



**DCU Business School**

**RESEARCH PAPER SERIES**

PAPER NO. 3

1996

**Global Versus Local Managing Human  
Resources in the Multinational Company**

**Kathy Monks**  
DCU Business School

ISSN 1393-290X

## **GLOBAL VERSUS LOCAL MANAGING HUMAN RESOURCES IN THE MULTINATIONAL COMPANY**

### **ABSTRACT**

This paper considers the extent to which multinational enterprises adopt a global or local approach in their management of human resources. Nine organisations, drawn from a range of nationalities and sectors operating in Ireland, were examined. The analysis revealed that the majority of organisations adopted a local approach, with headquarters involvement in many cases limited to monitoring the financial implications of human resource decisions. However, it appears that the transfer of human resource management practices can be a two way process with some subsidiaries focusing on human resource issues in order to maintain their competitive position within the corporation. The findings also suggest that the integration of human resource issues in strategic decision-making may need to be considered as a local, rather than a corporate level, activity.

## INTRODUCTION

There has been a dramatic increase in interest in the topic of strategic international human resource management. This seems to stem from both the emphasis which is now given to the ways in which companies manage their human resources and from the focus on multinational firms which has resulted from the globalisation of business. This has led to the publication of many books and articles which tackle the issue of how human resource issues should be managed in international companies (e.g. Dowling and Schuler, 1990; Schuler, Fulkerson and Dowling, 1992; Hendry, 1994; Sparrow and Hiltrop, 1994). However, as has been noted (Ferner, 1994), there is still a dearth of empirical evidence on how these issues are managed in practice.

This article explores one of the elements in this debate: the extent to which multinational enterprises (MNEs) tackle the globalness/localness (Bartlett, 1992) problem in their management of human resources. Schuler, Dowling and De Cieri (1993), in a comprehensive review of the factors which surround this global/local problem, point out that MNEs have to decide at a strategic level the matter of differentiation/integration (Lawrence and Lorsch, 1967). At the same time there is always the need to consider the internal operation of the units. The local environment may demand adherence to specific customs and laws and such factors may require the adaptation of global human resource policies to the particular situation. As Schuler et al. (1993:724) point out, MNEs can decide to manage in several different ways and this can range from 'allowing the units to manage independently to deciding that the units will be managed in the same way as they are at the centre (i.e. the headquarters) of the MNE'. Yet another element which has to be managed is the relationship between the units: the 'interunit linkages' (p. 732).

The issue of how this global/local problem is managed in practice is explored from the findings of a study of nine organisations operating in Ireland. The article first describes the role of multinationals on the Irish economy and examines the available Irish evidence for the impact multinationals have had on human resource matters. From the findings of the research, the relationship between parent company and subsidiary is examined and the extent to which the firms conformed to Irish personnel practice is considered. The analysis then focuses on the type of personnel practices which were pursued within these companies and considers whether human resource issues were integrated into strategic decision making. The research concentrated on exploring the human resource practices within these organisations, rather than considering the forces that might shape such practices. Thus, factors such as the characteristics of the parent

company, the nature of the industry or the resource dependency of the subsidiary on the parent company which have been identified as influencing human resource practices (Rosenzweig and Nohria, 1993; Martinez and Ricks, 1989), were not tackled in this study.

## **HRM IN IRELAND**

A recent appraisal of contemporary Ireland (Breen et al., 1990:8) describes her as

One of the small peripheral societies of capitalist Europe...Ireland's affinities in the European context are with those societies - like Greece, Portugal, Spain and Finland - that evolved within a sub-region in the shadow of a powerful centre, and for whom economic development remains incomplete. That incompleteness is most concretely expressed in their partial industrialisation; in the retention of a substantial agricultural sector that is only partially commercialised; and in a proportionately large self-employed work-force, urban as well as rural.

Although Ireland in 1995 is still only partially industrialised, the industrialisation that has taken place is due in large part to government policies which, from 1958 onwards, by offering a variety of financial incentives, encouraged direct foreign investment. As a result, there are now about 990 overseas firms operating in Ireland. These employ 90,000 people, approximately 40 per cent of the industrial workforce, and represent 50 per cent of manufactured output and 75 per cent of industrial exports. While a good deal of work has been completed on the economic effects of the multinationals, relatively little is known about their impact on Irish HRM practices.

### **Research into the Human Resource Practices of Multinationals in Ireland**

There are a number of contrasting views on the personnel practices of multinational firms in Ireland. Some researchers consider that multinationals have had little impact on the personnel practices of their Irish plants. For example, Kelly & Brannick (1985: 110), from research in 27 foreign-owned firms, concluded that there was a 'clear tendency towards convergence with Irish traditions and practices'. However, later research by these two writers (Kelly & Brannick, 1988) focused on twelve companies, ten of which were foreign-owned, which exhibited 'distinctive competence' in the management of their human resources. Evidence that the personnel practices of foreign-owned companies are more sophisticated than those pursued in indigenous Irish firms emerges from a study carried out by Murray (1984) into the employee relations

activities of manufacturing organisations in Ireland. Recent research by Gunnigle (1992a: 35) indicates 'a trend towards more proactive and individualist approaches to employee relations management among foreign-owned companies, particularly of US origin, locating at green field sites in Ireland'. However, Gunnigle does point out that 'company life-cycle and industrial sector, rather than ownership *per se*, are the key factors impacting on management approaches to employee relations'. But, research by Shivanath (1987) suggested that European-owned organisations, particularly those that were British, were more likely to adopt short-term, reactive approaches to personnel management and a study by Monks (1993) did not find any clear pattern to the types of personnel practice exhibited by foreign-owned firms.

The conflicting evidence on the impact of multinationals on Irish personnel practices is not surprising given that the foreign-owned sector does not represent one homogeneous unit: 27 different countries, with involvement in a wide range of activities, have subsidiaries in Ireland. In addition, the policies pursued by the Irish government in relation to the advice given to incoming companies has changed considerably over time. During the 1960s and 1970s the industrial promotion agencies were actively encouraging multinationals to recognise single union agreements. But during the 1980s this advice was discontinued and, as a result, more multinational subsidiaries are now set up on a non-union basis, a factor which may have a major impact on the types of personnel policies pursued. The recessions of the 1980s have also influenced the personnel policies adopted by Irish firms, with the growth in 'atypical' employment forms and moves towards increased flexibility (Gunnigle, 1992b). Roche and Geary (1994:31), in a review of the impact of multinationals on industrial relations and collective bargaining activities, suggest that there is a growing influence of what they term 'country-of-origin' effects and that this has been 'paralleled by a practice and institutional spill-over effect into Irish industrial relations'. They conclude that the industrial relations practices of MNCs operating in Ireland are 'acting as a catalyst for change and that convergence is from "host country practices" towards "foreign company practices" and not vice versa as per the orthodoxy' (p. 32).

## **THE RESEARCH**

The main body of the research took place between February and November 1993 in nine multinationals chosen from the list of overseas companies operating in Ireland. These nine firms represented a cross-section of nationalities and comprised seven manufacturing and two service organisations. While the majority of overseas companies setting up in Ireland are involved in manufacturing, growth has also taken

place in the international financial services sector and two firms were chosen from this area. Table 1 gives a brief profile of the organisations studied and shows that the firms varied in size, in nationality and in the length of time they had operated within Ireland, although the majority had been established for over fifteen years. The firms were in the main staffed by Irish managers, although in Bank all senior management were from France, while in Engtech the managing director was French. In both the Chinese and the Japanese firms, all senior managers, apart from the human resource managers, were drawn from the multinational headquarters. The fact that all human resource managers were drawn from host-country nationals, even where senior management remain as parent-company nationals, corresponds to the pattern reported elsewhere (e.g. Dowling and Schuler, 1990).

**Table 1: Profile of Organisations**

Company	Origin	Industry	Number of Staff	Unionised	Senior Managers	Time in Ireland
Chemco	USA	Chemical	330	Unionised	Irish	26 years
Hightech	USA	Computer	700	Non-union	Irish	15 years
Finance	USA	Finance	45	Non-union	Irish	20 years
Bank	France	Finance	80	Non-union	French	20 years
Engtech	France	Engteching	326	Unionised	French	15 years
Pharmaceuti ca	Holland	Pharmaceutica l	450 (3 plants)	Unionised	Irish	20 years
Medicare	Germany	Electronic	260	Unionised	Irish	27 years
Knitwear	Hong Kong	Knitwear	95	Unionised	Chinese	8 years
Compuco	Japan	Computer	180	Unionised	Japanese	4 years

Interviews lasting between one and a half and two hours were conducted with personnel staff in these companies. The interviews aimed to establish the relationship which existed between the multinational and the Irish personnel departments, and to determine the type of personnel practice carried out within the Irish firms. Various internal company documents, together with secondary information available on the companies, were also examined as part of the research.

### **RELATIONSHIP WITH CORPORATE HEADQUARTERS**

The personnel managers interviewed were asked about the relationship they had with the corporate personnel department of the multinational organisation. Questions were asked on the frequency and type of contact, the information provided, the origin of personnel policies and the extent of control over personnel issues. Table 2 gives an overview of the findings.

**Table 2: Relationship between Parent and Irish Personnel Departments**

<b>Company</b>	<b>Frequency &amp; type of contact</b>	<b>Information provided</b>	<b>Origin of personnel policies</b>	<b>Perceived control over Irish issues</b>
Chemco	None	None	Ireland	Total
Hightech	Irregular: annual visits & reports	Absenteeism, turnover staffing levels	Ireland, but liaison with HQ re staffing levels	Total
Finance	Limited: visits, telephone.	Staffing levels only	Polices on training, pay, communications, staffing decided at HQ	A great deal
Bank	Limited: reports	Salary issues, staffing levels	Ireland, but liaison with HQ re staffing levels	Total
Engtech	Limited : visits, telephone,presentations	Staffing levels	Ireland	Total
Pharmaceutica	Limited: monthly/annual reports	Absenteeism, turnover, overtime, staffing, HR problems	Ireland, but financial implications vetted by head office.	Total
Medicare	Limited: annual reports	Absenteeism, turnover, staffing	Ireland except for manufacturing,staffing HR planning	Total
Knitwear	Limited:annual reports	Absenteeism, turnover, overtime, staffing, HR problems,	Few policies; Irish rules & procedures	Total
Compuco	Limited: reports	Absenteeism,staffing, HR problems	Ireland except for staffing,manufacturing	None



### **Contact with Corporate Headquarters**

Respondents were asked about the extent to which the Irish personnel department maintained contact with the corporate headquarters. It could have been expected, for instance, that there would be a good deal of contact with the Irish plant in order to ensure that a uniform culture existed between the corporate organisation and its various divisions. However, the responses revealed that the reporting relationship that might have been envisaged, that is one between the corporate personnel department and the Irish plant, did not exist in many of the firms. In the case of companies Finance and Engtech, for example, the Irish company reported to the European headquarters of the multinational. Thus, there was no direct relationship with the corporate personnel department. In Pharmaceutica the personnel department reported to the pharmaceutical division of a multidivisional corporation and had little contact with the corporate headquarters. In Knitwear there was no personnel department at corporate headquarters because, the Irish personnel manager explained: 'personnel management is a foreign concept to the Chinese'. However, because personnel management was accepted in Ireland, a personnel function had been established in the subsidiary.

The issue of the type of contact, whether with the corporate headquarters or other parts of the parent company, was also explored. Apart from Chemco, which had no contact, all the firms sent some information to the parent company. In all cases this included reports on staffing levels. But the type of information which was provided in addition to this critical item varied considerably. Yet, while some sent detailed analyses of absenteeism, labour turnover and human resource problems, feedback was rarely received. The general feeling among the personnel managers was that these reports were 'filed or lost' and their attitude to the reports was summed up by one manager who said: 'they ask for it so they get it'. In a few cases, reports were sent to 'show how good we are'. For example, in Engtech the level of absenteeism had been reduced from 8 per cent to 5 per cent and the personnel manager had made a presentation to headquarters to call their attention to this achievement.

### **Policy Making**

Table 2 also identifies the origin of policy making in relation to personnel issues in the companies investigated. In the majority of companies, personnel policies, where they existed, were drawn up and administered in Ireland. The main exceptions to this were in relation to staffing and manufacturing issues and in all but one of the companies, staffing levels were controlled by corporate/divisional headquarters. Staffing was

viewed as critical in relation to costs and nearly all the companies had experienced cutbacks at a corporate as well as Irish level within the previous three years. Personnel managers were also constrained in relation to the policies that could be applied to manufacturing. In most of the manufacturing companies, methods, type of technology, production targets etc. were set down by the parent company and had to be rigidly adhered to.

Although personnel policies were drawn up in Ireland, there was some limited borrowing from the parent company. Thus, if a suitable scheme already existed in the parent company, it might be adapted to the Irish context. However, the most interesting finding in relation to personnel policies was the extent to which some of the Irish companies transferred these from the Irish plant to the multinational headquarters or to other plants within the corporation. This finding was unexpected given the impression in the available Irish evidence that multinational corporations imported sophisticated practices, but a brief description of the state of affairs in some of the companies explains why this transference occurred.

In Chemco the personnel manager considered that the firm was probably five to eight years ahead of the other two plants within the corporation in terms of machinery and technological developments. He explained the reasons:

The Irish educational system is second to none. The quality of our engineers, chemists, etc. is superb. Puerto Rico has a poor educational system. It is better in the USA, but still not as good as the Irish. The production units are still eight years behind in terms of their philosophy of buying equipment. They're still inspecting in the USA, but we stopped inspecting nine years ago.

The highly educated Irish workforce, together with the homogeneous nature of Irish society, was also put forward by the personnel manager in Hightech as an explanation as to why more sophisticated types of programmes were pursued in Ireland:

Quality teams are further down the road than those in the USA. They are tackling more complex problems in Ireland and the teams have more autonomy. In the USA the teams are multi-cultural and there are language problems and lower education levels.

The types of policies pursued in the Irish plants had increased the status of some of the Irish plants within their corporations and this meant that Ireland was seen as a training ground for managers from other subsidiaries. This type of training took place in Chemco and Engtech and Pharmaceutica. However, the pursuit of some of these schemes also caused problems for some of the personnel managers as they created additional costs to their training budgets. These costs might not be encountered in other divisions.

### **Control over Irish Issues**

Respondents were also asked about the control they had over personnel issues within their organisations. In the majority of cases this control was perceived as total: respondents considered that they had major responsibility for the operation of personnel matters within their firms. The major exception was the Japanese company, Compuco. Here the personnel manager considered that he was constrained by the dominance of the Japanese approach which he felt prevented the achievement of any major initiatives

The hierarchical system works well for them and they don't choose to change that when they go overseas. Everything runs from a central figure with total power and control. Subservience is guaranteed and never challenged. Power and control works very well. The subjects know the situation and field suggestions and opinions that they know the superior will accept. No loss of face is allowed and there is no challenging of decisions.

This finding fits the pattern found in the literature that human resource practices in Japanese subsidiaries will closely reflect those of the parent company (e.g. Oliver and Wilkinson, 1989; KPMG, 1992).

### **CONFORMITY WITH IRISH PERSONNEL PRACTICE**

The second major area explored was the extent to which the personnel practices carried out within the firms studied could be described as conforming to Irish personnel practices. The major difficulty in dealing with this issue was the problem of defining the nature of Irish personnel practice. The main conclusion which has been drawn from the limited research available is that a variety of practices exist and that these range from traditional, administrative or industrial relations approaches to sophisticated, HRM-oriented techniques (Monks, 1993; Gunnigle, 1992b). Given the existing information available on the human resource practices of the multinationals, it was expected that

they should conform to models which approached HRM. Three factors are discussed in assessing the type of personnel practice adopted within the organisations, particularly in relation to the extent to which they approached HRM. These were the types of objectives pursued by the personnel department, the extent to which personnel issues were integrated into strategic decision-making, and the overall approach to personnel practice based on the types of tasks performed. Table 3 gives an overview of the findings.

**Table 3: Types of Personnel Management Practice**

Company	Objectives	Strategic Focus	Type of Practice
Chemco	Proactive	HR Integration	Innovative/Sophisticated
Hightech	Proactive	HR Integration	Innovative/Sophisticated
Finance	Reactive	HR Input	Innovative/Professional
Bank	Reactive	None	Traditional/Administrative
Engtech	Proactive	HR Integration	Innovative/Sophisticated
Pharmaceutica	Proactive	HR Input	Innovative/Professional
Medicare	Proactive	HR Integration	Innovative/Professional
Knitwear	Reactive	None	Traditional/IR
Compuco	Reactive	None	Traditional/IR

### **Personnel Objectives**

Only five of the organisations were identified as pursuing proactive personnel objectives. In all cases these objectives were very different to those that might have been expected to emerge from a traditional personnel department. For example, in Chemco the personnel manager considered that the objectives of the personnel department were

- To integrate the machine with the person and to strategise the next five years.
- We need to expand the company's range of products and to bring in moneys.
- We need stability to bring in new expertise, to develop new products

The personnel manager in Engtech outlined three objectives

To create a more empowered workforce; to give people more responsibility over their own work - to make a more significant contribution; to involve them more in the business through communications and interest in the performance of the company.

In Pharmaceutica, the objective was 'total quality management', while in Medicare the personnel manager stated

The business plan includes people as an issue and this is the driving force in our objectives. This will involve the implementation of a performance review system, the training and development of staff, the development of reward systems, the completion of the TQM programme and the development of communications programmes.

In contrast, the objectives stated by some of the other organisations indicated an emphasis on maintaining the status quo, on the solution of some problems and the avoidance of others. For example, in Finance the focus was 'to update the company handbook, to revamp salaries and benefits, to keep up with EC legislation, to plan out a training budget'. In Compuco the aims were 'to keep labour costs down, to support the quality drive in relation to production and to maintain a core group of key employees'. In two companies there were no objectives. In Bank, the personnel manager considered that 'there is just the day-to-day dealing with problems', while in Knitwear, 'the main worry is whether the plant will remain open. Personnel issues are subordinate to survival'.

### **The Integration of Human Resource Issues into Strategic Decision Making**

The research also explored the extent to which human resource issues were integrated into strategic decision making. This has been seen as a vital component of HRM (e.g. Hendry & Pettigrew, 1986; Fombrun, Tichy and Devanna, 1984), although the evidence from much of the British research has revealed the opportunistic and pragmatic approaches which are normally adopted in relation to this issue (e.g. Marginson et al., 1988).

The investigation revealed that it may not be a realistic proposition for personnel managers employed in foreign-owned subsidiaries to aspire for Irish human resources to be integrated into strategic decision making at corporate level. In most of the manufacturing organisations investigated, production methods, requirements, and

targets, together with decisions on technological change and investment were set by the parent company with little or no involvement by the Irish subsidiary. As one personnel manager described the situation: 'we're very much under their thumb'. This situation was not surprising: the subsidiaries had been set up to produce a certain line or quota of a particular product, and the products had to conform precisely with those produced in the main plant or in other subsidiaries. This factor had a major impact on the power the personnel manager could have in strategic decision making: the ground rules were already set, but there might be choices in the ways in which they operated. Some personnel managers might then be successful in ensuring that human resource issues were integrated into strategic decision making at plant level. In some cases, based on the success of various initiatives, Irish human resources issues might then be considered when strategic plans were redrawn by the parent company. The personnel manager in Pharmaceutica explained the situation

In Ireland human resource issues would be integrated into strategic planning, but Holland sets the agenda. They may decide to drop a product and then it's left to Ireland to determine the human resource implications. They will be sympathetic and listen to ideas, but whereas personnel issues would be considered at an Irish strategic level, they may not necessarily at a Dutch level.

Some personnel managers appeared to be more successful than others in attaining acceptance of a role for human resource issues at plant level. The personnel manager in Engtech explained how he pursued his cause:

Human resource issues are fundamentally part of the decision-making process. I managed to impose these, although I got a great deal of resistance to change. People try to impose technical solutions, but I had to elbow the human resource issues on to the table at a very early stage. I was lucky that the MD was sympathetic to a human resource focus.

In Chemco the personnel manager was involved in 'everything that was going on within the company'. He was one of the group termed 'The Magnificent Seven' which ran the company and he pointed out that

No major decision is taken without my involvement. I act as a consultant on people issues. I'm always asked 'what's your view?' and I'm part of the team. No-one would hire anyone unless I give my blessing.

## **The Approach to Personnel Practice**

Table 3 also shows the overall type of personnel practice pursued within these companies. This was achieved by examining the range of tasks performed within these organisations and these were broadly categorised into four types (Monks, 1993): traditional/administrative, traditional/industrial relations, innovative/professional and innovative/sophisticated. Three of the organisations (Bank, Knitwear and Compuco) fitted the traditional categories. In these organisations the focus was on record keeping and administration, on dealing with day-to-day problems which might arise or on maintaining harmony by solving industrial relations problems. For example, in Knitwear survival was the primary focus and the personnel manager's objective was: 'getting business into the plant and making the plant survive as an entity'.

The remainder of the organisations were more difficult to classify. Whereas they were all engaged in professional or expert approaches to personnel practice, the discussion on strategic decision making has already established that involvement in this area tended to be confined, in the main, to local level. Given existing models, these organisations could not be categorised as pursuing HRM. Yet Chemco, Hightech and Engtech exhibited some of its key characteristics. They were all involved in extensive initiatives in recruitment, communications, training/development and remuneration. For example, Chemco spent an 'immense amount of money on training', with a required number of training days specified for various categories of employees. This company also paid between 20 per cent and 50 per cent over the going rate for a job. Yet, while a huge emphasis was placed on communications, there were no structured schemes such as quality circles, suggestions, attitude surveys, etc.. Instead, the focus was on communication via the supervisor: 'the supervisor is expected to keep his staff informed of anything that is happening. The supervisor is to be out there walking about, as does the CEO, talking to people and finding out their views and opinions'. In contrast, in Hightech, there was a very wide range of communication devices with information shared on every issue via these channels. Again there was a 'huge budget for training and a huge investment in both technological training and self-development'. In Engtech, there was also a large budget for training, a wide range of communications programmes, and a very clear philosophy of how they were managing and where they were going. The fact that these firms were involved in initiatives which could be identified with HRM did not entail a lack of attention to the more basic personnel matters. In Hightech, there were employee relations managers who worked shifts and who acted as 'trouble-shooters' and 'fire-fighters' in ensuring that any employee relations problems which emerged were rapidly resolved.

The remainder of the organisations (Finance, Pharmaceutica and Medicare) could be described as adopting professional and expert approaches to personnel matters while not necessarily pursuing a strategic perspective. For example, the personnel manager in Pharmaceutica, when asked about the overall philosophy in managing employees, replied:

There is no overall strategy, we're very much feeling our way. We have a pragmatic approach to managing issues. We don't have a specific philosophy on what we want to do and how we want to treat people. It hasn't been spelt out.

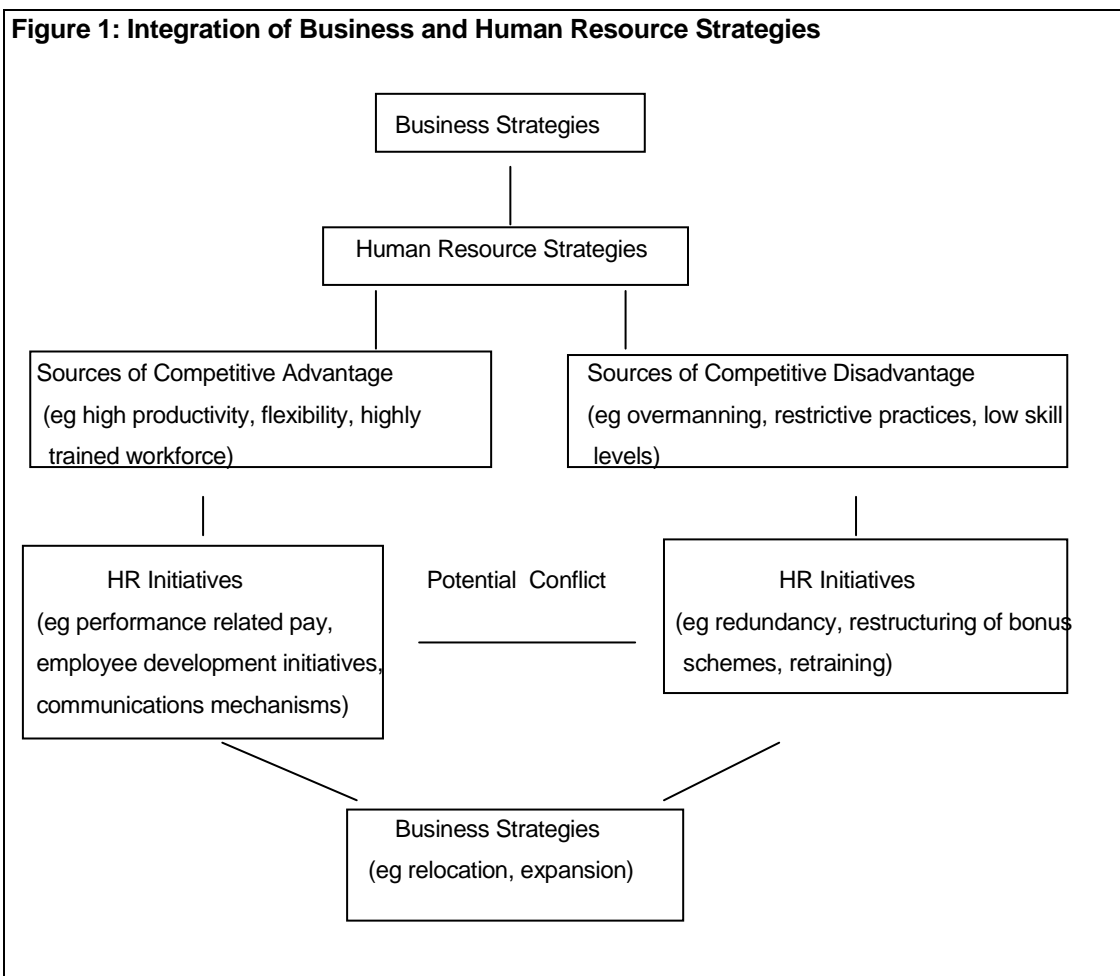
Yet, this company did have a range of communications mechanisms, spent a good deal of money on training, and the personnel department was driving the TQM initiative within the organisation. A similar situation applied in Medicare. Here the various human resource policies emanated from the overall company strategy and business plans. At the same time, the business plan 'included people as an issue and this is the driving force in the initiatives'.

## **DISCUSSION**

The research indicated that the companies exhibited wide differences in their management of human resource issues. Their HR practices ranged from those which were Irish defined and developed to ones which were merely adapted to local circumstances with control fixed firmly with the parent company. However, the majority of MNEs adopted a local approach to human resource matters and controls, where they existed, were maintained by monitoring the financial implications of staffing decisions. One of the factors which impacted on how the local/global approach operated in practice was the relationship which existed between the subsidiary and the parent company. The research indicated that in the case of some of the companies their relationship with the parent company was mediated through a European or divisional headquarters; this factor blurs the impact that may occur in relation to HRM issues. To take the case of one of the companies studied, an American firm operating in Ireland but with a reporting relationship to the European headquarters located in London. Is the impact (if any) on Irish HRM practices of American, European or British origin? Is the input into Irish HRM practices increased or decreased because of the intermediary? To what extent are the parent company practices interpreted, and therefore changed, by the divisional headquarters?



The research raises the issue of how strategic human resource management should be considered in the context of multinational organisations. The intricacies of strategic decision-making in the multinational company which were revealed by this small study indicate that the Irish personnel managers have minimal influence in ensuring that human resource issues are integrated into strategic decision making at corporate headquarters. For example, no personnel managers in this group of companies attended meetings at corporate headquarters and any attempts to include human resource issues on the corporate agenda were handled by the managing directors. Yet, at local level, in some of the companies at least, human resource issues were of board level importance and were integrated into strategic decision making. Figure 1 sets out a framework for understanding the integration of human resources issues in strategic decision making within multinational organisations and for considering the tensions which may emerge between corporate and local level activities.



In multinational organisations business strategies are set by corporate headquarters. The human resource strategies required to implement these decisions were then decided at divisional level. This requires both the identification of the key elements of such strategies (sources of competitive advantage) and the identification of the barriers to achievement (sources of competitive disadvantage). Decisions are then taken on the appropriate human resource initiatives required to implement these strategies. In some cases there may be friction between the measures necessary to overcome what have been identified as sources of competitive disadvantage and those necessary to pursue competitive advantage. Thus, problems such as overmanning, restrictive practices and low skill levels may require the implementation of redundancy packages, compulsory retraining, and the restructuring of bonus schemes with considerable loss of earnings. These types of initiatives will not necessarily sit easily with the measures required to achieve competitive advantage: performance related pay, employee development or communications mechanisms focused on commitment. From the perspective of headquarters, the ability of the division to implement initiatives perceived as leading to competitive advantage may have a major impact on the decision of the multinational to continue to invest in the particular location. For some multinationals, the cost of the division 'unlearning' the practices which have been identified as sources of competitive disadvantage may be too great and the decision may be taken to move the operation to a location where costs are lower and the returns greater.

In the companies studied, the pressure on divisions to pursue HR strategies which were cost effective and recognised as sources of competitive advantage meant that some of the Irish subsidiaries had managed to establish themselves as 'showcases' for other divisions. For example, Chemco had developed a technological expertise far in advance of the other companies within the corporation; Pharmaceutica was seen as the training ground for the MNE. The fact that units may serve as centres of excellence and creators of knowledge and become benchmarks for other units has been documented in the literature (e.g. Pucik et al., 1992). It was interesting to note in the case of the Irish organisations the extent to which some were using this approach not to benefit other units, but to ensure the survival or expansion of the Irish division. By promoting the division as a 'showcase' for the multinational, these companies had developed policies and practices which made them indispensable to the success of the corporation as a whole and which undoubtedly influenced whether further investment took place in the Irish plant. In the case of these companies, although the strategic direction was fixed by corporate headquarters, the types of tactics the Irish division

could adopt within these strategies, what one respondent referred to as 'reverse benchmarking', certainly had a major impact on the survival of the division.

## **CONCLUSION**

This article has considered the global/local issue in the management of human resource matters in multinational organisations. It would be unwise to generalise from such a small number of organisations, but the findings do have some interesting implications for the study of international HRM.

The research raises a number of issues about the ways in which human resource matters are managed in multinational companies. Although many models of HRM emphasise the critical importance of the inclusion of human resource issues in corporate decision making, the evidence from this study suggests that this may not be an option for many subsidiaries. But the ability of the personnel manager to 'elbow the human resource issues onto the table' may have a major impact on the types of policies which are pursued at local level. The exclusion from *corporate* level decision-making does not, therefore, appear to be grounds for concluding that a subsidiary cannot pursue practices which could be labelled HRM. Viewing human resource strategies in this way fits in with research into multidivisional firms (Purcell, 1989; 1994; Purcell and Ahlstrand, 1994) which focuses on the three different levels of strategy which may operate within these types of firm.

Some recent research has suggested that HRM is a source of competitive advantage for multinational firms, either in terms of the human resource practices pursued (Sparrow, Schuler and Jackson, 1994) or in its focus on its human resources (Wright, McMahan and Mc Williams, 1994). In the case of the Irish subsidiaries, some were utilising HRM to pursue their own competitive advantage and to ensure that their particular plant retained its competitive edge over other plants in the MNE. Thus, the 'interunit linkages' (Schuler et al., 1993:732) were in these cases 'interunit rivalries'. This approach raises questions over the extent to which MNEs may dissipate scarce resources in their acceptance, or even encouragement, of such competition.

The research revealed that the debate as to whether multinationals import sophisticated human resource practices into their Irish subsidiaries or accept Irish traditions of personnel practice may be of little significance. For some companies the relationship is two way and is one which focuses on good human resource practices, not on their country of origin.

## REFERENCES

- Bartlett, C. 1992. 'Christopher Bartlett on Transnationals: an Interview'. European Management Journal, September, 271- 6.
- Breen , R. Hannan, D., Rottman, D., Whelan, T. 1990. Understanding Contemporary Ireland. Dublin: Gill & MacMillan.
- Dowling, P. 1989. 'Hot Issues Overseas'. Personnel Administrator, Vol. 34, no. 1, 66-72.
- Dowling, P. J. and Schuler, R.S. 1990. International Dimensions of Human Resource Management. Boston: PWS Kent.
- Ferner, A. 1994. 'Multinational Companies And Human Resource Management: An Overview of Research Issues'. Human Resource Management Journal, Vol. 4, no. 3, 70-87.
- Fombrun, C., Tichy, N.M. and Devanna, M.A. 1984. Strategic Human Resource Management, New York: John Wiley.
- Gunnigle, P. 1992a. 'Management Approaches to Employee Relations in Greenfield Sites'. Journal of Irish Business and Administrative Research, Vol. 3, no. 1, 20-36.
- Gunnigle, P. 1992b. 'Changing Management Approaches to Employee Relations in Ireland'. Employee Relations, Vol. 14, no. 1, 17-32.
- Hendry, C. 1994. Human Resource Strategies for International Growth. Routledge: London and New York.
- Hendry, C. & Pettigrew, A. (1986). 'The Practice of Strategic Human Resource Management'. Personnel Review, Vol. 15, no. 5, 3-8.
- Kelly, A., & Brannick, T. 1985. 'Industrial Relations Practices in Multinational Companies in Ireland'. Journal of Irish Business and Administrative Research, Vol. 7, no. 1, 98-111.

Kelly, A. & Brannick, T. 1988. 'The Management of Human Resources: New trends and the Challenge to Trade Unions'. Arena, August, 4-6.

KPMG. 1991. A Survey of Human Resource Practices in Japanese Businesses in Ireland, KPMG: Dublin.

Lawrence, P.R. and Lorsch, J. W. 1967. Organisation and Environment. Boston, Mass: Harvard University Press.

Marginson, P., Edwards, P., Martin, R., Purcell, J. & Sisson, K. 1988. Beyond the Workplace. London: Blackwell.

Martinez, Z. & Ricks, D. 1989. 'Multinational Parent Companies' Influence over Human Resource Decisions of Affiliates: US Firms in Mexico'. Journal of International Business Studies, Vol. 20, no. 3, 465-487.

Monks, K. (1993). 'Models of Personnel Management: A Means of Understanding the Diversity of Personnel Practices?' Human Resource Management Journal, Vol. 3, no. 2, 29-41.

Murray, S. (1984). Survey of Employee/Industrial Relations in Irish Private Sector Manufacturing Industry. Dublin: IDA.

Oliver, N. and Wilkinson, B. 1989. 'Japanese Manufacturing Techniques and Personnel and Industrial Relations Practice in Britain: Evidence and Implications'. British Journal of Industrial Relations, 27, March, 75-91.

Pucik, V., Tichy, N.M. and Barnett, C.K. 1992. Globalizing Management. New York: Wiley.

Purcell, J. 1989. 'The Impact of Corporate Strategy on Human Resource Management'. In J. Storey (Ed.) New Perspectives on Human Resource Management. Routledge: London and New York, 67-91.

Purcell, J. 1994. 'Corporate Strategy and its Link with Human Resource Management Strategy'. In J. Storey (Ed.) Human Resource Management A Critical Text. Routledge: London and New York, 63-86.

Purcell, J. And Ahlstrand, B. 1994. Human Resource Management in the Multi-Divisional Company. Oxford University Press: Oxford.

Roche, W. K. and Geary, J. 1994. 'Attenuation of "Host Country Effects"? Multinationals, Industrial Relations and Collective Bargaining in Ireland'. Working Paper IR-HRM No. 94-5, Graduate School of Business, University College Dublin.

Rosenzweig, P. and Nohria, N. 1993. 'Influences on Human Resource Management Practices in Multinational Corporations'. Journal of International Business Studies, second quarter, 229-251.

Schuler, R., Fulkerson, J. and Doling, P. J. 1991. 'Performance Measurement and Management in Multinational Corporations, Human Resource Management, Vol. 30, no. 3, 365-392.

Schuler, R., Dowling, P., and De Ceri, H. 1993. 'An Integrative Framework of strategic International Human Resource Management'. International Journal of Human Resource Management, Vol. 5, no. 3, 717-764.

Shivanath, G. (1987). 'Personnel Practitioners 1986 - Their Role and Status in Irish Industry'. Unpublished MBS thesis, University of Limerick.

Sparrow, P., Schuler, R. and Jackson, S. 1994. 'Convergence or Divergence: Human Resource Practices and Policies for Competitive Advantage Worldwide'. The International Journal of Human Resource Management, Vol. 5, no. 2, 267-299.

Sparrow, P. and Hiltrop, J-M. 1994. European Human Resource Management in Transition, Hemel Hempstead: Prentice Hall International.

Wright, P. McMahan, G. and Mc Williams, A. 1994. 'HRM as a Competitive Advantage'. The International Journal of Human Resource Management, Vol. 5, no. 2, 301-326.