

# Chapter 1

## Micro-Political Conflicts and Institutional Issues During e-HRM Implementation in MNCs: A Vendor's View

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**Abstract** This chapter explores the implementation of electronic HRM systems (e-HRM) in multinational corporations (MNCs) from a vendor consultant's point of view. By presenting the issues surrounding implementation in MNCs and extending e-HRM definition to the MNC setting, this chapter combines the micro-political and institutional views and aims, firstly, to shed light on the micro-political issues and conflicts areas in e-HRM implementation and, secondly, to investigate how the institutional environment affects the e-HRM system implementation. The chapter contributes to our knowledge of e-HRM by exploring the previously largely unrecognized role of e-HRM vendor consultants and contributes to the theoretical discussion by extending and empirically testing a framework from the field of HRM to the field of e-HRM in MNCs.

### 1.1 Introduction

Multinational corporations (MNCs) seek to improve their management practices and processes with the use of information technology (IT), and they are investing in them ever more heavily [1]. The increasing use of technology is partly a result of HRM departments in MNCs facing more efficiency and cost-effectiveness

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pressures than ever before. In response to these pressures, the main motivation to implement large e-HRM systems is based on the concept of the “transformation of HRM,” meaning that e-HRM will be a key part of improving efficiency, cutting costs, and ultimately facilitating a shift in the HRM role to a more strategic level [2]. In other words, e-HRM, in theory at least, enables the HRM departments of MNCs to analyze and store data to increase the flow of workforce information as well as enabling the devolution of many routine administrative and compliance functions traditionally performed by corporate HRM departments [1–3]. In this respect, e-HRM to some extent operates as an alternative to the outsourcing of transactional HRM tasks where IT has the potential to enhance the contribution that HRM makes to the company’s strategic aims [4].

The e-HRM literature is still at an early stage compared to either the general information systems (IS), the technology, or the strategy literature [5]. This is especially apparent when discussing e-HRM in MNCs. Firstly, research has neglected important features of the MNC headquarters (HQ)–subsidiary relationship during e-HRM implementation. For instance, Sheu et al. [6] suggest that these relations are even stronger when enterprise resource planning (ERP) is implemented across multiple facilities with national differences. Multisite ERP implementation costs more and fails more often due in part to organizational and individual issues. The political aspect is apparent when the MNC HQ’s drive for isomorphism is undermined by the ability of other actors to pursue divergent interests. According to Mense-Petermann [7] in such negotiations, the actors’ advantage often derives from exploiting differences between the national business systems in which the MNC operates. While domestic applications have to deal with only one culture and nation, cross-border applications have to balance local issues against the requirements of international coordination. With this in mind, this chapter aims to answer the following questions from an e-HRM vendor consultant’s point of view:

1. What are the micro-political issues and conflict areas in e-HRM implementation?
2. How does the institutional environment affect e-HRM system implementation?

The next section focuses on defining e-HRM in the MNC setting and then discussing what the literature has to tell us about the role of actors, conflict areas and the resources used by those actors during implementation, and setting that in the context of institutional theories by combining the theoretical foundations of micro-political view and institutional theory. We then apply that analysis to a specific case and draw conclusions.

## 1.2 Defining e-HRM in the MNC Setting

In general, e-HRM has been defined as an enterprise-wide strategy that uses scalable, flexible, and integrated technology to link internal processes and knowledge workers directly to the business objectives of the organization [5].

There is no common agreement on terminology [8–10], but the following definition suggested by Bondarouk and Ruël [1] is the most exhaustive and broadest definitions in use at the time of this study and encourages more focused discussion of e-HRM. Bondarouk and Ruël [1] define e-HRM as an “umbrella term covering all possible integration mechanisms and contents between HRM and Information Technologies aiming at creating value within and across organizations for targeted employees and management” and suggest an integration of four aspects and recommendations for researchers:

- **Content of e-HRM:** It concerns any HRM practices that can be supported with IT, either administrative or transformational; it also concerns any type of IT that can offer support for HRM, either Internet, intranet, or complicated ERP systems. Research is needed to clarify the match between a type of IT and the type of HRM practices.
- **Implementation of e-HRM:** It involves the process of adoption and appropriation of e-HRM by organizational members. Research should explore judgments of the success of e-HRM implementation.
- **Targeted employees and managers:** HRIS was primarily directed toward the HRM department yet, by the turn of the century, line management and employees were actively involved in using e-HRM applications. Modern e-HRM broadens its target and goes beyond the organization’s borders to address the needs of all stakeholders. Research should focus on specific stakeholder groups.
- **Consequences of e-HRM:** Alongside the discussion on value creation and value capture [11], Bondarouk and Ruël [1] stress a multilevel perspective which means that either an individual employee or an HRM professional, the whole HRM department, organization, or a net of several organizations is willing to exchange money for the value received from e-HRM. Lepak et al. [11] also note that the monetary amount exchanged must exceed the producer’s costs (time, training, effort, money, meetings dedicated to e-HRM projects), and it is approximated as a delta between new value (like freedom from HRM administration or less paper work) and the users’ alternative.

However, this definition does not include an international dimension and since this chapter focuses on international e-HRM, particularly the MNC context, we add a fifth, international aspect to this definition:

The international aspect of e-HRM: When e-HRM acquires an international aspect, a broader perspective will be necessary to assess multiple, complex e-HRM activities. According to Dowling [12], the key variable that differentiates domestic and international HRM is the complexity of operating in different countries and employing and developing different nationalities as employees. For e-HRM, going international means paying attention to political, legal, cultural, linguistic, and economic forces that have implications for e-HRM practices across countries and also to international e-HRM implementation and use in MNCs.

### 1.3 e-HRM Implementation in MNCs

The complex international environment has its own implications for HRM systems' implementation in MNCs [13] where e-HRM systems force MNCs to think through the interconnectedness of their different functions in terms of information and processes [6]. Even though IS has the potential to push HRM into global integration and to support MNC's international strategy, MNCs are also forced to debate choices between central governance and local autonomy in HRM. Sheu et al. [6] note that larger firms prefer decentralized modes of corporate governance over their subsidiaries through enterprise-wide systems such as ERP, partly because there is a pressure to gain legitimacy in the environments of each of their subsidiaries [13]. This is a different approach to that of Tixier [14] and Ruël, Bondarouk & Looise [9] who presented evidence on MNCs use of e-HRM to standardize HRM policies and practices.

Research on e-HRM implementation in MNCs has identified a variety of barriers and challenges that affect the implementation process. For instance, Beamish et al [15] identify cultural resistance and individual end-user motivation as barriers and suggest that the other challenges are low level of awareness and lack of training, although Voermans & Van Veldhoven [16] found that the extent of knowledge of IT did not significantly influence attitudes toward e-HRM implementation. Tansley et al. [3] demonstrated that e-HRM had a limited impact when those involved in the implementation had a limited view of its potential. Other challenges included the "silo mentality" of the process owners, independent mapping of HRM processes between different business areas, and the lack of support available to the HRM team responsible for implementation.

In addition, Olivas-Lujan et al. [8] found that developing countries faced more challenges with e-HRM than companies operating in more developed countries. To support this, Rao [17] found that the challenges of e-recruitment in the emerging economies of India and Mexico were an undeveloped infrastructure and the impact of personal interactions in these collectivist cultures. By contrast, Olivas-Lujan et al. [8] argued that a global business environment creates an external pressure to improve HRM cost efficiency and that the strategic role "trumped cultural preferences for HR's activities".

IT process standardization in MNCs is generally perceived to be beneficial by the IT community as it minimizes the duplication of software development and increases the connectivity of systems and the ability to exchange data. In addition, it helps achieve economies of scale and reduces the support headcount [18]. Indeed, it seems the IS literature tends to consider the MNC as a homogeneous mass rather than a heterogeneous group of subsidiaries. According to Burbach & Royle [19], Heikkilä [20, 21], studies of e-HRM in MNCs also often adopt this view [19].

Ruta's [22] case study describes the transnational challenges that arise when an MNC attempts to implement an HRM portal and illustrates the ways in which change management plans may need to be locally adapted to be effective in various subsidiaries. Local adaptation affects the use of HRM employee portals in

subsidiaries, even if there is a strongly aligned corporate culture. Ruta [22] acknowledge that implementing an HRM portal in an MNC is a complex process, requiring MNCs to manage both significant changes for the employees and technical challenges for the organization's project installation team. Although technical installation challenges can arise, it is the human challenges associated with change that make the difference during the implementation phase of e-HRM.

Indeed, another important area in implementation is the relational context, which concentrates on HQ managers' attitudes toward subsidiary staff and how dependent the subsidiary is on HQ resources [23]. In this context, subsidiary HR managers need to balance the possibly conflicting interests of HQ and the subsidiary [13]. This dynamic micro-political interaction works both ways so actors view things through their own unique set of perceptions.

Summarizing the research to date, we can suggest that e-HRM implementation is a multilevel phenomenon in MNCs, which requires constant analysis of the institutional and micro-political environment since organizations are socially embedded in their context. However, it seems that none of the e-HRM studies to date identified the actors in micro-politics or the conflict areas, including institutional pressures and how actors respond to them during the implementation process, from a vendor consultant's point of view, which is what we do next.

### ***1.3.1 The Role of Consultants in e-HRM Implementation***

Some work on e-HRM, by Heikkilä [21] and Smale and Heikkilä [24], investigated the subsidiary HRM point of view on implementation and found vendor consultants played a critical "dual role" which included presenting their own interests and the HQ interests against subsidiary HRM arguments during the conflicts on standardization.

We know very little about the role of e-HRM consultants even when there is evidence that they are numerous [25]. It is argued that use of consultants makes managers look more professional and knowledgeable [26] and assists in analysis of the business needs, recommending suitable software and managing the implementation [25]. Experienced senior consultants can use their expertise to forecast and prepare against possible challenges, although Kubr [25] notes that the final responsibility over the decisions should still be in the hands of the client. Conflicts arise when the client and the consultant have different opinions on what is required in the task [26]; however, consultants can help clients to network with the right key players for the project and help in planning the implementation [26].

This role between the client and the supplier has generated a new business model, where consultants are simultaneously serving the client *and* the supplier when recommending and selling possible technology solutions [25, 26]. Furthermore, Smale & Heikkilä [24] found that consultants in e-HRM implementation negotiations can be simultaneously serving HQ interests and their own agenda without the knowledge of local constraints. A lack of HRM knowledge gave

subsidiary HR managers power in system design negotiations. On the other hand, Rupidara and McGraw [13] argue that consulting firms are powerful influencing forces in institutionalism through providing services that utilize their standard, branded tools, and frameworks and sometimes use managers' lack of knowledge to sell currently hyped management tools [26]. The result is consultants pushing the same kind of solutions to each client, eroding the possibility of acquiring a competitive advantage through e-HRM [1], and promoting institutional isomorphism. Hence, Kubr [25] warns that in e-HRM projects organizations should prefer specialist HRM consultants over IT consultants, since the latter in many cases recommend software that is too sophisticated and expensive compared to the needs of the client.

## 1.4 Theoretical Approach

This section presents the theoretical assumptions adopted in this study. Firstly, we introduce the concept of micro-politics, then we examine institutional theory, and finally we combine these approaches.

### 1.4.1 *Micro-Politics*

According to Forsgren [27], MNCs are political systems where power games and political influence over decision making are useful in explaining the nature of internal processes. Compared to the dominant economic and deterministic approaches to studies of MNCs, this kind of sociopolitical dimension of managing MNCs has been largely neglected in the international business literature [28, 29] and especially in the e-HRM literature. Edwards et al. [30] criticize studies in the field of HRM in MNCs for not focusing clearly enough on how HRM practices become established in foreign subsidiaries and the roles played by the various actors in the integration process.

The micro-political approach focuses on “how actors seek to protect or advance their own interests, the resources they use, and the resolution of conflicts” [30]. Organizational micro-politics has been defined in general terms as “an attempt to exert a formative influence on social structures and human relations” [31], but is suggested more specifically to focus on “bringing back the actors and examining the conflicts that emerge when powerful actors with different goals, interests and identities interact with each other locally and across national and functional borders” [31].

The question of where decisions on organizational structure, production policies, and work organization are made is of primary importance to this perspective (e.g., [32]). MNC processes are no longer considered as homogeneous social systems or hierarchies, but are seen as “political arenas”. The merit of this research stream is that it contributes to knowledge of internal MNC processes and their connection

with local strategies. Simple “convergence theses” are rejected [33] in the search for explanations of how and why organizational structures and the strategies of local subsidiaries diverge from the master plans of corporate HQ [7].

This chapter illustrates that an exploratory micro-political approach is appropriate in understanding e-HRM for the following reasons. First, we note that the e-HRM literature does not acknowledge how actors shape the reality of corporate mechanisms and does not define how the adoption of e-HRM practices proceeds throughout the MNC [29]. Second, e-HRM implementation in an MNC presents an opportunity to study what must be standardized versus what must be locally adapted and why. Finally, as e-HRM implementation in MNCs requires the parties involved to negotiate the system content and processes, which might encapsulate the full range of the MNC’s HRM, this presents a unique opportunity to study and understand the actors and what conflicts arise during implementation and what resources are deployed during negotiations.

#### **1.4.1.1 Actors**

As suggested, the micro-political perspective is used to analyze interaction at the level of individuals, groups, or organizations. Political processes at these levels are not independent, but multilayered and interdependent [34]. HQ HRM specialists, subsidiary HRM specialists, and consultants all play a role [24]. And key subsidiary managers have a vital role in intra-firm competition as boundary spanners, they form coalitions with inside and outside stakeholders of the MNC to improve their opportunities and performance [34]. This duality of interest between HQ and subsidiary can be challenging for subsidiary managers since interests are sometimes conflicting. These actors are not just bound by the institutional and structural constraints of an organization, but are also considering their personal interests, like gaining power or enhancing career development, or are driven by personal identity construction or group dynamics [31]. Thus, members of organizations are simultaneously cooperators and rivals. From the actor’s perspective, the crucial question is always what is at stake in a given power relation and what resources can be employed in the relationship. To analyze this, we use [34] interest conflicts and conflict responses propositions.

#### **1.4.1.2 Interest Conflict of Actors**

Bondarouk and Ruël [1] note that different users have divergent views on the usefulness of e-HRM and remind us that within the broad categories of managers, employees, and HRM professionals, there are subgroups with varying interests, which can result in conflicting interpretations. This realization of new information can, with the help of collaborative leadership, facilitate organizational change [35]. Power is socially dependent and power relationships exist only as long as actors

need each other for achieving their own interests [34]. Alternatively without a cooperative effort, politics can distort and restrict information flows.

Dörrenbächer and Becker-Ritterspach [34] argue that in situations where responsibilities are shifted from one subsidiary to another, for example, intense strategic interactions are triggered and conflicts escalate. Actors try to develop a shared understanding through assuming that various interests are served best by embracing conformity and obedience to authority, controlling conflict, and sometimes reducing or resolving it through collaboration in decision making [31]. Thus, Marler and Fisher [36] note that a conflict of interest between management and employees can alter the intended effect of IT implementation.

#### **1.4.1.3 Resources Actors Use**

From this point of view, micro-political conflicts and game playing focuses around the control of scarce resources such as for example money and capabilities (skills, knowledge, and processes) that certain people control [31]. For example, the consultants lack of HRM knowledge gave subsidiary HRM managers an edge in system design negotiations [24]. Individuals can work together to achieve their objectives. Behind these alliances of resources lies the combined self-interest of persons. In this context, the level of power one has is measured by the degree to which the individual is able to access, protect, and control scarce resources [31]. Dörrenbächer and Becker-Ritterspach [34] note that the existence of these resources has to be acknowledged by other parties before one can gain more power. A critique of the micro-political view, Mense-Petermann [7], suggests literature on “conflicts in MNCs may foster the impression that micro-political conflicts are conflicts between HQ and subsidiaries while inter-cultural conflicts are conflicts that occur in face-to-face situations between local employees and expatriates”. As Mense-Petermann goes on to point out, actors, as well as their power resources, are socially constructed, so institutions play a crucial role in international e-HRM activities.

### ***1.4.2 Institutional Theory***

In the international HRM literature, a central “institutional issue” is the standardization/differentiation dilemma. MNCs want to standardize globally HRM processes they have had positive experience of [37]. They believe standardization offers economies of scale, increased coordination, or higher service quality [38], which are typical goals for e-HRM adoption. Parry et al. [39] suggest that there might be an ethical dimension to standardization with, for example, the establishment of systems to guarantee minimum labor rights or ban the use of child labor in all the national jurisdictions where the firm operates.



Institutional theory assumes that organizations are influenced by socially constructed beliefs, rules, and norms. According to DiMaggio & Powell [40], organizations are pressured by their institutional environment, which demands they seek legitimacy and recognition by adopting acceptable structures and practices. Scott [41] proposed three institutional pillars influencing organizational practices: the regulatory, the cognitive and the normative, and Kostova [42] found that these three will exert different effects in different countries. The regulatory dimension reflects the existing laws, regulations, and rules in a particular national environment that promote certain types of behavior and constrain others; the cognitive dimension (e.g., interpretations and frames of thought) constitutes the nature of reality and the frameworks establishing meaning; and the normative dimension (e.g., values and norms) focuses on the values and norms held by individuals in a given country. Cognitive and normative dimensions may be related to national culture. Cognitive and normative institutional processes unfolding in the local context may play important roles in explaining the patterns of HRM practices in different locations [43].

The institutional approach has been criticized by Ferner et al. [44] among others, who suggest that it mainly focuses on host-country factors and neglects the complex conditions affecting home- and host-country interactions. Nevertheless, institutional theory has been tested in a range of empirical studies on HRM in MNCs in a variety of geographic contexts including the USA, Europe, and China [45, 46] and can make a significant contribution to the debate on standardization versus localization in general.

In general terms, this discussion has suggested that institutional factors may compel a MNC to adapt its e-HRM practices locally; however, there seems to be no discussion on the standardization and local adaptation of e-HRM in subsidiaries of an MNC. It seems reasonable to assume that e-HRM practices in MNC subsidiaries are influenced by these institutional factors. However, such factors will likely include those that shape the social context for IT as well as HRM; therefore, the inclusion of a micro-political perspective in the institutional approach becomes relevant.

To date, the e-HRM literature has mostly assumed that unilaterally imposed e-HRM practices will be adopted by subsidiaries in the same manner in which they were intended by an MNC HQ, even though, as the above discussion illustrates, this is unlikely to be the case. This chapter pulls these approaches together and argues that we need to consider both institutional and micro-political issues linked to e-HRM implementation since organizations and individuals are both socially embedded.

### ***1.4.3 Combining the Micro-Political and Institutional Approaches***

Institutional theory lacks the ability to describe the complexity of social processes and the micro-forces affecting the adoption, where subsidiaries are sometimes able to resist HQ pressure [13]. However, the micro-political perspective is not enough

either since MNCs, subsidiaries, and human actors are integrated in their social environment and constrained to some degree by institutional forces. Actors thus are trying to build internal and external fit for the system under institutional pressures within dynamic environments [13].

e-HRM implementation needs to be approached in a unique manner and created in social process if it is to have influence in the creation of competitive advantage; this gives it path dependency and hence makes it very difficult to imitate [5, 13]. Since the e-HRM process is social and, as Kostova & Roth [47] argue, MNCs are themselves institutional environments, social actors within the MNC use their power and political skill to enforce institutional settings favoring themselves. HR managers are constantly involved in coping with and interpreting conflicting individual interests and institutional pressures during e-HRM implementation [13]. The process demands constant negotiations, compromises and restructuring to be successful. Hence, this study unifies these two perspectives together with the empirical setting which now follows.

## **1.5 Empirical Setting**

The qualitative empirical evidence comes from a single case study in a Finnish e-HRM software solution and implementation consultancy provider.

### ***1.5.1 Research Approach***

As suggested, e-HRM is at an early stage of development as a discipline and there have been frequent calls for more qualitative and theory building research [10]. In general, case studies are the preferred method for this especially when how and why questions are being used; the investigators have little control over the events, and when the focus is on contemporary phenomenon in a real-life context [48]. Ferner et al. [44] argue that emphasis on processes favors an in-depth case study approach, especially when the aim is to investigate the dynamics of bargaining processes within MNC context.

### ***1.5.2 Case Company Presentation: Sympa Ltd***

Sympa Ltd (see Table 1.1) was established in 2005 and is a Finland-based e-HRM software and service provider. Currently, the company employs around 40 professionals and revenue growth in the past five years has been 617 %, with a position of a market leader in Finland among online-based e-HRM software solutions. Sympa operates a software-as-a-service model (SaaS), and according to

**Table 1.1** Sympa Ltd

## Sympa Ltd facts in brief

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–e-HRM software and service provider
–Number 1 in SaaS—solutions
–Established in 2005:
–Sympa HRM (SaaS—model):
–Offers service for the whole HRM lifecycle
–Financial performance:
–617 % revenue growth in past five years
–Owned by operating management

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company documents, the system is able to respond to the customer needs during whole HRM life cycle from recruitment to the ending of the employment relationship. Sympa Ltd provides services for around 200 companies and has more than 60,000 user profiles in its system. Operating management owns the company.

### 1.5.3 Research Process

The data were collected via face-to-face interviews with the consultants and managers in the case company facilities. Additional material was gathered from Sympa's Web site. Interviews were conducted with eight persons, including both system consultants and managers (see Table 1.2).

According to company documents, Sympa's e-HRM system is a solution where each HRM process forms its own independent partition/module. Each module can be taken into the system as a single entity or a part of a complete system based on customers' requirements. The marketing material presents that this system, with its pre-made applications and possibility for customization make the introduction of the software cost-efficient and flexible for the potential customer organization.

**Table 1.2** List of interviewees

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#	Interviewees	Role	Duration	Consultancy experience
1	Interviewee	HR system consultant	33 min 34 s	One year
2	Interviewee	HRM system consultant	19 min 57 s	One year
3	Interviewee	HRM system consultant	36 min 56 s	Six years
4	Interviewee	HRM system consultant	24 min 48 s	Seven years
5	Interviewee	Service manager integrations	18 min 31 s	Unknown
6	Interviewee	Sales manager	31 min 20 s	Less than one year
7	Interviewee	Account manager	48 min 16 s	Over a year
8	Interviewee	Service director	35 min 16 s	Three years

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## 1.6 Results

### *1.6.1 Actors and Roles in the e-HRM Implementation Process*

In general, the consultants' role was defined to be simultaneously the system expert and the supplier's project manager. Respondents suggested that in the early stages of implementation projects, it was critical to get the client to understand the importance of preparation in terms of HRM processes, procedures, and training personnel.

We cannot go there and simply push a button to make the HRM system work for them. The project also requires work from their side (Service director).

Because the system is a tool for HRM specialists and line managers, it requires clients to adopt and implement new sets of HRM strategies. Consultants indicated that they have a "change agent" role, which included being able to analyze the gap between present and intended process states in order to offer "best practice" solutions, from the vendor's perspective. These best practice solutions tended to drive homogenization, this was evident especially if the client was lacking an expert who has past e-HRM implementation experience. Interviewees argued that the change agent role:

is essential for the project. In my opinion even if there is a same customer and the implementation would be run by two consultants separately the system would look different since consultants can influence the final outcome a lot (HRM system consultant).

Even though we have generic models where to start and best practices, the outcome depends on the personal preferences of the consultant, some prefer certain solutions over others and suggest them to customers more eagerly (HRM system consultant).

In addition, collaboration between the client's and vendor's technical staff was seen as critical as the system is not an off-the-shelf product; implementation involves a lot of consulting.

The consultant is a vital piece of a puzzle in terms of knowing the system functionalities and its possibilities, but cannot do anything solely independently as it is ultimately teamwork (Account manager).

It was suggested that during the implementation, the consultant and the customer's project group constantly evaluate and improve the original implementation plan in workshops when the project progresses. The consultants' role was extended to be a communication manager, who is responsible for describing the different options with their upsides and downsides, thus recommending the best solutions:

We participate in the conversation during workshops and offer best options from the system's perspective (HRM system consultant).

The responsibility to make the decisions was agreed to be in hands of the client; however, in many integration situations, the client did not have the required IT or HRM competence to define the system specification correctly, so the consultant's role was even more important: being an agent who has a deep understanding of the integration capabilities and technical possibilities:

The consultant is the one who knows the system, its capabilities, and should be able to sense what the customer tries to get from the system. Then find out how their HRM process works currently and suggest the best approach in terms of their HRM process and the system functionalities (HRM system consultant).

Consultants are foremost seen as supplier's project manager. Sometimes it is good to know when to agree with the customer and when to say that it is a good idea, but in this instance it does not work (Sales manager).

It was common to find that the client's project manager had an HRM background though IT managers were represented in the project team. The team usually included also HRM generalists, salary personnel and, in cases where salaries are outsourced, a third-party representative. However, only in a few cases, line managers were involved in the process. The consultants generally recommended keeping the project team size small since the decision making tends to be faster and there were fewer conflicts. These conflicts intensified when the aim was to spread standardized system solution to across all MNC units in different countries.

### ***1.6.2 Causes of Conflicts***

The most common cause of conflict between the vendor and client was misunderstandings regarding the system's possibilities. A root cause for these conflicts was seen to be limited time in the sales phase to demonstrate the system and its functionalities. Also, the cost of integration, especially if it required third-party participation, caused conflicts. Another reason was the lack of IT competence in the project team, causing frustration from the vendor's side, since clients' poor IT skills resulted into an inability to understand issues related to the implementation, such as how to define the system scope efficiently. Time availability also caused conflicts since many members of the client's project team carried out the project side by side with their daily work.

More precisely, the conflicting views about the HRM system features caused arguments between different personnel groups in the organization, where some were seen as more adaptive to change and some were a major obstacle to the implementation. Since the system transfers HRM work toward the line managers, this caused resistance among line management. This type of change-resistant attitude was even more common among the salary personnel, who were often seen as having a narrow perspective on processes and being the least flexible toward the change of processes. The dynamics of the project groups also created crises among the personnel who had purchased the system demanding change, while other

personnel in the implementation phase had a different view on the role of the HRM system. Typically, this was change favoring senior HR management conflicting against operating HRM personnel and salary personnel, who feared losing their jobs when some of their work is computerized.

Legacy systems, and previous or already established IT systems in the MNC, were an additional cause for conflict where e-HRM systems may not be top of the IT priority list. For example, one project team lead by an HR manager, the IT manager tried to “run over” the HR manager on almost all issues. In these situations, the MNC’s IT department is usually very powerful and thus has a substantial influence on e-HRM processes and overall system implementation. However, under normal circumstances, the HR manager was given the authority to make the final call, and in most situations, the MNC’s internal battles were described as being over before the implementation starts. According to a sales manager, the best-case scenario is when the HR manager is able to make decisions regarding adaptation of HRM processes to the HRM system’s way of operating, “on the fly” without consulting others:

HR management or whoever is responsible for the project, have the blessing of top management to adopt the HRM system and therefore have legitimacy to make certain decisions and in extreme cases have the power to exclude a troublesome entity out from the project team during the decision process (Service manager—Integrations).

There was strong evidence of power games in situation where HQ desires to control HRM information and push the system through to the MNCs country unit level. The level of conflict depended on how much influence HQ has over the country units or whether the country unit had a strong HRM representative, who tried to drive resistance toward change. Overall, it seemed that negotiations were at the same time restricted and shaped by their social and institutional environment, a topic to which we now turn.

### **1.6.2.1 Institutional Environment Conflicts**

Respondents indicated that country-related regulations have a major influence on implementation, since clients desired to build the HRM system to match their requirements, for example, for collective labor agreements. For the system, this meant generating reports that were needed to fulfill the requirements of specific country legislation. It was commonly agreed by interviewees that legislation shapes the HRM system and its implementation and that the amount that regulation influenced the implementation depended on which HRM functions were being supported. For example, labor agreements commonly generated conflicts since these agreements vary between countries, resulting in payroll systems that differ between units. Since payroll systems are the most common system that was integrated with the vendor’s system, these integrations had to be built to support the differences between countries. Another area for concern was the information security and privacy issues. The principle for the vendor was to handle these issues

through contracts guaranteeing that the personnel data in the system were stored in a highly secure manner and this was seen as a top priority. One of the consultants expressed the seriousness of this issue by saying that “we would not have any business if these matters would not be in order”.

It was commonly suggested that usually HQ wants more control over its subsidiaries via the system. One motivation for introducing the system was to improve reporting and as a result to standardize e-HRM processes as much as possible, within the limits of local legislation. The personnel involved in international projects were seen as more professional than national teams. More precisely, the experience and competence from previous implementation projects were seen to result in fewer attempts for personal gains during the implementation.

Overall regulative institutional environment gave power for subsidiaries to resist the forthcoming change. Regarding customized software, one of the consultants argued that:

usually it is one system for the whole MNC, but we also have cases where in each country there is a separate customization due to institutional differences (HRM system consultant).

The negative issue of this approach was that HQ was unable to produce unified reports from subsidiaries which diminished the system potential to enable more efficient communication among MNCs units.

In addition, working habits and perceptions about how daily work was done and has been done were so deeply infused that doing things in a new way became difficult in some instances. This was the case when the new system forces the company to do HRM in a certain specific way and, as a result, this created many challenges and much time-demanding discussion. Customs can also change the project scope since in many cases the original idea had been that alongside the HRM system implementation, HRM processes will be modernized; however, during the process, this turned out to be impossible since the customer decided they prefer the old habits. In these cases, the HRM system faced pressure to be aligned to support these old habits. For example, it was generally agreed that when doing business with “silo” MNCs, regardless of size, comments that “this is the way we have always done these things” were common. Customs caused conflicts in system access rights policies, since system users could not change their passwords by themselves; and in restricting data availability, for example by not allowing a new manager to access previous development discussion materials. A specific example of this was that HRM department personnel was allowed to see salaries, but not the salaries within their own team. Finally, language was mentioned as bringing additional challenges to companies in implementation projects since many of them still have problems in enforcing HQ’ HRM policies in foreign subsidiaries and with respondents, suggesting that language difficulties were part of the cause similarly to Heikkilä & Smale [49].

### ***1.6.3 Resources and Responses Used in Conflicts***

Conflicts were most severe in situations where the project team included members who were emotionally attached to the old legacy system and desired to transfer its functionalities and logic to the new system. Most consultants believed that once this became reality, it was better to stop the process and try to give guidance for the decision making. Implementation time also caused conflicts, either because the other tasks of the client's HRM specialists slowed the process or because clients wanted the consultants to accelerate the process, and tried to use customer status to pressure consultants. This was dealt with by pointing out that additional consultant time came with additional costs. In some occasions, new members from outside the customer's project team were introduced as an expert in a certain process and this further caused confusion and conflicts as new members were seen to criticize previous decisions thus slowing the process.

As Marler and Fisher [36] suggested, conflicting interests between HR management and line management can have an effect on system implementation.

in the worst cases HRM looks on things and says that our line managers are not going to go with this or are not willing to use the new process/system, which instantly reveals where the power is (Sales manager).

In the literature, alliances were suggested as a response for a conflict situation; however, the interviewees had not experienced any alliance building during implementation projects, perhaps due to the short nature of sales projects based on the SaaS technology.

These projects are so short that no such thing can have enough time to form during these projects (Sales manager).

In situations where the consultants believed the client was not well prepared for the change in advance or the required HRM processes had not been thought through beforehand, the consultant invited system stakeholders to discuss the best solution in workshops. During workshops which attempted to solve conflicts, personal relationships within the project team could also cause delays. This became evident if the person responsible for HRM left the organization in the middle of the project. The consultants' views on taking part in these decisions were mixed:

We prefer not to take any part in company's internal issues or to be present in these situations since it is a waste of our time (HRM system consultant).

Where another consultant said:

In conflict situations I tend to be the negotiator from the system perspective and reassure each party on the benefits of certain approach and give confidence that the outcome will be functional and satisfying (HRM system consultant).

Finally, in some rare cases, conflicts lead to delay or even total cancellation of the project:



Our client had understood our systems functionalities incorrectly and even though we tried to find an acceptable solution for the problem during the implementation phase, it was impossible and we ended the project, in cooperation (Service director).

## 1.7 Discussion

The focus of this chapter was in the institutional and micro-political perspectives on e-HRM implementation from the vendor consultant point of view. Hence, we have considered the e-HRM phenomenon in general, with the particular focus on the MNC context e-HRM implementation, the role of the e-HRM consultants and applied an institutional theory and micro-political view.

Even though the existing literature [13, 31, 34] indicates that micro-politics are continuously present in MNCs, this study's findings suggest that micro-politics do not appear to be evident to the e-HRM consultants. Therefore, the majority of micro-political conflicts must have been occurring before the actual e-HRM implementation project (at managerial level) or in between the workshops (among HRM and IT personnel) or after the implementation (among system end-users). Since the e-HRM consultants mostly dealt with the HRM specialists, their views are somewhat limited and they were not able to witness the full scale of resource exchange relationships indicated by Dörrenbächer and Geppert [31]. However, some micro-political conflicts emerged from the data. For example, *variations in perceptions*, especially between the sales and implementation phases, were suggested to cause most of the conflicts in projects. Within the MNCs, the power games were one-sided: HQ's desire for system standardization prevailed and only personally strong subsidiary managers were seen to be able to resist the forthcoming change [cf. 31, 34].

Issues regarding resource dependency [31, 34] such as the *lack of expertise in IT* among HRM professionals and *strong opinions* resulted in some conflicts; however, the IT skills of young professionals presented a chance to grasp a role with more power and influence than formally was allowed. In addition, actors solved the conflicts with different approaches either by giving authority to do a decision to a single actor, excluding rebellious elements from the decision-making process, negotiating acceptable solutions where alliances are tested, or finally relying on the consultants' expertise and experience. In this case, at least the consultants were unable to see alliance building within the limits of e-HRM projects. On the other hand, one group of employees (the salary personnel) seemed to be more active in conflicts than others. Since some of these employees managed to resist the intended change (supporting the view of Marler & Fisher [36]), it seems that organizational micro-political context is unique within organizations: power distribution is context specific. Hence, it can be argued that the level of conflicts in e-HRM projects depends on the power distribution within the

organization, particularly on the power of the project team and how these actors involved are able to take advantage of it.

The second issue for this chapter was to study how the *institutional environment affects e-HRM system implementation* [40, 47]. The case study suggests that MNCs are using standardization to push subsidiaries into homogenization, but also identifies institutional forces acting in the opposite direction. With this in mind, suppliers and customers must identify and comply with laws and customs in e-HRM projects and notify the implications that legacy systems and system integrations create. This is coercive isomorphism. Mimetic and normative isomorphism [40, 47] through selling “popular” solutions opens opportunities for e-HRM system suppliers to enhance their sales, but it is worth noticing that different consultants offered different solutions, thus pushing away from institutional isomorphism, in contrast to Bondarouk & Ruël [1] argument that e-HRM consultants usually offer identical solutions that erode the possibility of a competitive advantage through e-HRM.

When combining these elements, the institutional environment supported with the organizational micro-politics, this chapter suggests that both environments have an influence to the overall e-HRM implementation process and its outcomes. Although consultants actively participate in system negotiations, hence being the key actors in e-HRM system implementation processes, they still are participating in the process as third-party actors, with a limited view of the organizational realities that exist in the background.

### ***1.7.1 Bringing e-HRM into the MNC Setting***

This research was interested in the e-HRM phenomenon from the micro-political and institutional perspectives. e-HRM consultants were chosen as source of information to help us contribute to the theoretical discussion on these areas.

According to previous research and results of this study, institutional and organizational micro-politics are present in MNC’s decision making even when, in some cases, these forces remain hidden. e-HRM implementation is no exception and with this in mind, this study presented and empirically tested a framework which combined elements from both institutional and micro-political views which was originally suggested by Heikkilä [21]. Based on the empirical results of this study, it can be argued that the institutional environment forms the boundaries and the micro-politics form the context for the e-HRM system implementation.

During implementation, the consultant’s role included offering their expertise to identify issues regarding the stages of implementation and to pace the progress according to the MNC’s capabilities to absorb the forthcoming HRM changes. In many cases, consultants seemed to affect the chosen e-HRM strategy by revealing the e-HRM possibilities to the client, who then makes a decision whether these possibilities fit with their desired overall HRM strategy. Furthermore, consultants seemed to influence the MNC’s e-HRM architecture by recognizing relevant

customer needs, the present state of HRM processes and procedures and then reflecting these issues back to the client in terms of the system's flexibility and functionality. As a result, the consultants' role is arguably strong, as in many cases the organization's HRM specialists suffered from lack of understanding the e-HRM implications.

To conclude, the main critique in the field recently has been that studies in this field suffer from a lack of theorization and this is evident especially within the MNC context. With this in mind, this chapter contributes to the theoretical discussion by combining the micro-political and institutional approaches and tests this approach empirically. The results of this study emphasize a more intuitive perspective and focus on the role of key actors and use the institutional view where institutional pressures influence the e-HRM implementation. In line with Rupidara & McGraw [13] and Heikkilä [21], this chapter suggests using the experience of actors in an attempt to blend the micro-political perspective and the institutional perspective being particularly fruitful. Adopting only the micro-political view underestimates the effects of various institutional logics and mechanisms upon the actors where overemphasizing the deterministic influence of institutions discounts the actions of the actors. This chapter argues that by combining these theoretical approaches, we can more accurately represent the multiple and layered factors of influence which shape the reality. Such combination will advance theorization and researching of the outcomes of e-HRM implementation in MNCs.

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