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Managing HR in Multinational Companies in Ireland: Autonomy, Coordination and Control.

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Introduction

Ireland is one of the world's most foreign direct investment (FDI) dependent economies. This research project addresses patterns of influence and control in multinational companies (MNCs) in Ireland, with particular emphasis on policy and practice in the areas of human resource management (HRM) and employment relations (ER). It seeks to establish the degree of influence and the extent of discretion of the Irish operations within the overall corporate framework of multinational corporations (MNCs). Are managers in these foreign-controlled MNCs simply executors of HR and ER strategies conceived and created at higher levels, or do they play a more strategic role, with autonomy to adjust HR and ER strategies and policies to the local context, and to change and develop the mandates for their firms beyond those initially envisaged at corporate level? It also, uniquely, focuses on Irish-owned MNCs that have established international operations and the autonomy afforded to these foreign subsidiaries by the Irish headquarters.

In HR and ER, as in most other management spheres, the approach adopted by MNCs may range from reliance on the application of standard policies across operating units in different countries, to allowing extensive local autonomy to national management teams to develop their own HR/ER policies and practices. Standardisation is regarded as optimal where MNCs engage in similar activities in different countries, while local autonomy may best apply where the nature of a MNCs' activities in different countries vary considerably (Edwards and Zhang, 2007). Of course there are also intermediate possibilities, which concurrently seek to achieve elements of both centralisation and devolved autonomy (Edwards et al., 2007). An example might be the utilisation of broad policy frameworks that map out general guidelines but allow for local autonomy with respect to implementation and execution. We also know that MNCs can change their stance over time, involving either an increase or decrease in local managerial autonomy. For example, a recent case study investigation found that the Irish subsidiaries operated with a high level of autonomy but also noted a trend toward greater centralised control from the corporate centre, particularly with respect to the monitoring of headcount and greater budgetary control, often related to Irish subsidiary's' move 'up the value chain' (i.e. engaging in higher value-added activities (Gunnigle et al., 2004). By and large, one would expect to find greater local autonomy in HR/ER compared to other management spheres (e.g. production or finance), given that HR/ER tends to be more institutionally embedded and sensitive to particular national characteristics, such as labour legislation, labour supply and trade union organisation (cf. Rosenzweig and Nohria, 1994).

A related issue for companies seeking to apply global policies is the means by which this might be achieved. Scullion and Starkey (2000) differentiate between 'structural' and 'social' control. *Structural control* infers the use of formally constituted international coordinating HR structures, which operate in 'sync' with policy frameworks, and the active monitoring of policy implementation. *Social control* places the focus on managing the culture and values throughout operating units in different countries via a HR network to facilitate exchange and interaction across

borders, most commonly through the deployment of parent country nationals in foreign subsidiaries (cf. Bartlett and Ghoshal, 1989; Harzing, 1999, 2001)

This report has six substantive sections. *Section one* briefly outlines the methodology employed. *Section two* summarily profiles the study population, which is representative of the population of MNCs in Ireland. The next three sections present the main findings. *Section three* examines patterns of standardisation and local autonomy across a range of employment practices, and investigates those factors that account for variation in the overall degree of discretion. *Section four* considers the role of the HR function, specifically the extent to which subsidiary level HR is comparatively autonomous or whether it is subject to control from higher levels in the corporate hierarchy. *Section five* looks at the extent of deployment of expatriate managers in MNC subsidiaries. Finally, *section six* presents some general conclusions.

Section 1: Methodology

This project represents an additional phase to the larger “Employment Practice in Multinational Companies in Organisational Context” study¹. The data were garnered through face-to-face interviews with senior HR practitioners in a representative sample of both foreign and Irish owned MNCs. Given, that our focus was on researching HR; we used an employee size threshold as follows:

1. **Foreign owned:** All wholly or majority foreign-owned organisations operating in Ireland, with 500 or more employees worldwide and 100 or more employed in their Irish operations.
2. **Irish owned:** All wholly or majority Irish-owned organisations with 500 or more employees worldwide and at least 100 employed abroad.

The first key challenge confronting our research team was to identify the MNC population in Ireland, i.e. to source an accurate and comprehensive listing of all MNCs operating there. Given the importance of FDI in Ireland, as well as the country’s comparatively small size, one might expect that a comprehensive list of MNCs might be easily obtained. However, this was not the case with the consequence that our research team had to develop a listing from a number of diverse sources. This proved to be a particularly tedious and painstaking process, involving combing various listings of MNCs, including those of the main industrial promotions agencies (IDA Ireland, Enterprise Ireland etc) and of other organisations (e.g. *Kompass*, *Dun & Bradstreet*, *Irish Times*)¹. This phase took some nine months to complete and gave us a final listing of 491 foreign owned MNCs and 72 Irish owned MNCs - a combined total of 563 MNCs. Table 1 illustrates the ownership breakdown of the MNCs in our population. US-owned MNCs, as expected, are in the majority: 42 per cent of all MNCs in Ireland are US-owned, followed by the UK at 19 per cent, European (EU member states excluding the UK and Ireland) at 18 per cent, Irish owned at 13 per cent, and the ‘rest of the world’ at 8 per cent. It is interesting to note that the numbers of MNCs in services was greater than in manufacturing; 293 of the total population operate in the services sector, 268 in manufacturing, while we had just two MNCs in the primary sector.

Table 1 Population of MNCs in Ireland by ownership

<i>Nationality of MNC</i>	<i>Our listing No. of MNCs</i>	<i>State agencies No. of MNCs*</i>
Irish	72 (13%)	27 (8%)
United States	239 (42%)	193 (59%)
United Kingdom	108 (19%)	24 (7%)
European (excl. Ireland & UK)	100 (18%)	61 (20%)
Rest of the world (ROW)	44 (8%)	21 (6%)
Total	563	326

* Note: these figures include ‘double counting’ of firms.

¹ For a detailed account of how our database was constructed and a more detailed exposition of the methodology employed, see McDonnell, A., Lavelle, J., Gunnigle, P & Collings, D. (2007) “Management research on multinational corporations: A methodological critique”, *Economic and Social Review*, 38, 2, 235-58.

We stratified our total population by country of ownership, sector and size. From our total population of 563 companies, we selected a sample of 423 companies. Of these, 44 companies were subsequently removed from the population due to a) their going out of business, b) not meeting the selection criteria or c) double-counting. This left a total of 379 companies. An additional 37 companies were subsequently added from the residual population to compensate for these losses, bringing the total valid sample of companies to 416.

To assist with the fieldwork, we contracted the *Economic and Social Research Institute* (ESRI). Fieldwork began in Summer 2006 and finished in Spring 2007. A total of 262 interviews (216 foreign owned and 46 Irish owned) were obtained giving an overall response rate of 63 per cent.

In addition to administering our survey instrument, we were also keen to gain qualitative insights on how respondents viewed practice regarding patterns of standardisation and subsidiary autonomy in HR, the role of the HR function and general interaction between subsidiaries and higher corporate levels. We therefore collected qualitative perspectives on these topics from the interviews conducted among 122 of total of 262 interviews (47% of the interviews or 29% of the sample). We then content analysed these responses and used them to inform and contextualise aspects of our survey findings and to help explain particular trends evident from the survey data.

Section 2: Profiling MNCs in Ireland

This summary section provides a context for our subsequent discussion and analysis of autonomy, coordination and control in MNCs in Ireland. It provides some background on the scale and nature of MNCs in Ireland and subsequently addresses the characteristics of such MNCs – in terms of issues such as ownership (country of origin), size and sector.

Scale

According to the latest UNCTAD *World Investment Report* (2006), Ireland is the world's second most "transnationalized" economy. It is also one of the most FDI-dependent, the result of a consistent policy stance of wooing FDI. The United States is by far Ireland's largest source of FDI. Data of the Organization for Economic Cooperation and Development (OECD) indicate that U.S. FDI in Ireland increased by a factor of five over the period 1990-98, while the *Economist* (1997) found that FDI stock from U.S. firms amounted to \$3,000 per head in Ireland, compared to \$2,000 in Britain, \$500 in Germany and \$200 in Spain. The great bulk of this investment is located in a small number of export-oriented sectors, notably electronics, pharmaceuticals and healthcare, software, and internationally traded services. In fact Ireland is one of the largest recipients of FDI for bulk pharmaceutical manufacturing (UNCTAD, 2006). Despite 9/11, the *dot.com* downturn and a more recent pattern of withdrawal of multinational investment from Ireland, manufacturing investment in Ireland in 2004 amounted to some \$10.4 billion (3rd in the world after the UK and Canada) while total US FDI in Ireland amounted to \$73 billion – a figure several times larger than that for China (UNCTAD, 2004). Indeed MNCs now account for almost 50 per cent of manufacturing employment in Ireland (Buckley and Ruane, 2006). However, it is now the service sector which accounts for most employment in Ireland, nearly 66 per cent of total employment are employed in services (Eurostat, 2004). In 2004 the International Financial Services Centre (IFSC) accounted for the majority of FDI into Ireland at €4.4 billion, compared to €1.5 billion for non-IFSC FDI (Forfás, 2006). It is clear that service sector MNCs, heretofore an under-researched terrain, are now of crucial importance to Ireland's economic well-being.

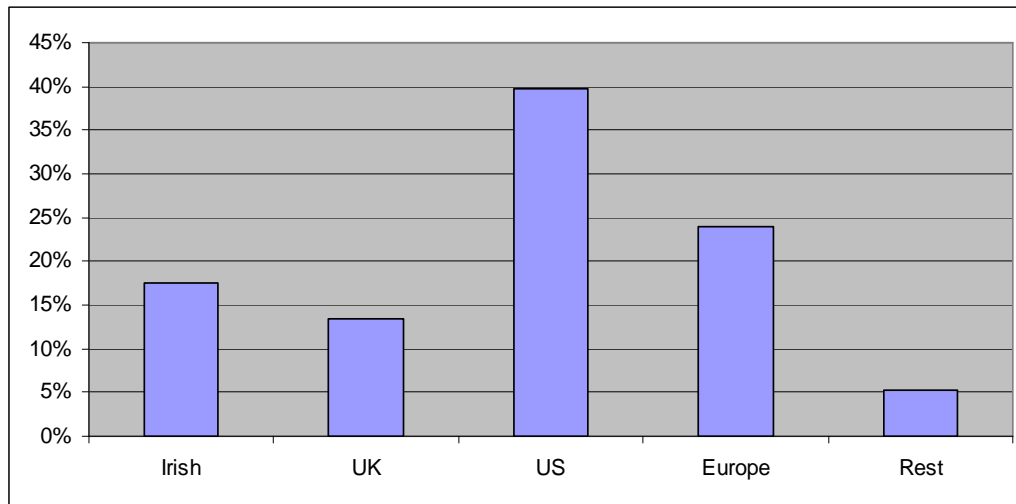
Another critical contemporary development is the surge in outward FDI, to the extent that the scale of inward investment is now more than rivalled by outward investment from indigenous firms. Indeed, outflows have grown more sharply than inflows in recent times, reflecting the increasing number and scale of Irish-owned MNCs (cf. Barry et al., 2003; Everett, 2006). FDI outflows for 2005 stood at \$12,938 million, up 133 per cent on 2003 (UNCTAD, 2006). Interestingly, when you cluster these most recent FDI figures for OECD countries, Ireland is among the group of countries with the second largest level of FDI outflows, alongside Japan, Germany, Canada and Sweden (UNCTAD, 2006). Ireland now has a larger stock of outward FDI as a percentage of GDP than most EU countries, and substantially higher than the EU average (Forfás, 2007).

Profile

Country of origin: Country of origin represents a potentially critical variable impacting on employment practice in MNCs. This stems from extensive research evidence indicating that the traditions and norms of the home country strongly influence the approach of MNCs in their foreign subsidiaries (cf. Ferner, 1997;

Whitley, 1999; Hall and Soskice, 2001). The magnitude of US FDI in Ireland is confirmed by our data, where 40 per cent of respondent firms were of US origin, see figure 1. This pattern is reflected in the parallel Canadian and UK studies, where US MNCs comprise 50 per cent and 40 per cent of the respondent samples respectively (cf. Belanger et al., 2006; Edwards et al., 2007). The next largest ownership group is the rest of Europe (EU member states excluding Ireland and the UK) accounting for 24 per cent of all respondents, followed closely by indigenous firms (18 per cent) and UK-owned firms (13 per cent). The numbers of MNCs originating outside the US and Europe is low at 5 per cent.

Figure 1 MNC respondents by country of origin



Size: The size of the MNC is also likely to impact on the approach to workforce management, particularly in regard to the degree of formalisation in HR/ER and related aspects of employment practice, such as the likelihood of trade union recognition. The size profiles of respondent MNCs are outlined in tables 2 and 3

Table 2 Employment in foreign-owned MNCs

<i>Employment worldwide</i>	<i>% of firms</i>	<i>Employment in Ireland</i>	<i>% of firms</i>
500 – 999	6	100 – 499	61
1,000 - 4,999	17	500 – 999	16
5,000 - 29,999	35	1,000 – 4,999	21
30,000 - 59,999	16	5000 +	2
60,000 +	26		

Looking at the employment figures of foreign-owned MNCs operating in Ireland it is clear that these firms are significant operators in the global business world. Close to half (42 per cent) of these firms employ 30,000 or more employees worldwide. Whilst they may be large employers worldwide, this is not replicated in Ireland with just 23 per cent of foreign firms employing in excess of 1,000 in their Irish operations. Indeed only 2 per cent of foreign firms employ greater than 5,000 employees in Ireland.

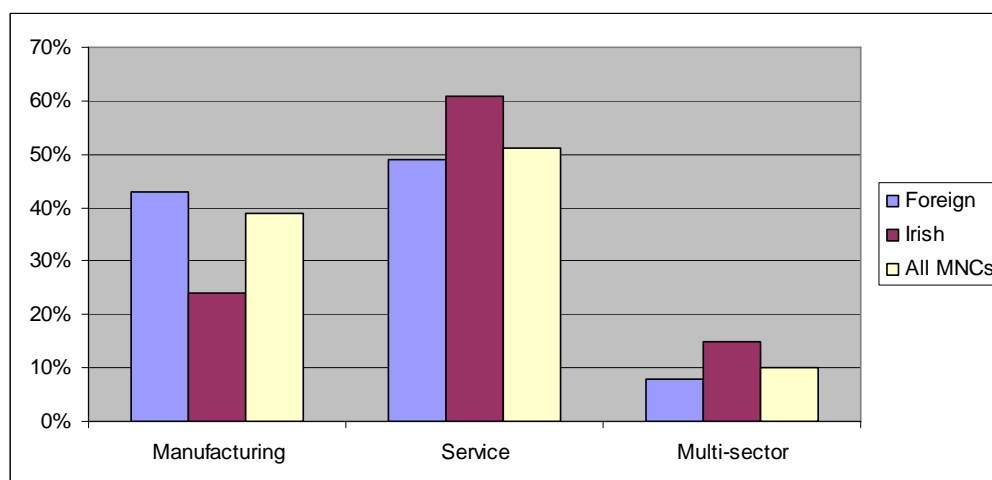
Table 3 Employment in Irish-owned MNCs

<i>Employment worldwide</i>	<i>% of firms</i>	<i>Employment in Ireland</i>	<i>% of firms</i>
500-4999	18	100-499	26
1000-4999	50	500-999	17
5000-29999	30	1000-4999	48
30000-59999	0	5000+	9
60000+	2		

Turning to Irish-owned MNCs, these are clearly very large employers by national standards. Almost two thirds (57 per cent) employ more than 1,000 workers in Ireland, substantially higher than that of foreign-owned MNCs (23 per cent). In terms of worldwide employment, close to one third (32 per cent) employ more than 5,000 people, confirming that there are now a significant number of Irish firms with substantial foreign employment, though clearly not yet near the scale of many of their much larger foreign-owned counterparts.

Sector: The sector or range of sectors in which an MNC operates represents a further important influence on the firm’s approach to workforce management and on the employment practices deployed. Previous Irish research has, for example, pointed to union avoidance approaches being significantly more prevalent in the electronics and software sectors than in pharmaceuticals and healthcare (Gunnigle et al., 2005). The distribution of respondent firms by sector is outlined in figure 2. It should be noted we use the category ‘multi-sector’ to capture those firms whose activities in Ireland straddle more than one sector. It is not uncommon for example, for an MNC to be engaged in manufacturing but also to have other separate service facilities, such as a call centre.

Figure 2 MNCs in Ireland by broad industrial sector



As indicated in figure 2, relatively few MNCs are classified as multi-sector. Interestingly, despite the fact that manufacturing has long been a key focus of Ireland’s industrial policy, it now ranks second to the service sector in absolute numbers of foreign-owned MNCs.

Section 3: Autonomy, Coordination and Control in MNCs

In this section we consider the evidence on patterns of standardisation and local autonomy across a range of employment practices, and investigate those factors that account for variation in the overall degree of discretion. Our survey investigated the extent of management discretion in four substantive areas of HR policy, namely (a) pay and performance management; (b) employee representation and consultation; (c) employee involvement and (d) training and development. In each area, a number of discrete policy issues were identified and respondents were then asked to indicate their level of discretion on a five-point scale from ‘no discretion’ (which was explained as ‘must implement policy set by a higher level’) to ‘full discretion’ (‘can set own policy’). A sixth option was also provided, namely that the level of discretion varies widely across the different subsidiaries (‘no typical situation exists’). Clearly, this domain is one where the data from foreign and Irish-owned MNCs must be analysed separately. Among foreign-owned firms our data identify the extent of local autonomy afforded to local management from higher levels, while in Irish-owned MNCs the data inform the level of discretion granted to their overseas subsidiaries. We therefore consider foreign and Irish-owned MNCs separately, but also make some brief comparisons where appropriate.

We firstly consider the level of discretion afforded to management in Irish subsidiaries of foreign-owned MNCs. The central question posited concerns the extent to which local managers in these foreign controlled companies have the autonomy to make decisions over key HR/ER policy areas. Are key HR/ER decisions taken locally or at higher international levels outside Ireland? In the words of the sister Canadian study, “are managers within foreign-controlled MNCs merely agents of global firms – simple executors of strategies crafted elsewhere – or are they strategic players, with the autonomy to adjust to local contexts and to develop visions of the activities of their firms that supersede original MNC strategies?” (Bélanger et al., 2006: 30). We earlier noted the dichotomy between a highly centralised approach based on standard global policies and a more decentralised approach allowing for greater management discretion at local/national level. Some recent analyses also point to the deployment of intermediate ‘network models’ which operate with many centres of influence beyond the simple corporate-local dichotomy, involving, for example, regional and divisional levels (cf. Bartlett and Ghoshal, 1989; Dunning, 2001). Following this, we investigate the degree of autonomy Irish MNCs afford to their foreign operations.

Management discretion in foreign-owned subsidiaries operating in Ireland

Table 4 outlines the discretion afforded to local managers with regard to these four key HR issues outlined above. The overall pattern is one of high levels of discretion in the HR/ER areas examined, although discretion varies widely between particular issues. With respect to the involvement of employees in the work process, the majority of respondents (88 per cent) reported ‘full’ discretion or ‘quite a lot’ of discretion. Similarly high discretion levels are reported in regard to setting policy on training and development, where 78 per cent of respondents reported ‘full’ or ‘quite a lot’ of discretion. Both findings are similar to that found in the parallel UK study (Edwards et al., 2007).

We also found high levels of discretion on the remaining two issues (trade union recognition and pay levels). ‘Full’ or ‘a lot’ of discretion was reported by 63 per cent

of respondents in regard to trade union recognition, and by almost 61 per cent in regard to setting pay levels relative to the market. However, trade union recognition was the area where respondents reported the highest level of ‘no discretion’ (15 per cent). Overall, union recognition and pay levels were the areas where respondents reported least autonomy (‘no or little discretion’): 17 per cent in regard to pay levels and 22 per cent in regard to union recognition. Again these results mirror the findings of the parallel UK study (Edwards et al., 2007).

These results are hardly surprising, given the highly competitive environment that many companies now face. Improving flexibility and the firm’s cost base are commonly cited as critical to enhancing organisational prosperity. A common management argument against union recognition is that unions inhibit flexibility whilst pay, by its very nature, is an area where firms will seek to exercise control. Thus, one might expect that subsidiary-level management would have less discretion in these areas, as opposed to more operational issues, such as employee involvement in the workplace.

Table 4 Discretion of foreign-owned subsidiaries (%)

	<i>None</i>	<i>Little</i>	<i>Some</i>	<i>A Lot</i>	<i>Full</i>	<i>No Typical Situation</i>
Pay levels relative to market comparators	9.5	7.5	22.5	28.5	32	0
Trade union recognition	15	7	12.5	12.5	50	3
Employee involvement in work process	1	2	9	26	62	0
Overall training and development policy	2	5	15	34	44	0

Overall though, these results point towards ‘local’ managers having considerable levels of autonomy across these key HR/ER policy areas. The following quotes from three foreign-owned firms illustrate the predominant pattern of opinion:

We have full autonomy in setting HR policy in most areas... The main constraint on us [from corporate] would be budgetary. Other than that it’s up to us what we want to do.

(HR Director, US services MNC)

When I think about it, we have full discretion over everything. It is great although we don’t have a HR representative on the board - that would help.

(HR Manager, US services MNC)

All we really do reporting-wise is report back on financial measures.

(HR Director, UK services MNC)

However, a significant and relatively frequent theme arising from the questions on discretion and autonomy was that of higher levels withdrawing some of the autonomy afforded to its subsidiaries. It would appear the one important catalyst for this phenomenon among US MNCs in particular was 9/11 and its aftermath.

Our level of autonomy has definitely shifted over the past few years. Really since 9/11 the corporate HQ has more influence over what we do.

(HR Manager, US manufacturing MNC)

Since September 11th the financial situation has been much tougher and subsequently the parent headquarters has taken more control back in areas particularly where money is most at stake.

(HR Manager, US services MNC)

The age of the multinational, i.e. how long it has existed in Ireland, was also evident in the comments made by respondents. The extant literature suggests new start-ups tend to be more tightly controlled than firms that have been operating for longer periods of time. For example, the HR manager of one US services MNC stated:

At present we get little discretion over most things. I would hope that this will change as time moves on.

(HR Manager, US services MNC)

There also appears to be a country of origin effect in that managers in US-owned MNCs are more likely to report having ‘no discretion’ on pay levels and trade union recognition. This finding also resonates with the results of the UK study (Edwards et al., 2007). The UK study also found evidence that Japanese firms were more likely to report relatively high levels of discretion. However, this was something we are unable to explore due to the small numbers of Japanese firms in the study population.

Management discretion in foreign subsidiaries of Irish-owned MNCs

Similar to their foreign-owned counterparts, Irish MNCs report generally high levels of discretion afforded to their foreign subsidiaries. However, as table 5 illustrates, the level of discretion Irish-owned companies afford their foreign subsidiaries² varies greatly between the four HR policy areas. In terms of the autonomy over the training and development policy, some 65 per cent of respondents stated the foreign subsidiaries have ‘full’ or ‘a lot’ of discretion, while 15 per cent suggested they were given ‘no discretion’.

Again the areas of pay and trade union recognition are characterised by lower levels of local discretion being afforded to the foreign subsidiaries. In regard to trade union recognition, ‘full’ or ‘a lot’ of discretion was afforded to just under half (47 per cent) of foreign subsidiaries. A comparatively large proportion of respondents (30 per cent) reported affording ‘no discretion’ to subsidiaries on this issue, possibly reflecting a strong union avoidance preference among a significant number of Irish MNCs.

To involve unions in any decision making you would need to get the approval of the headquarters. Trade unions would not be involved in decision making in this company.

(HR Manager, Irish manufacturing MNC)

²It should be noted that data is based on ‘headquarter perspective’ provided by senior HR practitioners/managers based in Ireland. Practice ‘on the ground’ may potentially differ to what is reported here. In addition some of the respondents were located at divisional, not global headquarters, of their respective firms.

Finally, it was reported in 40 per cent of cases that the foreign subsidiaries had ‘a lot’ or ‘full’ discretion in terms of setting pay levels relative to market comparators, almost 28 per cent suggested ‘no discretion’ is provided.

Table 5 Discretion of Irish-owned foreign subsidiaries (%)

	<i>None</i>	<i>Little</i>	<i>Some</i>	<i>A Lot</i>	<i>Full</i>	<i>No Typical Situation</i>
Pay levels relative to market comparators	27.5	15	15	27.5	12.5	2.5
Trade union recognition/collective bargaining	30	9	9	28	19	5
Employee involvement in the work process	12	10	12	27	39	0
Training & development policy	15	12.5	5	32.5	32.5	2.5

Overall, the evidence suggests that Irish MNCs afford their foreign subsidiaries quite a lot of discretion. This may appear surprising given the ‘newness’ of many of these international operations and the conventional wisdom that new subsidiaries are more tightly controlled. Possible explanatory reasons for the high levels of autonomy might be low levels of coordination between international operations or, indeed, the method of internationalisation. Given the fact the much of the foreign expansion of Irish MNCs has been quite recent, it is plausible to argue many Irish MNCs may not yet have fully developed their international management and co-ordinating structures. High levels of subsidiary autonomy may potentially be related to the institutional environment of the countries in which these operations are located.

All companies in the group are very much autonomous, there would be no guidance even from the board or owner, once the profits are ok then that’s what matters. All companies have full discretion to do as they see fit.

(Plant Manager, Irish manufacturing MNC)

Essentially we are separate to our international operations. They are more or less free to do what they want, we do not set out anything to them. They really just need to be profitable and provide returns for the shareholders.

(HR Senior Officer, Irish services MNC)

Interestingly, the absence of a discrete HR function was apparent in a number of the Irish cases. Particularly surprising was the lack of any HR function at headquarters and/or subsidiary levels in some of the larger and better-known Irish MNCs. In these cases there did not seem to be any particular pattern regarding the discretion afforded to local management, with some reporting high levels and others reporting lower levels of discretion.

All of HR is really done here [in Ireland]. The UK operations do not have specific HR personnel, senior management deal with HR matters, although we liaise with them. They have little discretion to do their own thing. If they want to recruit someone they can interview people. However it must be sanctioned by us.

(HR Manager, Irish services MNC)

The following, particularly interesting, quote was garnered from an Irish service sector MNCs:

We are not really a multinational because our international operations have more or less full autonomy. They use the finance/revenue that they generate themselves.

(HR Director, Irish services MNC)

This suggests that at least some Irish MNCs may not consider themselves as a true 'MNC'. This is despite the fact that this firm has substantial foreign operations and employees. We stated earlier that Irish-owned MNCs represent a comparative research lacuna in comparison with foreign-owned MNCs. Part of the reason may be the lack of acknowledgement or consciousness of the existence of these firms. People may not necessarily view such indigenous firms as 'multinationals' when compared with larger, more established foreign-owned MNCs. The quote also demonstrates possible stereotypes regarding the way MNCs should behave. In this instance the respondent clearly feels that MNCs provide very little discretion to local management.

It is clear that the patterns discernable in Irish-owned MNCs on the discretion *afforded* to their foreign operations mirrors quite closely with the levels of discretion *experienced* in the Irish operations of foreign-owned MNCs. Overall both foreign and Irish-owned MNCs report high levels of discretion for subsidiary operations across the different HR/ER areas. Another interesting point to note is the ordering of the discretion levels. Similar to the UK study, the ordering of issues, from high to low discretion, is the same in both the overseas and Irish owned firms. This HQ perspective provided by the Irish-owned MNCs can thus be seen as an effective check on the validity of responses from the subsidiary level managers in foreign-owned firms.

Section 4: The HR Function

In this section we focus on the role of the HR function, specifically the extent to which subsidiary level HR is comparatively autonomous or whether it is subject to control from higher levels in the corporate hierarchy, specifically at levels outside the country of operation. Previous research on the HR function in MNC subsidiaries has distinguished between those that are autonomous, those that are controlled from higher levels, and those that are the source of information and resources for other sites (cf. Gupta and Govindarajan, 2000). In the UK context, Edwards *et al.* (2007: 17) posit three potential scenarios regarding the role of the HR function:

An autonomous HR function: where the national operations are ‘left to their own devices’, reporting to senior management in the host country but with little or very limited reporting requirements beyond that. In other words, the HR function is separate between the subsidiaries and higher-level functions.

A controlled HR function: where national level HR is stringently controlled and monitored by higher management levels outside the host country (at regional, divisional or corporate level). Little autonomy is afforded to national level operations, which are expected to ‘tow the corporate line’.

A limited autonomy HR function: a variant of the ‘controlled HR function’, but where host country operations have some influence on the crafting international HR policies and are not simply implementers of policies developed outside the host country.

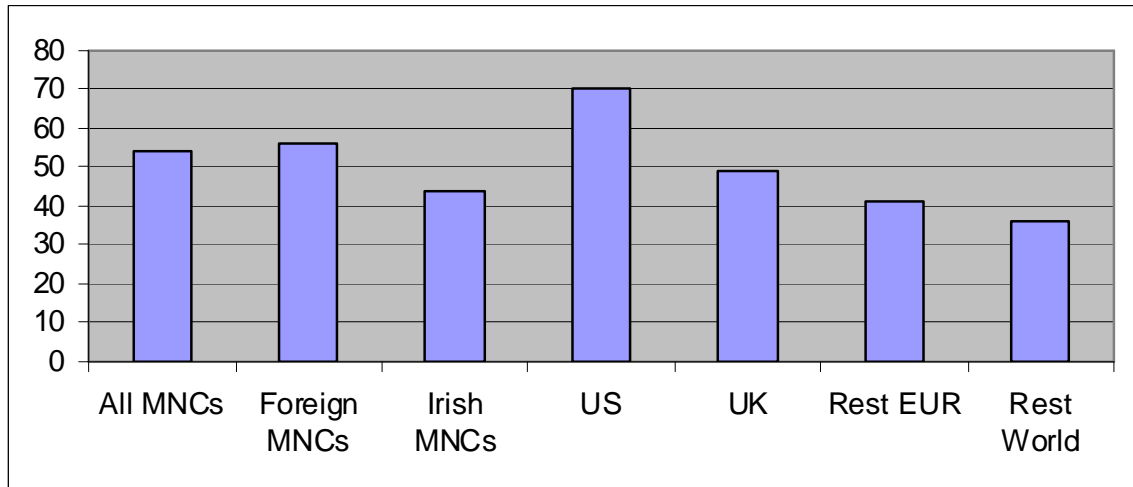
We now consider evidence on the nature and role of the HR function in MNCs to evaluate the relevance of these potential scenarios. Specifically, we look at the use of a number of mechanisms, such as international human resource information systems, to coordinate and control the HR function. In addition, the use of HR-policy making bodies is explored, as well as the extent to which companies bring their HR managers together across national borders. Data are also presented on the extent to which MNCs collect and monitor HR/ER information on their foreign operations.

Information Technology and HR Coordination

A key development in HR service provision over the past two decades has been the increased use of information technology (IT). This is all the more relevant in MNCs where IT systems may be used to monitor policy implementation and performance, and also to facilitate communications and networking across borders. The extent and nature of IT provision in HR therefore provides an important lens through which to examine the extent to which corporate management has access to HR data on its international operations and can compare performance on HR metrics across sites and countries.

We specifically examined the usage of IT based HR information systems (HRIS) and ‘shared service’ provision on an international level. As in the parallel UK study, respondents were asked whether the worldwide company had a “HR Information System (such as *PeopleSoft* or *SAP HR*) that holds data relating to the firms international workforce”. The responses for both foreign and Irish-owned MNCs are outlined in figure 3, while a breakdown of their use by sector is provided in table 6.

Figure 3 Use of human resource information systems (HRIS) by nationality (%)



In total, some 54 per cent of all MNCs in Ireland have a HRIS in place. This corresponds closely to the UK study, where 52 per cent were shown to have such a system (Edwards et al., 2007). Looking at the impact of ownership, we find that 44 per cent of Irish-owned MNCs have a HRIS, quite similar to the figure reported by UK indigenous MNCs. However, this is lower than that reported by foreign-owned MNCs (56 per cent). American firms are much more likely to have a HRIS with 70 per cent of US MNCs having such a system, while the ‘rest of the world’ MNCs (36 per cent) are the least likely³. This again resonates with the UK findings where US MNCs were the greatest users of HRIS and Japanese MNCs were the least likely (Edwards et al., 2007).

In some of the MNCs that did not utilise such a HRIS, respondents seemed to view this as weakness on their firm’s part. A number felt that that the introduction of a HRIS was likely, or inevitable, going forward:

That is something we are probably behind other companies on
(HR Director, Irish services MNC)

We currently do not have a HRIS covering all operations but it is going that way there seems to be an aim to have greater standardisation in HR across operations.

(HR Director, US Manufacturing MNC)

³ It should be noted that the number of MNCs in the ‘rest of the world’ category is quite small at fourteen. Furthermore, this is quite a disparate group in terms of country of ownership, encompassing firms from southern and central Asia, the Americas (excluding the US) and the Antipodes. We therefore advise caution in interpreting subsequent results for this ownership category.

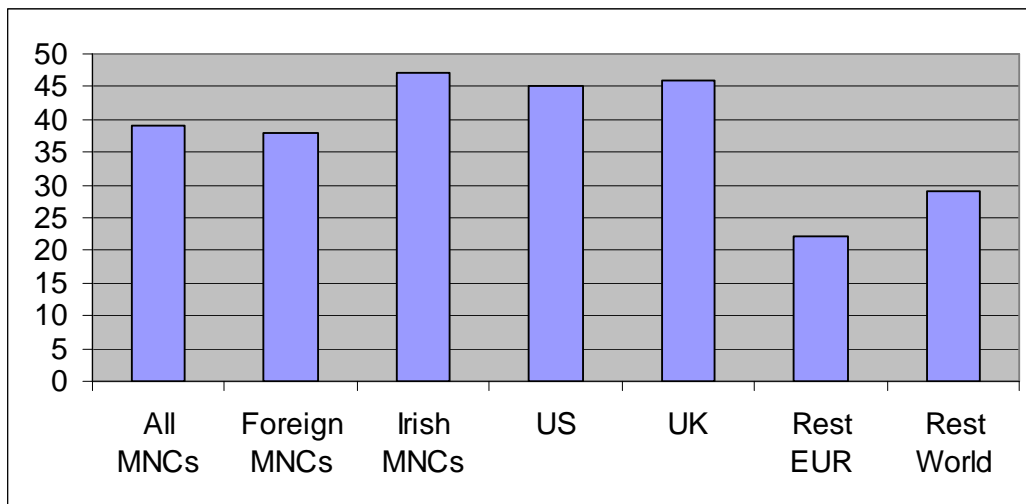
Table 6 Use of human resource information systems by sector (%)

	<i>Manufacturing</i>	<i>Services</i>	<i>Multi-Sector</i>
All MNCs	46	57	72
Foreign-owned MNCs	49	56	89
Irish MNCs	18	59	29

There were some observable trends in relation to sector. Among Irish MNCs, the service sector accounted for the predominant number of MNCs with HRIS. However, among foreign-owned MNCs the difference between sectors is less pronounced, although nine in ten firms engaged in multiple sectors had a HRIS⁴.

Shared services provision on an international level has clearly increased over recent years. Such provision infers an ‘economy of scale’ approach, whereby particular HR services are provided from one facility to service company operations, either solely in the country of operation, or across operations in different countries. The provision of shared services across countries provides another important indicator of the extent to which the HR function’s operations are integrated across countries (Edwards et al., 2007). In our study, respondents were firstly asked whether the firm made “use of shared services” which catered for “a range of operating units or divisions”. Those who used such centres were then asked whether these just serviced the Irish operations, the Irish operations and other countries within the region, or all of company’s operations. The findings are summarised in figure 4.

Figure 4 Use of shared services centres by nationality (%)



Overall, some 39 per cent of firms reported usage of shared services centres. Anecdotal evidence suggests that HR shared services centres are increasingly being used by firms. While our findings do not suggest the practice is very widespread, this did come across as an area where there is a lot of current activity and a number of firms at least considering the introduction of shared service centres:

⁴ Only a minority of MNCs operated across a range of industrial sectors. In this particular instance, only 25 firms were engaged in multiple sectors.

We are moving towards the shared services type of model for HR.
 (HR Director, US services MNC)

Surprisingly, the level of utilisation of shared services centres was found to be higher amongst Irish MNCs (47 per cent) than foreign MNCs (38 per cent). A number of factors may explain this finding. Irish-owned MNCs tend to be larger employers in Ireland relative to foreign-owned MNCs, and consequently they may have a greater need for shared services facilities to cater for their Secondly, it may relate to the pattern of international investment. Irish MNCs tend to operate across a number of countries, with a significant number operating in developing regions. Shared services centres may therefore aid coordination of activities and aid decision-making across these international operations.

Among foreign-owned firms, UK (46 per cent) and US (45 per cent) MNCs are much more likely to have a shared services centre than MNCs from the rest of Europe (22 per cent) or the rest of world (29 per cent). In terms of a sectoral effect there appears to be a contrast between foreign and Irish MNCs, see table 7. Seven in every ten foreign MNCs engaged in multiple sectors have a shared services centre, whereas the corresponding figure for Irish MNCs is just 14 per cent.

Table 7 Use of shared services centres by sector (%)

	<i>Manufacturing</i>	<i>Services</i>	<i>Multi-Sector</i>
All MNCs	32	41	56
Foreign-owned MNCs	30	38	72
Irish MNCs	46	56	14

Finally, we asked what operations do these shared services centres service? (See table 8) The largest proportion serviced the Irish operations only. This was particularly the case among foreign-owned MNCs, where 48 per cent of these centres serviced the Irish operations only. The corresponding figure for the Irish-owned MNCs was 38 per cent. A combined total of 62 per cent of Irish-owned MNCs with shared services centres reported that they serve the Irish operations *and* other operations within the region or the worldwide company, similar to the 53 per cent reported by the foreign firms.

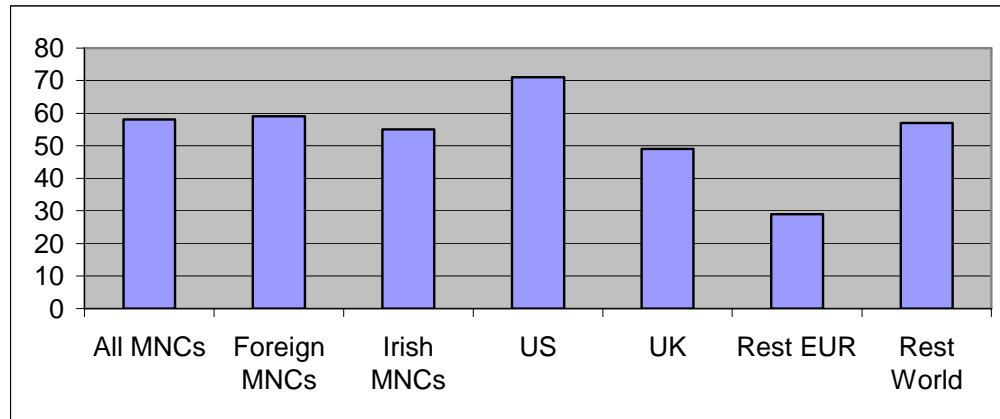
Table 8 Where do these shared service centres service? (%)

	<i>Irish operations only</i>	<i>Irish operations & others within region</i>	<i>Worldwide company</i>	<i>Other</i>
All MNCs	46	30	24	1
Foreign-owned MNCs	48	30	23	0
Irish MNCs	38	29	29	5

International HR Policy Formation

The formation and coordination of HR policy across different countries represents something of a research lacuna. Tregaskis *et al.* (2005) noted the incidence of international HR policy-making bodies and their potential significance in developing international HR policy and monitoring across borders (also see Sparrow, 2007). In our study, respondents were asked whether there was a ‘body within the worldwide company, such as a committee of senior managers, that develops HR policies that apply across countries’. The findings are summarized in figure 5.

Figure 5 International HR policy formation body by nationality (%)



Overall, the use of such HR bodies was quite widespread at 59 per cent. This figure is slightly higher than in the UK study where 53 per cent was the reported figure (Edwards *et al.*, 2007). The prevalence of international bodies with a remit to develop HR policies was slightly higher in foreign-owned than among indigenous MNCs. Nationality was once more found to be a source of variation between firms, with US-owned firms most likely to have an international HR committee or equivalent. Companies engaged in multiple sectors were also much more likely to have such a body/committee, with eight in every ten foreign owned MNC having one, see table 9. On the indigenous-owned side, manufacturing MNCs were most likely to have a HR policy body (73 per cent). This may be due to these firms being ‘around’ longer than the service sector MNCs.

Table 9 International HR policy formation body by sector (%)

	<i>Manufacturing</i>	<i>Services</i>	<i>Multi-Sector</i>
All MNCs	60	54	75
Foreign-owned MNCs	59	57	78
Irish MNCs	73	44	67

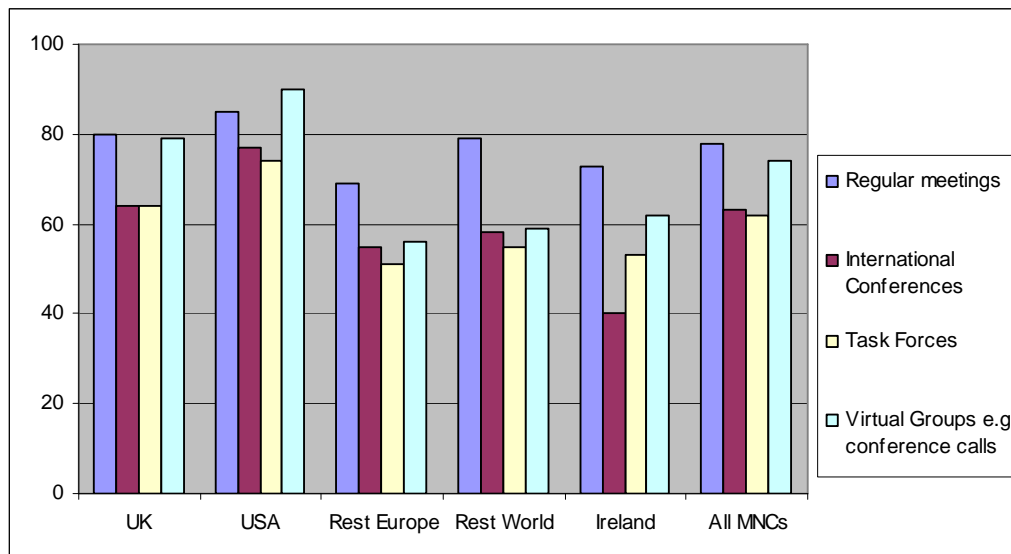
The study also investigated whether such bodies included a representative from the Irish operations (in the case of foreign-owned MNCs), and the foreign operations (in the case of Irish-owned MNCs). The extent of such national representation is identified by Edwards *et al.* (2007) as a useful indicator in distinguishing between a ‘controlled HR function’, the role of which is simply to implement policies developed outside of Ireland, from a ‘limited autonomy HR function’ whereby the Irish

operations have some input into policy formulation. This was found to be the case in some 52 per cent of foreign MNCs, a figure just below that of the UK study (55 per cent). In the case of the Irish-owned MNCs, a higher percentage of these bodies had non-home country representatives, 63 per cent reported the international HR policy formation body had a person from outside of Ireland.

International HR Networking

Edwards *et al.* (2007: 19) further note that the extent to which the HR function makes a ‘systematic attempt to bring managers together across sites’ is a good indicator of inter-country integration in HR policy formulation, as opposed to a more centrally driven corporate control approach. Our study examined that nature and frequency of contact between HR managers in different countries, and the results are outlined in figure 6.

Figure 6 International networking of HR managers by nationality (%)



As the above graph depicts, MNCs are, broadly speaking, using the various mechanisms. The most popular mechanism is regular face-to-face meetings (79 per cent), followed by virtual networks (74 per cent). The use of task forces is significantly lower in Ireland (62 per cent) when compared with the findings of the parallel UK study, although the usage of virtual groups is higher than that found in the UK study (74 per cent versus 67 per cent). The figures differ slightly amongst foreign and Irish-owned companies across all the mechanisms, with foreign MNCs more likely to engage with these methods.

I think - and I have a lot of experience with Irish MNCs - that Irish firms are not very formalised or structured in terms of HR. They are not very sophisticated regarding their HR policies and practices.

(HR Director, Irish manufacturing MNC)

HR issues are essentially devolved to each site. There is a total lack of coordination between the different aspects of the Group’s activities.

(HR Manager, Irish multi-sector MNC)

In line with the UK findings and previous findings set out here, US-owned MNCs score highest on all of the mechanisms. Again, in relation to a sectoral effect and similar to other findings presented, MNCs engaged in multiple sectors appear to have a much higher propensity to be engaged in each of the four mechanisms, see table 10.

Table 10 International Networking by HR Managers by sector (%)

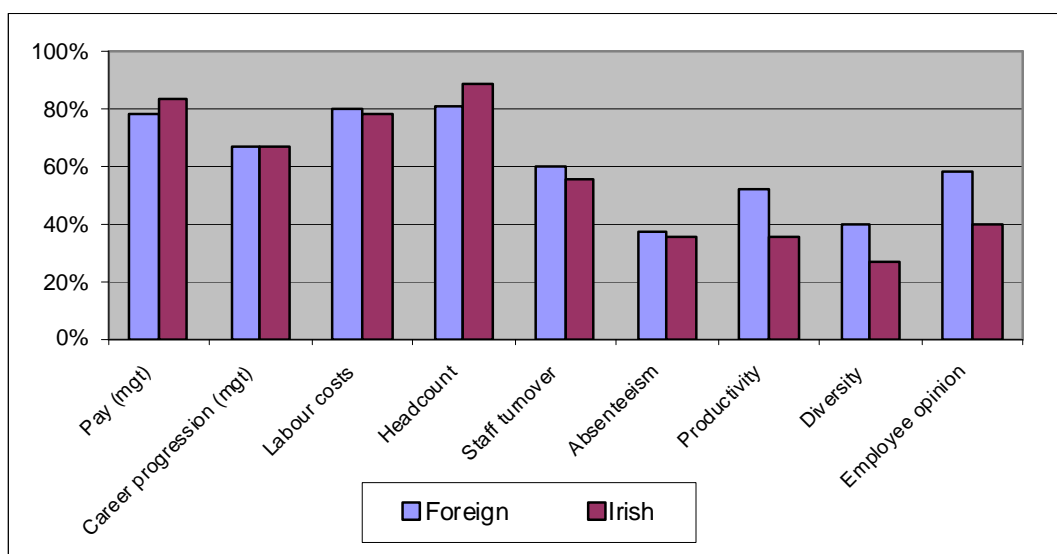
	<i>Manufacturing</i>	<i>Services</i>	<i>Multi-Sector</i>
Regular meetings	80	77	100
International Conferences	65.5	65.5	89
Task Forces	62	61	65
Virtual Groups e.g. conference calls	73	75	76

The frequency of meetings between HR Managers from different countries was quite high, with nearly half (49 per cent) of MNCs reporting meetings every quarter or less. This is slightly lower than the UK findings where 54 per cent had regular meetings at least quarterly (Edwards et al., 2007). A more significant difference between Ireland and the UK emerges in regard to international conferences. In nearly seven out of ten (68 per cent) cases in the UK context, conferences are held at least annually, whereas the corresponding figure in Ireland is just 44 per cent.

Monitoring by higher level international management

Another important indicator of the autonomy of national level MNC operations is the extent to which higher managerial levels outside of the host country monitor HR performance and activity. In our survey, respondents were asked whether information on some nine areas of employment practice were monitored by management outside of Ireland, in the case of the foreign owned MNCs. In the case of the Irish-owned MNCs, we asked whether senior management in Ireland monitor this information in their foreign operations. Both results are depicted in figure 7. As outlined earlier, caution must be exercised when viewing the graph, since the foreign owned figures represent a subsidiary (host country) perspective while the Irish figures denote a headquarter (home country) perspective. The findings indicate a high level of monitoring by senior international level management, among both foreign and Irish-owned MNCs.

Figure 7 Monitoring by higher-level management (%)



Among foreign-owned MNCs, the most monitored areas were employment numbers (headcount) and labour costs, followed by issues relating to managerial grades (pay and career progression). Labour turnover was monitored by almost six in every ten foreign-owned MNCs in Ireland. The level of monitoring on other issues was lower, particularly in regard to absenteeism and diversity. In terms of ownership, US-owned companies reported the highest level of monitoring.

In relation to Irish MNCs, similar results were reported. Again employment numbers and managerial pay packages were the most monitored areas, closely followed by labour costs. The least scrutinised issues were diversity, labour productivity and absenteeism. The subsidiary perspective (derived from foreign owned MNCs) and the headquarters perspective (derived from Irish MNCs) depicted in figure 7 are remarkably similar, and provide a useful check on the reliability of the data presented.

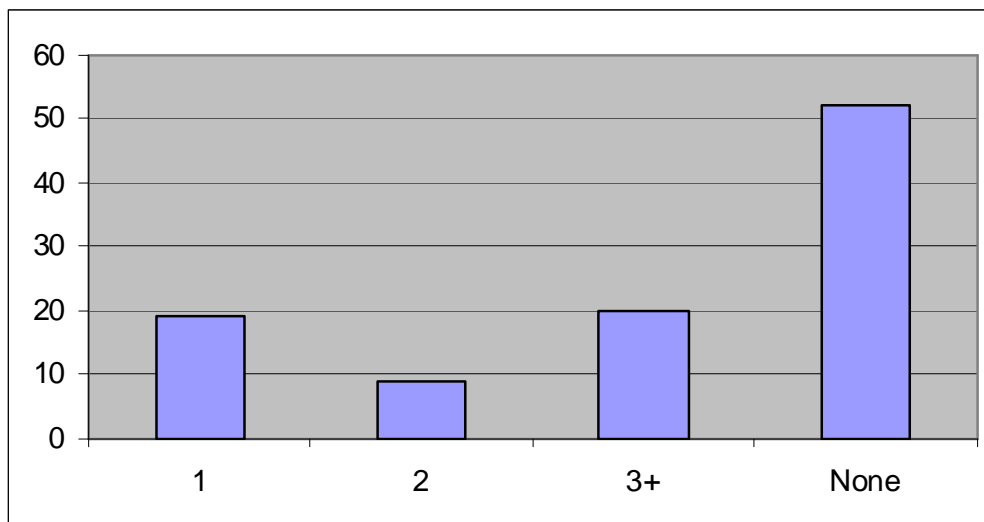
Section 5: Staffing the top management team

We earlier noted the differing ways in which MNCs might seek to diffuse global HR/ER policies, particularly Scullion and Starkey's (2000) alternatives of 'structural' and 'social' control. Structural control emphasises the use of formal international structures, policies and monitoring processes to ensure the implementation of centrally determined policies. In contrast, social control focuses on diffusing the company's culture and values throughout its international operations via more informal networks and, most significantly, through the deployment of home country nationals in foreign subsidiaries (cf. Bartlett and Ghoshal 1998; Harzing, 1999, 2001). Our study investigated how many of the five most senior management positions in the Irish operations were currently filled by managers who previously worked in the home country. Among foreign-owned MNCs, just less than half (48 per cent) had at least one manager with experience of the home-country operations among the five most senior positions in the Irish operations. This is slightly higher than the findings of the UK research team, where the equivalent figure was 45 per cent (Edwards et al., 2007). The deployment of such managers breaks down as follows: 18 per cent of companies report one member of the top management team (TMT) having previous experience in the home country, 9 per cent report two, and just over one fifth (21 per cent) report three to five such managers, see figure 8. The HR manager of one German manufacturing MNC aptly captures the preference of some MNCs when filling key positions in the TMT:

They [HQ] would only fill the general management's position with a German, [Name] has been working for the company even though he wasn't qualified for the position, they [Germans] still would not give it to anyone else.

(HR Manager, German manufacturing MNC)

Figure 8 Senior management staffing (%)



We came across a number of cases where necessity for experience of the home country environment as a requisite to securing a senior management appointment was changing:

Senior management here used to all be staffed by corporate people but over the last few years this has changed.

(HR Director, German services MNC)

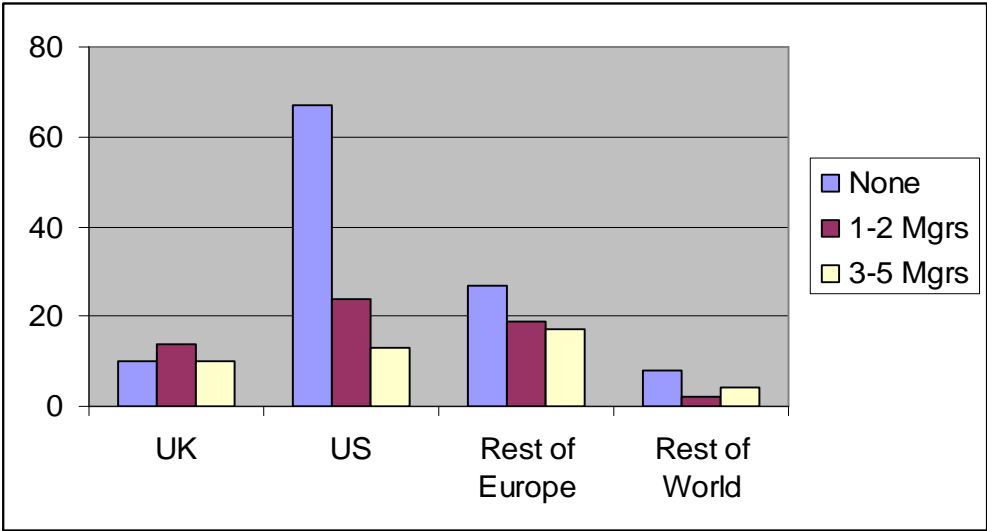
We currently have no expatriates working here although this is a recent change as from start-up until relatively recently there were five expatriates here in management positions.

(HR Director, US services MNC)

When we look at the impact of ownership, US firms were least likely to use previous home country experience as a determinant in staffing senior management positions in Ireland (see figure 9). UK firms, on the other hand, were much more likely to select TMT members with home country experience. This may plausibly be linked to geographical proximity. These findings are broadly in line with Thompson and Keating’s (2004) study of executive staffing practices in Irish subsidiaries of foreign MNCs and indeed the broader literature on international staffing (Harzing, 1999; Scullion and Collings, 2006).

In the parallel UK study, Japanese MNCs were the highest users of managers with previous home country experience (Edwards et al., 2007). However, given the tiny numbers of Japanese or indeed ‘rest of the world’ MNCs in Ireland, it was impossible to draw any meaningful comparisons.

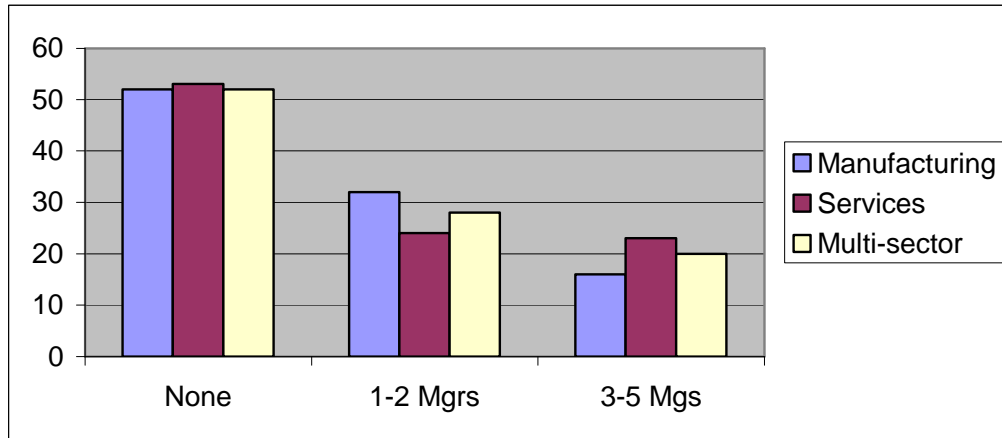
Figure 9 TMT Members with home country experience by country of origin (%)



Similar to the UK findings, we found little difference in the importance of home country experience as a determinant of TMT membership across sectors (see figure 10). About half of MNCs in all sectors did not regard it as an issue, while approximately a fifth deployed three to five managers in the TMT with home country experience. Employment size also seems to be important here. Only 8 per cent of MNCs employing less than 5,000 worldwide have one or more members of their TMT

with home country experience, whereas 40 per cent of MNCs employing 5,000 or more worldwide have at least one such individual on their TMT.

Figure 10 TMT Members with home country experience by sector (%)



We also looked at the number of 'third country nationals' (TCNs) in the top management team. Among foreign-owned MNCs, TCNs refer to individuals working in the host country (in this case Ireland), who are neither an Irish national nor a national of the country in which the parent company is located (Reynolds, 1997). To date the use of TCNs by MNCs is very much an under-researched terrain (see Collings et al., 2008 for an exception). We found that only 27 per cent of foreign-owned MNCs in Ireland had at least one TCN currently filling a top management position - almost half the number of TMT members with home country experience. While TCNs are believed to be uncommon in 'new' MNCs, they are more prevalent in more mature companies, and also in developing countries due to TCNs being more willing than parent country nationals (PCNs) to accept such assignments (Reynolds, 1997). This may potentially explain the relatively low number of TCNs found in Ireland.

Section 6: Conclusions

General

1. The data presented in this report was gathered through interviews with senior HR practitioners in a representative sample of some 262 MNCs in Ireland – a response rate of 63 per cent.
2. The number of US-owned MNCs is over-played in listings provided by the industrial promotions agencies, UK-owned MNCs are downplayed as are the numbers of Irish owned MNCs. Service sector MNCs are now more prevalent than MNCs in manufacturing with a small number of multi-sector companies in existence.
3. In spite of the publicity surrounding foreign owned MNCs, Irish MNCs appear, on balance, to be larger employers nationally. Almost two thirds employ more than 1,000 workers in Ireland with the corresponding figure for foreign MNCs being 24 per cent.

Discretion of subsidiaries

4. Overall, managers of foreign MNCs in Ireland have quite high levels of discretion across core HR domain activity HR areas. However, this discretion varies according to the particular aspect of employment practice examined. For example, local management discretion with regard to employee involvement was much greater than in setting pay levels relative to market comparators.
5. A similar picture in regard to the ordering of issues, from high to low discretion, was reported from Irish-owned MNCs (this involved a headquarter perspective of autonomy afforded its foreign subsidiaries). This helps corroborate the findings on discretion levels experienced by local managers in foreign MNCs in Ireland.
6. There appears to be a country of origin effect in that managers in US owned MNCs are more likely to report having ‘no discretion’ on pay levels and trade union recognition. This finding resonates closely with the comparative UK study.
7. An interesting theme that arose in a number of interviews was that higher organisational levels have withdrawn some of the autonomy afforded to its subsidiaries. The 9/11 terrorist attacks and its aftermath appears to have been an important primary catalyst, with MNCs taking stock of their investment.

HR Function

8. Over half of all MNCs in Ireland have a HR information system (HRIS). Foreign firms are much more likely to have such a system compared to Irish owned MNCs. American firms are much more likely to have a HRIS while ‘rest of the world’ MNCs are least likely.
9. Some four in every ten MNCs reported usage of shared services centres. Of significance and somewhat surprising is that the level of utilisation of shared services centres is higher amongst Irish MNCs than foreign MNCs. UK and US owned MNCs are also much more likely to have a shared services centre than MNCs from the rest of Europe or the rest of world.
10. There may also be an interesting sectoral effect between foreign and Irish MNCs. Two thirds of foreign MNCs engaged in multiple sectors have a shared

services centre whereas the corresponding figure for Irish MNCs is just 17 per cent.

11. The use of HR policy formation bodies was quite widespread amongst MNCs. The prevalence of these bodies was higher in foreign owned than among indigenous MNCs.
12. Nationality was once more found to be a source of variation between firms, with US owned firms most likely to have such bodies in place.
13. Among foreign owned MNCs, companies engaged in multiple sectors were much more likely also to have such a body/committee.
14. On the indigenous owned side, manufacturing MNCs most commonly had a HR policy body.
15. In terms of networking between HR managers in different countries, MNCs are broadly speaking, using a number of different mechanisms. The most popular mechanism is regular face-to-face meetings (eight in ten MNCs), followed by virtual networks (seven in ten). The figures differ slightly amongst foreign and Irish owned companies, with foreign MNCs more likely to engage with these methods.

Monitoring by HQ

16. The findings indicate a high level of monitoring by senior international level management, among both foreign owned and Irish owned firms.
17. The most monitored areas were employment numbers, labour costs, and issues relating to managerial grades (pay and career progression).
18. The level of monitoring was lowest in relation to absenteeism and workforce diversity.

Expatriate managers on top management team (TMT)

19. Just less than half of the foreign MNCs reported having at least one manager with experience of the home-country operations among the five most senior positions in the Irish operations.
19. A number of firms also reported that while currently they do not have any TMT member with home country experience, this is a more recent development.
20. US firms were least likely to use managers with previous home country experience.
21. UK firms, on the other hand, were much more likely to deploy senior managers with home country experience.
22. Little variation was found on this front according to sector.

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Notes

ⁱ The research team is working on the Irish node an international research project entitled *Employment Practices of Multinational Corporations (MNCs) in Organisational Context: A Large-scale Survey*. This involves a comprehensive representative survey of employment practice in MNCs in seven countries, Canada, Ireland, Spain, UK, Australia, Mexico and Singapore. See Edwards et al. (2007) and Bélanger et al. (2006) for details on the UK and Canadian studies.