisations carry many aspects of their history around with them the overwhelming reference point for identity today is the present or the future. Coping with ambiguity, which is a natural bi-product of rapid change, has been largely addressed by structural means, which are dealt with in the next section. The national character of parent companies was also commented on extensively here but interesting the comments rarely got beyond the level of 'Oh they are a typical (insert country) organization... Beyond these generalizations though there were many similarities across MNCs from different countries suggesting the presence of supra-national influences in determining the agenda of HR in MNC.

### **Organisation Structure**

There are many ways in which firms organise their international activities (Deresky, 2000). Most large companies use either international divisions or integrated global structures based around product, function or geography. Many larger MNCs combine elements of all of these into either differentiated or formal matrix structures.

Current trends in MNC management appear to be towards product based global structures or transnational matrix approaches (James 1999). The companies in this study reflected a diverse range of organisational structures but all reflected some elements of matrix structure based on primarily on product lines. Whilst there were still regional structures in place these were noted to be declining influence, at least as far as Australia was concerned.

Investment banking was perhaps the best example of this:

*Res. I mean we could go through each of our operating divisions and say, oh....global markets reports to London, equities to London, um....investment banking quasi London, New York. Um...Human Resources, if you're an HR advisor in GTS, (?) information technology, London. If you're an HR advisor in private banking, Frankfurt. If you're an HRD person, Singapore still, but I have also have global project responsibility direct to Frankfurt also*

*Res. But it's moved now under the global side, if you like to being...to where the entity doesn't have any real significance other than for tax and legal reasons. The products are....the product chain becomes more important. So basically from you know, under the markets area, there is a foreign exchange product and our foreign exchange people are part of that product. Where there's a fixed income product, there's...Australian equities is a little bit different because it's really dealing with the local equity issues, but it is part of a global equities team. And the investment banking, well a lot of the investment banking is ...whereas the um...transactions are on the ground here, they all...they're linking in, in terms of the way it's structured and the way the um...the various products and sector groups are structured globally. They come in the global sectors again. So you almost go through that amorphous ...or that calls management for Australia. We don't have anywhere near the autonomy you'd think you'd have as a subsidiary to go and do your own thing because we're getting the product...we're getting the instructions down the line um... I mean it's easier to explain...bit hard to put it on the system, (rustling of paper, looking at something?) but when you look at the way we are...the way I've structured HR, um...my role really can be tucked off to the side as really a facilitator and a coach and a co-ordinator of activities on the ground,*

*to make sure that we're compliant etc., etc. Because all the people who work for me in the front line HR, have off-shore counter-parts at the product head level. So um...you know, someone like an (mentions name), with Global Markets there. Global Markets, he links into an HR business partner for Global Markets in London. For equities in London for investment banking New York.*

What was striking from the analysis was the amount of dissatisfaction with organisational structures. All respondents except one (who had the simplest structure) commented negatively on the ambiguity generated by product dominated matrix structures. Moreover, a degree of cynical humour was evident.

*Res. I only just received a rather important communication to-day on a major meeting that's going on overseas about er... musical chairs at senior management level with a couple of chairs moved but all the same mob in different positions. And reading between the...there's more communication to come – but reading between the lines, um...they're um....it looks like they're going to limit the region, because subsidiaries are back in fashion again, back in vogue and country managers are going to have a bit more autonomy - whereas they had previously regionalised it all and had the regions controlling everything. If you hang around long enough, you see every method.*

Or more earnest criticism

*Res. I think where they haven't got their act together yet – and it'll evolve, it's just early days – to my way of thinking, they have not adequately defined what I would...well I keep on using the term ...the corporate envelope.*

Two common themes mentioned by all respondents were the almost constant change to structures in attempts to balance centralization and localization and the lack of organizational symmetry across different parts of the organization. For example, one healthcare/pharmaceuticals organization, at the time of interview had just collapsed its regional structure to two elements: the USA and the rest of the world. However, by the time of writing (12 months later), this decision had been rescinded and a major element of the company's business had been spun off into a separate entity – and with a different structure. Moreover, there was almost no symmetry in the way HR was serviced for different product lines and the Australian HR head had simultaneous

local, regional and global HR responsibilities for different products within the business.

In large part the perception of Australian subsidiaries was there was a lack of understanding in head office of HR issues in the Australian subsidiaries and this was reflected in part in the structures put in place to manage these. This must be offset against the fast pace of change to structure noted in most organisations. As one respondent commented, 'You're only getting a snap shot today - come back in two weeks and the picture will have changed again.' In conclusion, the perceived inadequacy of structure and the fast pace of change was even more reason in the minds of most respondents to use negotiation methods discussed earlier, both formal and informal, to find a middle way that allowed the subsidiary the necessary degree of independence to function efficiently.

### **Conclusion and Limitations**

As noted at the beginning of this paper, the understanding of effective management of HR in MNCs is an issue of critical importance to both scholars of management and HR practitioners. At the heart of this complex area lies the question of the appropriate balance between local autonomy and centralised efficiency. Our lack of adequate understanding of this is, in part, due to the complex interplay of structuring variables, which makes it a difficult area to research. In this paper several of the major approaches to studying the area have been reviewed. Empirical work, where it exists has been summarised and the results of a qualitative study have been outlined. On the evidence of this data it appears that industry and strategy are becoming less analytically useful to use when seeking to understand the nature of HR in MNC subsidiaries at least given their presentation in traditional frameworks. In the case of strategy, this is particularly true since, despite repeated exhortation to the contrary, HR is often poorly aligned to international business strategy in the majority of cases (Dowling, 1999). Moreover, the opportunities for global interconnectedness are being exploited by many organizations even those in traditionally multidomestic industries and also in relation to core HR systems which have been traditionally more locally than organizationally isomorphic but are now more likely to be globally co-ordinated

in the case of management and at least monitored in the case of more junior employees.

Administrative heritage, whilst possibly still influential at some deep level appears to be less deterministic in patterning contemporary structures and behaviours. This is as a direct result of the discontinuity imposed by the volume of takeovers, mergers and acquisitions as well as the relentless pace of change dictated by competitive pressure in the international business environment. Changes to organizational structures are now perceived almost as a constant by HR managers in MNC subsidiaries. However, respondents in this paper report organizational structures that are radically asymmetrical and almost never stable. Moreover, it would appear that structural changes are also mediated by the political lobbying by key managers from subsidiaries, both HR and line. This is particularly the case when they disagree with the direction of change being imposed upon them by other parts of the MNC network. This in turn is mediated by perceptions of competence from local managers about the competence of others in the wider MNC network who would seek to impose change upon them. Also relevant here is the extent to which local managers perceive managers from overseas to understand local circumstances.

The limitations of this study stem mainly from the fact that the data is qualitative, based on a small sample and taken from one country only. However, the conclusions mirror those of a larger study from the UK (Ferner et al, 2003) which suggest that the findings are more widely generalisable and worthy of further, larger scale work to investigate them further.

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