THE ROLE OF CORPORATE HR FUNCTIONS IN MNCs: the interplay between corporate, regional/national and plant level

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ABSTRACT

The HR literature has been abundant in providing typologies of the roles of HR professionals in their organisation. These typologies are largely related to the changing nature of HRM over time, and the context in which empirical work was carried out. In this paper we focus on the context of the increasing internationalisation of firms and how this has an effect upon modern-day typologies of HR roles. We explore these roles by focusing on the way in which HRM practices come about. Especially in a MNC setting of increasing internationalisation of firms the issues of coordination, shared learning and standardisation versus leeway for adapting to the local context (customisation) are prominent. These issues present themselves both at the corporate and regional level and at the national and local (plant) level. On all these levels HR practitioners are active and find themselves amidst the interplay of both (de-)centralisation and standardisation versus customisation processes.

This paper thus explores the way in which HR practices come into being and how they are implemented and coordinated. These insights help us understand further the roles of international corporate HR functions that are being identified. Our data is based on 65 interviews, which were held (as part of larger study of HR-function excellence) with HR managers, line managers and senior executives of six multinational companies in eight countries from September to December 2004. This data reveals new classifications of processes by which HR activities are developed, implemented and coordinated, both in terms of who is involved and how these processes are carried out.

THE ROLE OF CORPORATE HR FUNCTIONS IN MULTINATIONAL COMPANIES

INTRODUCTION

The HR literature has been abundant in providing typologies of the roles of HR professionals in organisations. These typologies have focused primarily on the strategic involvement of HR departments, the management of change and organisational culture, the relationship between employer and employee, and transactional personnel administration (see, for example: Caldwell, 2003; Guest, 1990; Legge, 1978; Monks, 1992; Paauwe, 2004; Storey, 1992; Tyson & Fell, 1986; Ulrich, 1997). More recently we have also seen increased attention paid to HR roles in the more knowledge based economy, identifying the importance of context in the interpretation of role typologies (see, for example: Lengnick-Hall & Lengnick-Hall, 2003).

The different roles chart the progression of the HR profession over time. In this paper we focus on the question: what roles can be identified for the current day HR department in the context of increasing globalisation of the corporate domain? Very often the boundaries of organisations are not limited anymore to the domestic setting. Crossing borders has become normal, which gives rise to the issue of HRM in multinational settings and how the HR function and related roles manifest themselves at the various plant, country, regional and corporate levels. How issues of coordination, shared learning (both top-down and bottom-up) and standardisation versus leeway for adapting to the local context (customization) become critical in this context.

As a result of this international environment, a number of new roles of HR departments operating in multinational corporations are emerging based on different HRM strategies for internationalisation (Taylor, *et al.*, 1996). At the corporate HR level, these focus on designing and monitoring the implementation of corporate HR policies especially for the company's top management and expatriates. These activities require new roles such as "effective influencer" (Novicevic & Harvey, 2001: 1260), "network leadership" and "process champion" (Evans, *et al.*, 2002: 471-2), "constructive fighting" (*ibid*: 487), "guardian of culture" (Sparrow, et al., 2003: 27) and "knowledge management champion" (*ibid*: 24).

Before exploring further what these roles entail, this paper first outlines existing typologies of HR department roles, exploring their association with the period in which they were devised. The modern day context of multinational organisations operating in a global market is then considered. Subsequently, the emerging roles of HR departments in such organisations are highlighted. We then present the results of six in-depth case studies of multinational corporations designed to identify the activities of corporate HR departments, and the processes through which these activities are designed, developed and implemented. Conclusions are then drawn in terms of a contextually-based model for HR departments within multinational corporations.

HR DEPARTMENT ROLES IN CONTEXT

There are multiple typologies of HR department roles in the literature which consider the extent to which departments are either reactive or proactive – for example, Legge's (1978) conformist or deviant innovator roles – and the level of involvement in corporate strategy – such as Tyson and Fell's (1986) architect (strategic), contracts manager (operational) and clerk of works (administrative) roles, later modified by Monks (1992) to include a fourth innovative/professional role which falls between the contracts manager and architect roles – and those that combine the two dimensions – for example, Storey's (1992) change-makers (proactive, strategic), advisers (reactive, strategic), regulators (proactive, operational) and handmaidens (reactive, operational). Guest (1990) also included the unitarist/pluralist and conservative/traditional dimensions in his model of HRM roles, whilst Ulrich (1997) focuses on the people/process and future/operational dimensions of the HR role: strategic partner (future/process), change agent (future/people), administrative expert (operational/process) and employee champion (operational/people).

We must consider the relevance of context to the creation of these role typologies. In addition to considering the content of the roles, the typology of HR department roles presented by Monks (1992) suggests that in stable environments, a simple model of HRM practice will suffice. It is only in complex organisations particularly undergoing substantial change where a more sophisticated approach to practice is required. Other commentators support this linkage between the nature of HRM practices and the needs of the organisational context (Carroll, 1991; Guest, 1991). Indeed, the typologies themselves show the range of roles which HR has developed in a

historical context. The initial role of a focus on employee welfare, and increasingly a means of controlling employee absence, developed into the bureaucratic element of the HR role we see today. The rise of the power of trade unions at local company level resulted in the negotiator role, which has since declined again in line with further changes in the industrial relations context. In the 1980s, the rise of HRM turned attention to the strategic role of HR and its role in helping organisations manage change as the business environment became more competitive.

Recently, Caldwell (2003) has also suggested a review of the models proposed by Storey (1992) and Ulrich (1997). He suggests that advisory roles offer no more to HR practitioners than a consultancy role lacking in real influence, administrative resource and power. The 'handmaiden' or service provider role has become synonymous with cost-efficiency issues and outsourcing. The regulator role is in decline due to the changes in the employee relations' environment, however it is also rising in importance due to increasing employment legislation. Finally, the change agent role is the one perceived by HR practitioners most often as being their new role, although in practice this is not necessarily being recognised. The HR department has been shown to be unlikely to initiate organisational change, although they are frequently invited to comment on the human resource implications of planned change at board level (Evans & Cowling, 1985; Hiltrop, *et al.*, 1995; Purcell & Ahlstrand, 1994).

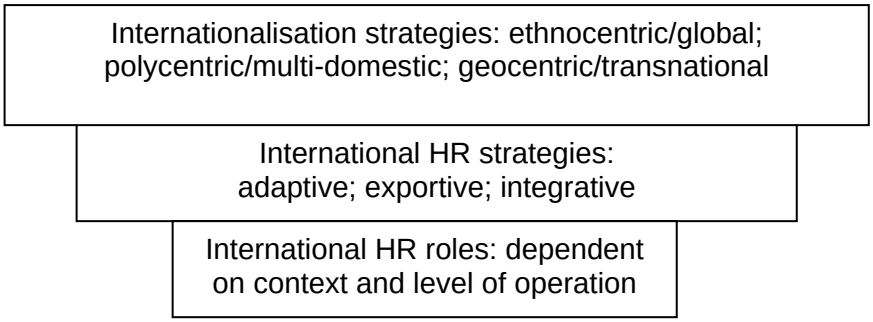
Lengnick-Hall & Lengnick-Hall (2002) introduce four new roles for HR, which may be interesting to consider in the global economy context, based on what they describe as the knowledge economy in which many organizations are now working: (a) human capital steward: acting as a guide and facilitator in partnership with employees with the aim of achieving the highest return possible on a company's human capital investments; (b) knowledge facilitator: facilitating both knowledge capital (held in explicit and implicit sources) and knowledge flows; (c) relationship builder: managing relationships between individuals and groups both internal and external to the organization to enhance social capital across the total value chain; and (d) rapid deployment specialist: taking responsibility for the development of flexible human capital resources with an emphasis on adaptability, tolerance and capacity to learn.

MNC CONTEXT

Having considered the relevance of context-specificity, it is essential to understand more about the multinational corporation (MNC) context. We will do so by first

focussing on the different stages of internationalisation in general, then continue with different international HR strategies and then finally focus on the different HR roles (see Figure 1).

Figure 1: The context of the HR function in a multinational setting



Internationalisation strategies

Multinational organisations have varying reasons for global expansion, largely aiming to increase competitive advantage by realising economies of scale or economies of scope (Harzing & Ruysseveldt, 2004). There are however stages in the process of internationalisation, and choices in the strategies and related structures adopted by MNCs. The range of MNC subsidiary strategies are described in Perlmutter's (1969) and Bartlett and Ghoshal's (1989) well-known classifications:

- *ethnocentric*, *global strategy*: control is centralised and subsidiaries resemble the parent company;
- *polycentric*, *multi-domestic strategy*: control is decentralised and subsidiaries conform to local practices;
- *geocentric* (or *regiocentric* as added by Perlmutter & Heenan, 1974), *transnational strategy*: subsidiaries and headquarters alike adhere to worldwide (or regional) standards as part of the organisational network.

Based on this classification, subsidiaries can have differing roles such as the local adaptation of products or the provision of specialised expertise in a particular field, or they can have a worldwide mandate to provide a particular product or service (Dicken, 2003). Corporate strategy therefore varies based on the extent to which firms want or need to adapt practices to local conditions. MNCs have the option of applying the practices they are most familiar with or which appear to promise high returns in performance, regardless of the location of their subsidiary (Gooderham & Nordhaug, 2003). The standardisation of HRM practices within a company across the

globe thus creates cross-border equity and comparability, and alignment of systems internationally to facilitate an internal labor market (Almond, Edwards, & Clark, 2003). However, this standardisation can lead to conflict between company practices and local prevailing conditions in terms of national cultural phenomena, institutions and business systems. The extent of adaptation of HRM practices required is thus largely related to the extent of differences that exist between the parent and host country in terms of national regulations, institutions and culture as well as corporate strategic choice (Taylor, Beechler, & Napier, 1996).

There is also substantial evidence in the literature of variations in MNC practice based on the nationality of ownership of the MNC (Bird & Beechler, 1995; Ferner, 1997). For example, US MNCs are often centralised and formalised, and innovators in industrial relations in avoiding union recognition. In contrast, Japanese MNCs have strong but informal centralised co-ordination with a network of Japanese expatriate managers, yet are likely to adapt HRM practices to local conditions due to the perceived periphery status of subsidiaries. Country-of-origin factors can also be divided into core and periphery values, the former being more consequential in determining company practice than the latter (Lachman, Nedd, & Hinings, 1994). Thus if there is a clash between the core cultural values of the parent and subsidiary countries, this is where the most effort will need to be focused to reach a congruent solution. Cultural values are related to organisations achieving legitimacy in society by adhering to these values, therefore legitimacy and hence efficacy may be under threat where congruence with these core values is not achieved.

Of all the management functions, the HRM function is under the most significant pressure to adapt to local conditions as it is highly dependent on the local labour market. The most high profile and visible HRM practices for employees and those subject most to local regulation, are most likely to resemble local practices, whereas issues concerning internal equity are most likely to conform to parent country practices. For example, industrial relations systems are often clear examples of how country-of-origin practices give way to local regulation, but senior management development is more likely to follow centralised policies and practices (Ferner, 1997).

International HR strategies

As we have seen, the MNC is based in a particular context, and as such it has an HRM heritage based on the resources and competencies available at head office and subsidiary levels. This HRM competence can be considered as context specific or

context generalisable, depending on its usefulness outside the location in which it was developed (Taylor, *et al.*, 1996). Based on this usefulness, there is a choice to be made by top management on the approach to the design of the overall international HRM system:

- adaptive: low internal consistency with the rest of the firm and high external consistency with the local environment – little transfer of practices;
- exportive: high integration of subsidiary HRM systems across the company– replicating practices developed at head office;
- integrative: substantial global integration with an allowance for some local differentiation – two-way transfer of HRM practices between head office and subsidiaries.

This choice of HRM strategy is largely dependent on the internationalisation strategy adopted by the firm discussed earlier:

- multi-domestic: subsidiaries are seen as an independent business therefore the *adaptive* approach to HRM systems is most appropriate;
- global: subsidiaries are managed as dependent businesses, therefore an *exportive* approach to HRM systems is most appropriate;
- transnational: subsidiaries are managed as interdependent businesses, therefore an *integrative* approach to HRM systems is most appropriate.

For firms starting the internationalisation process, or those changing from a multi-domestic to a trans-national strategy, the demands for internal consistency will generally outweigh the demands for local responsiveness. The context generalisability of HRM systems will therefore change over time as the company, top management and the HRM systems themselves change (Taylor, *et al.*, 1996).

If we consider the variation of cultural and business system environments in which MNCs operate, there is also likely to be a tendency to take an exportive approach to HRM systems where there is the highest degree of similarity between the head office and the subsidiary's environment. Equally, this will be the case where the most dependency exists between the subsidiary and HQ in order to maintain control over a critical resource within the company (Taylor, *et al.*, 1996). This means that the HRM strategy adopted may not be the same for all subsidiaries in a firm – HQ may wish to be more exportive or more adaptive with some subsidiaries than others based on the many factors discussed here. Likewise, when a greenfield-site operation is established, it is most likely that HQ will export its HRM practices, and possibly senior

managers, to set up the operation. Over time, this dependency relationship may change and a more adaptive or integrative approach to HRM may be adopted.

Ultimately, there is a fundamental goal for HR to achieve a balance between centralised control of international HRM strategy and responsiveness to local circumstances. Evans and colleagues (2002: 465) suggest that there are three approaches to achieving this aim: centralisation, coordination and decentralisation. Centralisation refers to focusing on activities carried out at global level, and decentralisation on activities carried out at local subsidiary level. Coordination refers to a middle ground, balancing those activities that would best be undertaken by local subsidiaries with those managed by global or regional centres. This is dependent on the degree of integration or differentiation desired (Ulrich 1997).

Earlier research showed that the role of HR departments in multidivisional companies was more ambiguous as a result of increasing decentralisation (Purcell & Ahlstrand, 1994). The corporate HR department was often small, with a minor controlling role through a limited number of high-level employment policies. More recently, a trend towards re-centralisation has been observed (Arkin, 1999) and global companies operating in a large number of countries have been shown to have a high degree of co-ordination and integration of their international operations, and have large well-resourced corporate HR departments (Scullion & Starkey, 2000). However, in research by Kelly (2001), irrespective of a centralisation or decentralisation strategy, all MNC subsidiaries surveyed were found to exercise some degree of autonomy in formulating their own HR policies but may require head office permission for significant developments involving major expenditure. Local subsidiaries were found to develop proactively strategic proposals and persuade head office to adopt these, as well as the corporate head office looking to subsidiaries to learn new ideas and fill gaps in corporate policies (*ibid*.: 555).

International HR roles

In general, there has been limited attention paid to the role of the corporate HR function (Scullion & Starkey, 2000: 1061) and it has been assumed to be relatively weak given the literature on board membership which emphasises that HR is not typically a key player in the development of corporate strategy (Hunt & Boxall, 1998:770). There is also the danger that the HR function is not perceived as a full partner in the globalization process due to the burden of bureaucratic central procedures and ethnocentric and parochial HR systems and policies (Evans, et al.,

2002: 465). However, the rapid pace of internationalisation and globalisation is argued to lead to a more strategic and influential role for the HR department (Novicevic & Harvey, 2001; Scullion & Starkey, 2000).

There are a number of activities of the corporate HR department in the international MNC context discernable. These focus particularly on high-grade management positions and high potential staff worldwide, managing issues such as employer branding, talent development, performance management, project team-working, and rewards and succession planning to develop a cadre of international managers (Kelly, 2001; Novicevic & Harvey, 2001; Scullion & Starkey, 2000; Sparrow, *et al*., 2003). Organisations often operate with a centralised policy for top managers and high potentials, but a more decentralised policy for other employees (Scullion & Starkey, 2000). These centralised activities are seen as a major determinant of international business success or failure (Stroh & Caligiuri, 1988), and as such provide an arena for HR involvement in corporate strategy formulation and implementation (Novicevic & Harvey, 2001).

Corporate HR can also play a significant role in monitoring the implementation of corporate HR policies throughout overseas subsidiaries (Kelly, 2001: 543). HR can thus become "champions of processes" (Evans, et al., 2002: 472), building the commitment of top management, providing training for managers, and monitoring these processes. Equally, HR has a social responsibility to ensure future leaders are sensitive to and equipped to deal with global challenges. This creates a new role for HR as 'guardian of culture', overseeing the implementation of global values and systems (Sparrow, *et al*., 2003).

The extent of decentralisation of the organisation structure impacts on the uptake of these activities. Decentralised companies (most popular in 1980s) have a smaller corporate head office, hence a limited number of corporate HR executives with a more limited range of activities, but still with the primary focus on an elite set of top management and expatriates (Purcell & Ahlstrand, 1994; Scullion & Starkey, 2000). The result is less of a strategic role for HR and more reliance on informal and subtle management processes. Particularly in this environment, but also in centralised organisations, there is thus a need for HR to become an "effective political influencer" (Novicevic & Harvey, 2001: 1260) to be able to manage the internal labour market for global managers. Network leadership is a further requirement for HR: having an awareness of leading edge trends and developments (being well networked internally

and externally), the ability to mobilise the appropriate resources (bringing people together to work in project teams), and a sense of timing and context (sensitivity to what is going on at both local and global levels) (Evans, *et al.*, 2002: 471).

The stage of internationalisation also has an effect on the required HR role. Evans and colleagues (2002) suggest three progressive stages of HR roles: the builder - building appropriate HRM basics at the start of the internationalisation process; the change partner - realigning HRM to meet the needs of the changing external environment as the company increases its overseas operations; and the navigator - developing the capabilities of the organisation and its people, managing the balance between short-term and long-term, global integration and local responsiveness, change and continuity in the global environment. The complexity of the corporate HR role thus increases as a company moves closer towards an integrative HR strategy.

Fundamental to HR being able to carry out these roles and activities is the departments own level of expertise. Should an exportive or integrative approach to HRM systems be desired, the actual transfer of HRM systems can only occur when sufficient mechanisms are put in place (Taylor, *et al.*, 1996). Appropriate mechanisms include regional/global meetings of subsidiary HR directors, the transfer of HRM materials and tools, and the mobility of HR directors between the HQ and subsidiaries. HR excellence and knowledge transfer are thus essential factors in HR globalisation efforts (Sparrow, *et al*., 2003). Global knowledge transfer is coordinated through creating global centres of HR excellence as forms of knowledge networks, facilitated by the choice of the most effective technological platforms and agreement about the content of knowledge to be shared. This global horizontal and vertical networking is critical to sharing information about both local conditions and best practices.

Reflecting on the above range of HR roles and typologies and the contextual factors having an impact, there is a pressing need to supplement this theorising with empirical data on how the HR function at different levels manifests itself in an increasingly international business setting, and how it is involved in sharing and coordinating HR knowledge.

To explore this further, we do not focus here on how HR managers see themselves in respect to the aforementioned typologies and roles; instead, we focus on how HR managers at different levels are involved in initiating, implementing and coordinating

HR policies and practices. Based on these insights and analyses, we can identify the different roles at the various corporate, regional, national and local/plant levels and the varying degree of involvement in sharing knowledge and coordinating HRM activities. Based on the explorative nature of this study, in-depth case-study research has been carried out among MNCs displaying wide variation in degrees of internationalisation and the related strategies.

METHODOLOGY

So the way in which HR practices come into being and how they are implemented can help us understand further these corporate HR roles that are being identified. To explore this further, a series of in-depth case studies in multinational firms has been undertaken. The cases reported here form part of a larger study of nineteen multinational corporations from across the globe (including well-known brands in engineering, financial services, aerospace, telecommunications, utilities, information technology, electronics, FMCG, automotive, and petrochemical industries). The study has been funded commercially, designed to explore HR-functional excellence in MNCs, and is a collaborative research project between four universities based in the USA, Asia, UK and continental Europe. This paper draws on the continental European sub-sample from this larger study.

During the period September to December 2004, interviews were held with 65 interviewees in six multinationals based in eight countries across Europe. A multiple respondent approach was adopted, including interviews with 40 HR professionals and 25 senior executives and line managers. 16 of the interviews were carried out at corporate headquarters, 36 at either country or divisional head office level, and 13 at plant level within a specific business division. The majority of interviews were carried out face-to-face, with only around five being conducted by telephone due to time restrictions. Two interviewers were present at each interview, and where permitted the interview was recorded. The content of the interviews has been summarised in individual case studies, which were checked for accuracy by all the companies involved.

The interviews were semi-structured, based on a schedule designed and piloted by the four academic partners to the research study. The questions covered issues around the company context, HRM practices, HR learning and knowledge sharing, HR alignment, and the role of the HR department (see Appendix for a fuller overview

of the questions used). Companies were selected for inclusion based on superior business performance and reputation for HRM and as an employer. Letters were sent to the head of HR at corporate headquarters inviting the company to take part in the study. Based on subsequent discussions at either headquarters or country level, companies were then invited to confirm their participation. One contact person per company was established, and this person provided an appropriate list of interviewees for the study, including HR professionals, senior executives, line managers and employee association representatives. Interviews, which lasted between one and two hours, were arranged at convenient times at the interviewee's office location.

The companies in this sample (see table 1) display a range of different internationalisation strategies and size in terms of employee numbers. All have headquarters based in Europe except for P&G (which is headquartered in the USA).

TABLE 1: Case Companies

Company	Sector	Employees	Internationalisation strategy
ABB	Engineering / electrical engineering	116,000	Formerly highly decentralised, now increasing central control
EDF	Power generation & distribution	167,000	A holding company increasing its internationalisation
IKEA	Retail	84,000	Highly decentralised but with a strong corporate culture
P&G	FMCG	98,000	Operating as a transnational company, but with a history of decentralisation
Siemens	Electronics / electrical engineering	417,000	Recently increasing its transnational focus, shifting from a global strategy
Unilever	FMCG	234,000	Currently undergoing major restructuring to focus more on regional and global operations

The case studies were analysed looking for themes identified from the literature affecting the role of corporate HR departments. Specifically, the data was coded based on issues of centralisation/decentralisation, subsidiary leeway, internationalisation strategy, the size of the HR resource, head office/subsidiary interaction, knowledge sharing, the nature of HRM policy areas, the initiation and

coordination of new initiatives. The data was then collated under each of these headings and analysed further. The results are presented below.

FINDINGS

The most centralised companies in the study were P&G, Siemens and Unilever: all three have been operating in the international market for many decades and are now operating to varying degrees as transnational corporations. But all three companies have also shown a shift to this centralised position, moving from highly decentralised operations in previous years. P&G has seen a shift from an absolute country focus to a global focus to take more corporate control of the firm's longer-term strategy. Consequently, the corporate HR department has grown in both size and influence at both global and regional levels. The regional level is seen as important for the translation and coordination between the global and local levels, and HR at this level must have a great deal of personal credibility to have an impact on this process. The philosophy now is to focus on communalities in HRM practices, only localising where absolutely necessary. This is not easy for subsidiaries to accept, and can lead to a feeling of 'not invented here'.

Likewise in Siemens there has been a recent conscious shift to become more international, rather than German, in outlook, changing relationships between the corporate head office and subsidiaries. Although there is now more centralised HRM policy-making and less local adaptation, countries are involved in the policy-making process to facilitate acceptance across the company. Unilever is again an example of an MNC looking to reap the benefits of its global position and is restructuring to develop a stronger regional and global approach to operations. Local subsidiaries are no longer developing their own HRM policies, but are being encouraged to adopt and adapt those issued from global or regional level as necessary.

The corporate HR departments in all of these companies have complex structures with representatives from all areas of the business. The personnel administration function is also largely in-sourced (at country level in Unilever and Siemens) or outsourced (at global level in P&G), leaving HR with more of a business partner role in the business units at the same time as cutting costs and improving efficiency. The underlying reason for this form of centralisation is to bring together a centre of expertise to address the fundamental need for high quality personnel administration in order for the HR department as a whole to be valued within the company. The

corporate HR functions have grown in size and scope of activity as more centralised control of HRM has been implemented. This central function is also supported by flexible international project teams or networks.

In the decentralised organisations of ABB, EDF and IKEA, there was evidence of a much smaller corporate HR department and the vast majority of HR staff being country based (rather than in global divisions or regional centres). In EDF, there are around ten people active in the international HR department which was set up in 2002 as the company started its moves towards increasing internationalisation. IKEA again has around ten members of the global HR department, but is supported by other international HR teams and networks. In ABB which has been operating as a decentralised multinational from much longer, there are still only around twenty corporate HR members, and again the department was only established in 2002. There are however central shared services centres in some countries which is changing the role of HR managers locally by becoming more strategic rather than transactional. Since HR recently gained a position on the Executive Committee in ABB, the significance of HR strategic influence within the company has increased and there is a growing HRM focus from the top level.

In these companies, the current lack of control from the centre is seen as a deficiency in guidance but also as respect for local contexts. In all three companies, there is however evidence of some increase in control from the corporate centre. In ABB, standardisation is being increased in order to address the current fragmentation of the company and to leverage economies of scale. Some common processes are being introduced to replace a system in which every HR manager was doing their own thing. In IKEA, the aim is to focus on similarities between locations and to provide general support and guidelines from the centre. This is perceived locally not as an imposition of policies but as helpful guidelines for coordination with business strategy. The case of IKEA shows very clearly how centralised policies can be used as a means of supporting the corporate culture. IKEA has a very strongly centralised corporate culture and product range, despite its very decentralised approach to store management and HRM. The IKEA “HR Idea” provides a central philosophy underlying all HRM activities, rather than prescribing particular HRM activities which stores must undertake.

As we might expect, in the case of EDF which is currently operating predominantly as a holding company, subsidiaries have complete freedom with regard to HRM

practices. Only in the one subsidiary which is 100% owned by EDF outside of France is there now starting to emerge some control over HRM coming from corporate head office. In the other decentralised companies, we see variations in leeway for subsidiaries, but in both cases the extent of leeway overall is more than the extent of corporate control. In ABB, there is evidence of varying speeds of implementation of global policies in different countries. From the local subsidiary perspective, there is considerable freedom for HR to establish its own local priorities, however central guidance on how to link HRM to corporate strategy is appreciated. In IKEA, it is the philosophy underlying the practices which is the same in all locations, providing a common platform, however actual practices vary considerable based on numerous factors, such as the age of a store, how active the HR manager is, how advanced HRM is, trade union influence, employment legislation, and local culture.

In the more centralised MNCs, the subsidiary leeway is considerably reduced. Of the companies interviewed, this was most obvious to see in P&G. Global, standardised HR tools and systems provide the backbone for all HRM activities in an attempt to create a global employment experience whereby employees are treated the same everywhere in the world. The only leeway that exists is for countries where adaptation is absolutely necessary due to business needs. Corporate HR provides subsidiaries with the definition of initiatives, marketing materials, tools and training for implementation. Countries then develop their own local language translation where this is necessary, and decide how best to implement locally. This does mean that a degree of local interpretation is incorporated, and that the adoption of global policies varies between countries from only implementing the basics of an initiative, to having a full understanding and buy-in at the local level.

In Siemens, there is a collection of guiding principles across the range of HRM practices, made up of both mandatory standards and recommended principles which allow country-specific localisation in different markets. Variations in implementation in different countries are seen as inevitable due to local contexts. In Unilever, the only HRM practice which is not centralised is that of industrial relations, as this is so context specific. From the subsidiary's perspective, this centralisation of policy can be difficult to accept due to the previous practice of complete freedom for all units.

The variation in extent of leeway is also evidenced in the relationship between the HR departments of the corporate office and the local subsidiary. In the case of EDF, there is no controlling relationship; exchanges take place of ideas and of managers

for their development. In ABB, the way to get HRM issues on the corporate agenda is for HR managers in subsidiaries to contact the corporate office, and to convince them that the issue should be raised at board level. Corporate HR decides which initiatives to take forward and which to drop. In Siemens, there is a more structured approach to sharing ideas between head office and subsidiaries through a structure of HR councils at global, regional and group levels. These councils are forums for discussing ideas and progressing them to board level. This approach has been adopted as it creates 'buy-in' at the local level to new initiatives, as corporate HR does not have the power to dictate what all HR departments must do.

Despite all the variations discussed here particularly in terms of centralisation and decentralisation, there are some basic similarities across all companies interviewed in terms of the HRM responsibilities of the corporate HR departments. All companies report leadership/top management development and succession planning, and expatriate management, as areas of activity. The more decentralised companies then have one or two other areas of responsibility but not the full range of HRM policies. For example, corporate HR in ABB and EDF also focus on health and safety, and in IKEA it has some responsibilities for ensuring basic guidelines are in place for compensation and benefits, induction, performance evaluation and mobility. This is compared to Siemens and P&G, for example, which both have extensive policies and tools in place for the full range of HRM activities including recruitment and sourcing, compensation and benefits, training and development, and organisation development.

Another common theme across all companies is recognition of the importance of sharing knowledge and skills across the HR community, although the actual extent of practice varies. In EDF, the most decentralised company, HR managers move between head office and subsidiary locations as part of their development. There is also an initiative currently underway to encourage HR staff to network, starting with an annual convention for the top 200 HR managers to exchange best practice. In IKEA the emphasis is more on HR sharing knowledge with and learning from line managers. There are however IT-based tools in place to support knowledge exchange, although there is currently still little activity in this area. At ABB, HR managers are encouraged to work on an ad hoc basis in specialist teams, and there is an annual global HR conference which aims to build links across countries as well as sharing best practice.

In the more centralised companies, the level of knowledge sharing within the HR community is considerably more advanced. In P&G, one of the priorities for HR at global level is to develop HR capability. This is being achieved by creating interdependencies within the HR community across the company. A sophisticated network of ten communities of practice, each focusing on a different area of HRM activity (such as remuneration or employee relations) has been established. These communities are international, and are resulting in less difference between countries in HRM policies due to the collaborative nature of policy development and implementation. A similar system is also in place in Siemens, although perhaps more divided into global and regional levels of activity. Corporate HR collects examples of best practice and disseminates these from this central point to create multiple centres of competence. This is largely achieved through a system of world, regional and group level HR councils. These councils are forums for HR heads to meet to discuss and decide on HR strategy and the development and implementation of new initiatives. The councils are also supported by international working groups of HR staff. Surprisingly however, within Unilever there is currently little activity of this nature aside from four HRM themed expertise teams, largely due to the current restructuring. This was recognised at the time of writing as a priority area to be addressed.

DISCUSSION

We noted earlier that the HR function in every MNC faces the challenge of achieving a balance between centralised control of international HR strategies and activities and responsiveness to local circumstances. Evans and colleagues (2002) suggest three approaches to achieving this balance: *centralisation, coordination* and *decentralisation*. In line with but expanding upon this work, the data collected here has shown evidence of the centralisation, decentralisation and coordination of HRM roles and activities. However, we argue here that the coordination approach can be further divided into two different subsets which we term ‘standardisation’ and ‘harmonisation’. These different approaches to international HRM strategy are defined further below based on the interview data.

The first approach is that of *centralisation*: where HR policy is designed by the corporate HR function and is then fed out to all subsidiaries. This is particularly true for ABB. The corporate HR function decides what issues are discussed at board level, and retains control of certain HRM policies, in particular top management

development. New initiatives are limited in number, but are dictated to all subsidiaries with little room for leeway. This is typical of an exportive HRM strategy as the company is shifting from a multi-domestic to a global mode of operation (*cf.* Taylor, *et al.*, 1996).

A variation on this approach is for the corporate HR function to involve subsidiaries in the design of HR policy, but then to ensure consistency of practices by deciding on the *standardisation* of policy for all subsidiaries to implement. This again is an exportive approach to HRM strategy, but with increasing participation of HR departments at subsidiary level. Siemens and Unilever could both be described as examples of this mode of operation, although constantly moving towards a more integrative strategy. There is strong control from the centre to ensure that HRM policies are consistent regardless of where they may have originated. Corporate HR is therefore not dictating HRM policy, but is coordinating very closely its diffusion across the company. A broad range of HRM activities are covered, and some mechanisms are in place for sharing knowledge across the HR community.

The most integrated HR role found in global companies is where HR policy is continually developed by sharing practices amongst the different subsidiaries and head office together, and then implemented jointly across the whole organisation irrespective of where the policy originated. This results in the *harmonisation* of HR policies and practices. Arguably P&G is an example of such a company, adopting an integrative approach to HRM strategy. The strong system of communities of practice within P&G, supported by powerful HR departments at regional and corporate levels, ensures maximum control of HRM activity. Yet even in this environment it is acknowledged that there will still be some variation in HRM due to local contexts.

The final approach is at the other extreme, where HR policy is designed in each individual subsidiary independently of other subsidiaries and head office. This results in the *decentralisation* of HR strategy, in which the role of the corporate HR function is minimal. This resembles the approach taken by IKEA, adopting an adaptive approach to HRM strategy in support of its multi-domestic internationalisation strategy. EDF is also operating in this mode, but is looking to increase the exportive approach to HRM as it continues to internationalise its operations.

Whilst this classification focuses on who gets involved in designing HR activities, i.e. is it all done by head office or all by the subsidiary or somewhere in between, it is

also important to consider how the process works. Four methods of practice development were observed: formal proactive design, incremental design, reactive design and value-driven design. A *formal proactive design approach* to HR policies and practices starts with the corporate HR function deciding on what policies are needed and then disseminating these formally out into the organisation (observed in ABB). An *incremental design approach* is more about learning including an iterative, incremental approach to improving HR policies and practices on an ongoing basis (such as that in place in P&G, Siemens and Unilever). A *reactive approach* to HR occurs where corporate HR addresses issues only as they arise, with no deliberate overall global HR policy (for example, as in EDF). Finally, a *value-driven approach* focuses less on actually producing written HR policies and guidelines, and more on developing a strong organisational culture which encourages appropriate behaviour in employees. This was observed particularly in IKEA where a lack of global HRM policy is substituted by an immensely strong corporate culture which is woven into all activities across the company.

Each of these approaches in terms of who is involved and how the process is driven can also be related to the different activities of the corporate HR function identified earlier in the literature. There is certainly evidence of the primary tasks of the corporate HR function being related to top management development and managing expatriate policy (*cf.* Kelly, 2001; Novicevic & Harvey, 2001; Scullion & Starkey, 2000; Sparrow, *et al.*, 2003). In the harmonisation process, there is also evidence of the corporate HR function playing a significant part in creating an incremental approach to HR practice development, being a 'knowledge management champion' (*cf.* Sparrow, *et al.*, 2003; Taylor, *et al.*, 1996), ensuring the mechanisms for sharing best practice in HR across the whole company.

In a standardisation or value-driven approach, the corporate function takes a more controlling role, as the 'guardian of culture' (*cf.* Sparrow, *et al.*, 2003) ensuring an appropriate balance between local input and global design of policy. In a centralisation role the task of the corporate HR function is much more focused on the proactive design of global policies and monitoring compliance. This involves being a 'champion of process' (*cf.* Evans, *et al.*, 2002). In the completely decentralised situation, the corporate HR function is more likely to act in a reactive manner as there is very little requirement for global policy (aside from expatriation and top management development). It is here though that HR may need the strongest skills as an 'effective political influencer' (*cf.* Novicevic & Harvey, 2001) as the coordination

of top management development in particular will be more complex in this highly decentralised environment.

SUMMARY and CONCLUSION

By way of summarising the aforementioned data and as a first step towards developing a more contextually based model for HR departments in MNCs we present the following overview in which we combine both our theoretical reasoning and explorative empirical findings (see Figure 2).

Figure 2: Towards a contextual model of the HR function and roles in MNCs

Internationalisation strategy	Ethnocentric/ Global	Geocentric/ Transnational		Polycentric/ Multi-domestic
International HRM system	Exportive	Integrative		Adaptive
Approach	Centralisation	Coordination		Decentralisation
		Standardisation	Harmonisation	
Example companies	ABB	Siemens, Unilever	P&G	EDF, IKEA
Main locus of power	Corporate HR	Corporate HR	Corporate HR / Subsidiary HR	Subsidiary HR
Degree of leeway for subsidiaries	Small	Limited but with possibilities for input		Considerable
Process of knowledge sharing	Formal proactive	Incremental, iterative design approach		Reactive (EDF) / value driven (IKEA)
Dominant corporate HR roles	Champion of processes	Champion of processes/ Knowledge management champion		Effective political influencer/ network leadership

This framework clearly depicts the interrelationships between the various internationalisation strategies, related HRM strategies and approaches and how that has an effect upon power relationships between the various levels of corporate, regional and subsidiary and upon the process of generating and sharing knowledge and related HR roles. In this respect we have moved beyond mere typologies of HR

roles in an MNC setting. We did so in an explorative way based upon 6 in depth case-studies. 5 out of the 6 participating companies have their origin in Continental Europe. The next stage in our research endeavour will be to include the data and analysis of the other case-studies stemming from the USA, Asia and United Kingdom. This will involve 15 more in-depth case-studies among MNCs, which will allow us to deepen our analysis and substantiate our results and insights. However, the framework so far already indicates interesting results and relationships.

Implications for practice:

Much of the work of HR practitioners in a multinational setting is heavily influenced by past practice, experience and tradition of the company, which influence the present profile of the HR function at corporate level.. At the same time we notice that the different companies, we studied, all are in transition: IKEA emphasises in a more strict way its adherence to certain values; Siemens wants to become a truly transnational company; EDF faces the challenge of how to respond to an increasing degree of internationalisation; ABB wants to standardise its HR operations etc. Practitioners can benefit from our framework by seeing how different approaches and different tendencies towards either more centralisation or decentralisation have an effect upon the process of initiating, implementing and coordinating HR practices and the kind of involvement allowed for at the different levels of region, country and subsidiary. Moreover, every approach will also have its consequences for the kind of capabilities and role emphasis (champion of processes, political influencer, guardian of culture etc) of the HR managers working at corporate and regional level. So practitioners can establish for themselves how their company and its HR operations fit in the scheme and/or is moving from for example decentralized to centralized (ABB) and how that has an effect upon the various mechanisms/approaches to knowledge generating and sharing in HR.

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Farndale/Paauwe

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APPENDIX: Outline Interview Schedule

Business context: What are the corporate strategy, structure, culture and vision? How do these differ across divisions and countries? What is the history of the corporation and what challenges does it face?

HRM practices: What are the most critical HRM practices for driving excellence and value? What are the company's best practices (against which others would benchmark)? What are the HRM areas which continue to raise challenges? Are practices standardised globally within the entire company or unique to a location/division?

HR learning: How is HRM knowledge and learning transferred? What are the inhibitors and facilitators in sharing best practice in HRM with others globally and across divisions?

HR alignment: What are the key internal and external relationships that are central for executing the HRM practices and achieving functional excellence? How well are HRM practices aligned internally and externally? How is commitment gained from senior executives and line managers? How are HRM initiatives implemented and coordinated worldwide?

HR department: What is the role of HR the function? How is the HR function perceived with the organisation? How does the firm define and evaluate the effectiveness of HR function?