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**FACULTY OF BUSINESS STUDIES**  
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**UNDERSTANDING THE HRM ROLE IN MNCs FROM A**  
**SOCIAL CAPITAL PERSPECTIVE**  
**- *THE CASE of KANGA COMPANY***

**Master's Thesis in**  
**Management and Organization**  
**International Business**

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**ABBREVIATIONS**

MNCs	Multinational Corporations
HR	Human Resources
HRM	Human Resources Management
HQ	Headquarters
IHRM	International Human Resources Management
CHQ	Corporate Headquarters



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**ABSTRACT:**

The purpose of this study was two-fold: to investigate the degree to which the formal structure of the HR organization is reflected in the concrete activities of the HR function; and to explore the extent to which social capital, as a resource, impacts on the actual HR functional activities. The study sought to contribute to our knowledge of HR functional roles in MNCs by taking into account how social capital may operate on the enacting of these roles. Most prior studies have concentrated on HR roles, instead of ascertaining role performance from HR professionals' actual day-to-day activities. Knowing what HR professionals actually do is the strongest gauge for determining if the function is strategically aligned to serving line needs or not. This study aimed to employ social capital as a tool to conceptualize HR formal roles versus actual activities in an exploratory setting. It was based on a single case study of an MNC subsidiary. A total of 10 interviews were conducted. The finding showed the HR function was highly evaluated for administrative tasks. However, strong calls were made on HR to increase their involvement with a particular focus on activities related to the business support role. There appeared to be a connection between HR social capital and the actual activities of the HR organization. Although strong formal linkages between the HR function and line management were evident, the level of informal relationships was weak between them. This is a slice of case study research in a subsidiary, and therefore the findings may not be generalizable. Further quantitative research is recommended. The practical implication for HR professionals is that careful consideration should be taken in observing how social capital between the HR function and the larger organization adds value.

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**KEYWORDS:** HRM, HR roles, social capital theory, case study



## 1. INTRODUCTION

As business organizations continue to expand, internationalize and globalize, fresh challenges confront them including how to organize the HR function. Major upheavals like the recent global economic downturn force multinational corporations (MNCs) to devise measures to withstand the pressures. These often include restructuring the HR function to be more responsive at the “site, country, regional, and corporate levels” (Farndale et al., 2010). To this end, corporations face decisions on strategy and structure. For instance, they must adopt an appropriate headquarters (HQ)-subsidiary HR structure based on (inter)dependence, interaction, and standardization on one hand and local adaptation on the other (Evans, Pucik, and Barsoux, 2002).

Over the years, different HR typologies have been proposed to respond to global environment pressures. And these role classifications have been based on “different HRM strategies for internationalisation” (Farndale and Paauwe, 2005). The literature is awash with numerous and often varied typologies discussing the level to which HR functions are either reactive or proactive. For instance, Legge (1978) referred to the department as enacting conformist or deviant roles. Other scholars considered the departments’ extent of involvement in corporate strategy. Further a third classification integrates the previous two typologies. Finally, Ulrich (1997) concentrated on the people/process and future/operational dimensions of the HR role, namely, strategic partner (future/process), change agent (future/people), administrative expert (operational/process) and employee champion (operational/people). In recent times, Caldwell (2003) proposed the role dimensions by Storey (1992) and Ulrich (1997) be modified to reflect changing demands. Lengnick-Hall and Lengnick-Hall (2002) have presented four fresh HR roles which they believe are inevitable because of the shift to the knowledge-based economy in which many organizations now operate.

In organizing the HR function to better serve the needs of MNCs in new competitive environments, even newer HR roles have arisen in the corporations. Farndale et al (2010) identified the *main functions* of corporate HR to include *remuneration, management development, staffing, and employee relations*, which it strives to discharge by concentrating on the global outlook of the functions. To do so,

headquarters has to assume *new roles* as an *effective political influencer*, a *champion of processes*, a *guardian of culture*, and a *knowledge management champion* in organizing operations abroad (Farndale et al., 2010). These roles must be handled in combination with the more conventional ones requiring HR to be involved in the businesses strategically. Traditional HR roles according to Ulrich and Brockbank (2005) are *managing change*, *the relationship between employer and employee*, and *transactional personnel administration*. These roles have been focused on corporate strategy and the activities of HR without particular reference to international operations. Therefore, little is known on how to organize HR roles in international operations. Thus the new HR roles have emerged to reflect the peculiar challenges involved in organizing the HR work across borders.

Recently, the three HR functional roles suggested by Evans, Pucik, and Björkman (2010) were intended to emphasize the HR function's role as strategic player. They distinguished between HRM process and content development, HR service delivery, and business support. Thus recently the HR formal structures of most MNCs are reflected in these three broad roles. However, there is scant knowledge in the literature showing the level to which HR functional roles and responsibilities are enacted in the actual activities of the HR organization. This seems to be the issue confronting both academics and practitioners alike, hence the main motivation behind this present study.

### **1.1. Research Gap**

Although much has been written about the HR organization in extant literature, a careful examination of the literature exposes a striking lack of coverage of vital issues regarding the function. As a consequence, a couple of salient questions remain either unsatisfactorily considered or unanswered. Foremost, how are HR departments organized, and why? As the scope of the human resources work has evolved from the initial personnel administration department into the more strategic focus, in the same way has our understanding of both the structure and the roles of the HR organization remain painfully indistinct (Caldwell and Storey, 2007). Recently, HR work has been

split along transformational (strategic) and transactional lines (Gratton, 2003; Wright, 2008), thus presenting mounting challenges respecting the optimal way to organize the HR function. Nonetheless up-to-date, there has been little research on the HR structural models employed in organizations, the exact ways by means of which the HR department accomplishes its sphere of services to the organization (Guest and King, 2004), and the motivation for their usage.

A second issue is, regardless of the choices concerning the HR structure and service delivery, they should have a direct bearing for the roles of the HR profession in an organization. Nevertheless, to what level are these formal roles reflected in the actual activities of HR professionals? Past research has formulated diverse typologies concerning the different roles that could be enacted by HR professionals (Ulrich and Brockbank, 2005). These efforts were backed by an insistence that the HR function become more strategic or business focused. However, majority of extant literature is largely normative in kind and/or founded on notional typologies of the roles played by the HR profession. In line with a growing body of research focused on strategy-as-practice in the strategy field (e.g. Jarzabkowski, Balogun, and Seidl, 2007; Golsorkhi, Rouleau, Seidl, and Vaara, 2010), there is a pressing necessity to increase our understanding of what activities are actually undertaken by HR departments. In other words, what kind of *activities* take place within the daily work of the HR function, do these correspond with formal HR structures and firm strategy, and which of these activities are perceived to add value?

Traditionally, the actual activities (practices) undertaken by the HR function are recruitment and selection, development and training, performance management and rewards, and communication (labor and industrial relations). However since these, to a large degree, are transactional (reactionary), recent calls have been made for HR to become strategic, more attuned to the needs of the business. A critical look at the HR structure proposed by Evans et al (2010) shows that much of the transactional activities in the service delivery are intended to be devolved from the hands of HR professionals. For instance e-HR tools are now available for managers and employees themselves to undertake self-help services, HR service centers have been created, and aspects of HR have been outsourced. This turn of events underscores the fact that HR managers and professionals should henceforth have enough time to get strategically

involved in the businesses. However with regard to actual activities concerning HR strategy, the questions of what ‘strategic HRM’ entails in tangible ways and how HR professionals ‘act strategically’ in their daily work are presently uncharted spheres of research.

Recently, a growing body of research has emphasized the importance of leveraging social capital within and across units in an organization. Social capital can contribute to the successful performance of MNCs in several ways (Taylor, 2007). The designation social capital refers to the gains that accrue from the links and informal relationships of people inside an organization and outside (Kostova and Roth, 2003). It refers to the stores of trust, norms and networks that individuals can use for overcoming common hurdles. Social capital is described as having three components: structural, cognitive and relational forms (Nahapiet and Ghoshal, 1998). The structural social capital is founded upon the network of people one knows and who are the source of information and support. Significant facets of structural social capital are the number of links a person has, with whom and how strong the link is (Burt, 1992; Adler and Kwon, 2002). Relational social capital ‘. . . describes the kind of personal relationships people have developed with each other through a history of interactions’ (Nahapiet and Ghoshal, 1998: 244). It encompasses features like trust and trustworthiness, norms and sanctions, obligations and expectations, and identity and identification. Whereas the structural component emphasises the existence (or otherwise) of ties between individuals and units, the relational one deals with the strength of those relationships. Lastly, cognitive social capital ‘. . . refers to those resources providing shared representations, interpretations, and systems of meaning among parties’ (Nahapiet and Ghoshal, 1998: 244). It also includes shared language, codes, and narratives. For all the possible benefits accruing from social capital little research is available on its influence on the HR function as it interacts with the larger organization.

## **1.2. Objectives of the Thesis**

From the foregoing much research has been conducted on the formal roles of the HR organization. However what remains unexplored is the tangible *activities* that HR

professionals undertake and the level to which these reflect their expected roles, in particular the role of ‘strategic business partner’. Moreover, social capital as an organizational resource has been scantily investigated concerning the extent to which it influences the ability of HR professionals to implement HR structures and carry out their intended activities. With regard to the research gap delineated above, the corresponding research questions of the thesis are as follows:

- 1. To what extent is the formal structure of the HR organization reflected in the actual activities of HR professionals?*
  
- 2. To what extent are HR activities influenced by the level of social capital between the HR function and line management?*

### **1.3. The Structure of the Thesis**

Overall the thesis comprises of five sections. The first section presents the background to the thesis and its key research objectives. The second section is a review analysis of relevant literature on the current context of MNCs with particular focus on the subsidiary level and the corresponding evolving changes in the role of the HR profession. Section three focuses on the research methodologies employed in conducting the study, including the research design, research approach, and research strategy. The methodology section also describes the data collection methods and analysis and provides a justification for that specific methodology. Also, the main issues of validity and reliability are considered in section three. The fourth section describes in detail the case study findings, linking similarities and contrasts with the extant literature. Section five discusses the principal findings and their practical implications. The section concedes the limitations of the thesis and some areas of future research recommended.

## 2. LITERATURE REVIEW

### 2.1. The Roles of the HR Function

Numerous classifications arise mainly from the US and the UK on the roles of the HR function. The UK prototypes describe the HR department in three categories. They are either reactive or proactive (Legge, 1978), and secondly they are considered as to the extent to which they support corporate strategy. For example, Tyson and Fell (1986) enumerated three roles, namely, architect (strategic), contracts manager (operational) and clerk of works (administrative) roles. These were subsequently modified by Monks (1992) who identified a fourth innovative/professional role. The third classification combines the previous two models (Storey, 1992). Elaborating, Storey's (1992) typology talks of change-makers (proactive, strategic), advisers (reactive, strategic), regulators (proactive, operational) and handmaidens (reactive, operational). In his framework of HRM roles, Guest (1990) also incorporated the unitarist/pluralist and conservative/traditional dimensions. The US models were organized along comparable frameworks. Schuler and Youngblood (1986) initially classified HR functional roles into five and these were further refined by Carroll (1991). Though emphasizing HR future roles be connected to corporate performance, he conceded the necessity of the traditional service functions. Ulrich (1997) developed Carroll's (1991) *typology concentrating on the people/process and strategic/operational dimensions of HR*, and further improved by Ulrich and Brockbank, (2005) who dwelt on HR taking on leadership roles. Ulrich (1997) proposed HR role to be a strategic partner (future/process), a change agent (future/people), an administrative expert (operational/process) and an employee champion (operational/people).

Although the US and UK HR role classifications are valuable and applicable everywhere, they are by no means universal prescriptions argued Farndale et al. (2010). Monks (1992) observed that simple HR structures were preferable in less than volatile environments. More elaborate HRM practice models are required only during times of major organizational changes such as restructuring, and this view is widely supported by HR scholars (Carroll, 1991). Historically the HR role typologies are indicative of the spectra of HR roles evolving through the years. HR roles began to take form when the HR department was to concentrate on "employee welfare"

Farndale and Paauwe (2005). And this has evolved into the “the bureaucratic element” as practiced nowadays. The HR role changed from the initial employee welfare role to the negotiator role when trade unions rose strongly on behalf of workers. However following “changes in the industrial relations context” Farndale and Paauwe (2005), union activity has subsided. During the last quarter of the twentieth century environmental competitive pressures pushed for the HR role to turn strategic in aiding the businesses handle necessary changes to compete successfully.

Caldwell (2003) has lately made fresh arguments for modifying the models of both Storey (1992) and Ulrich (1997). He observes that the advisory role is devoid of “real influence, administrative resource and power.” As the title ‘handmaiden’ implies, this service provider role today has been outsourced in order to cut down costs. The regulator role is losing relevance following improving laws of employment even though admittedly, its significance is mounting as a result of rising employment regulation. And although HR professionals argue their new role is that of a change agent, they are hardly seen to be performing this. Despite being regularly invited to board meetings to explain the repercussions of intended changes the HR function has largely been inactive in initiating change (Evans and Cowling, 1985). Bordering on what they termed the knowledge economy in which MNCs are currently operating, Lengnick-Hall and Lengnick-Hall (2002) suggested four new HR roles. They enumerated these as follows:(a) *human capital steward*: acting as a guide and facilitator in partnership with employees with the aim of achieving the highest return possible on a company’s human capital investments; (b) *knowledge facilitator*: “facilitating both knowledge capital (held in explicit and implicit sources) and knowledge flows” (Farndale and Paauwe,2005); (c) *relationship builder*: Building informal relationships by leveraging social capital between individuals and groups in and outside the organization.; and (d) *rapid deployment specialist*: taking it upon themselves to progressively develop the human resources of the organization “with an emphasis on adaptability, tolerance and capacity to learn.” (Farndale and Paauwe, 2005).

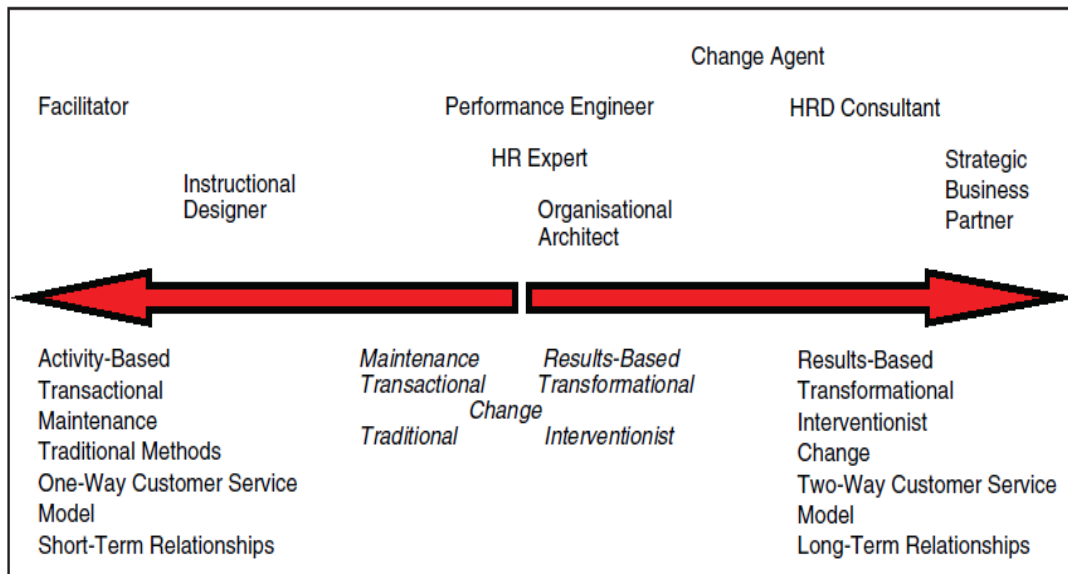
## **2.2. The Evolving Role of the HR Profession**

In earlier times, the work of HR function involved identifying, selecting, training, and performance appraisal activities. Their core activities were built around training, development, and education. As weaknesses and needs were discovered, training interventions were conducted to correct the weaknesses, thereby filling the needs (Gubbins & Garavan, 2009). While conceding these roles are still effective with low labor cost companies, it would be difficult to implement in a multinational corporation given cultural and communication considerations.

Dealing with environmental issues, the HR function ought to employ human capital as a strategic tool to influence desired changes. In these increasing times of knowledge economies the HR departments must direct their energies to laying down structures within the MNC framework where knowledge flows and sharing is the prime thing. This way is identified to afford the corporation the needed competitive edge. Managers' development ought to be included. This is because line and middle managers implement the required changes. These should be trained progressively to encourage unity among employees in their divisions and across units (Gubbins and Garavan, 2009).

In order for the global firm to stay competitive, it must aim at effective performance improvement. Therefore the HR function has now become one that actively organizes interventions to effect the changes needed at the individual, team and organizational levels. Thus well-trained employees at the three levels will consequently have the confidence and ability to work for results which is what matters today. Therefore while not discarding the essence of training, development and education, Bennett and Leduchowicz (1983) argue that the focus "is more for change and interventionist approaches to" these three elements.

## HR Function Role Transition



**Figure 1:** (Gubbins and Garavan, 2009).

In the model by Gubbins and Garavan (2009) as seen in Figure 1 above, the traditional role of HR was to train, develop, and educate. This could be described as activity-oriented and transactional. Today, HRM professionals are expected to devise strategic interventions against prevailing environmental pressures. Instead of being a mere service provider, the HR function should be seen to be a source of competitive advantage. The HR department should create an environment and model interventions to facilitate knowledge sharing, continuous learning, and the development of rare skills and capabilities. Thus in today's competitive environment, the role of the HR function should not remain transactional but be seen to be transformational by which HR professionals as change agents and consultants, strive to serve as strategic business partners.

However in quest to understand fully how international HR roles emerge and are implemented, Farndale et al. (2010) argued it is imperative to comprehend the context of the MNC. This involves deliberating on the distinct IHRM strategies and structures which is the focus of the next sub-section.

### 2.3. International Strategic Human Resource Management

Although MNCs globalize their activities for various reasons, achieving economies of scale or scope predominate (Harzing, 2004a). This entails exploring different internalization strategies and structures and using the most productive in organizing processes of internationalization. To this end, Bartlett and Ghoshal's (1989) four internationalization strategies have been widely considered as mostly used by globalizing firms. In the *international* strategy, corporate headquarters (CHQ) and subsidiaries, with no strong ties, mainly concentrate on technology transfer. In the *multidomestic* strategy control of activities is devolved to subsidiaries that must operate in accordance with local practices. The *global* strategy centralizes control and subsidiaries copy home-country practices, and finally, in the *transnational* strategy both CHQ and subsidiaries must conform to global benchmarks as belonging to a corporate web. Ideally, as firms advance from international through the next stages to transnational, harmonizing operations becomes rather complicated. From initial subsidiary dependence on CHQ the complexity deepens into interdependence among sister units and then interdependence between subsidiary units and CHQ.

In tune with organizational strategy, Taylor et al. (1996) observe that IHRM strategies and structures change in course of time. The structure of IHRM could take one of three forms in: *independence*, *dependence* and *interdependence*, in line with Harzing's (2004b:53) classification. The terms are explained below. Independence of subsidiaries from CHQ and other subsidiaries, dependence denotes that subsidiaries resemble CHQ and rely on it, and interdependence indicates "the degree to which the performance of functional activities is coordinated or integrated among units located in different countries" (Roth, 1995: 201). Interdependence here signifies an integrated relationship in which subsidiaries depend on each other, but also mutual dependence between subsidiary units and CHQ. Subsidiaries depend on CHQ for a number of reasons. In the first place, Evans et al. (2002) indicate that when firms are internationalizing the norm is CHQ controls the process. Secondly Edwards (2004: 396) found that the country origin of an MNC presupposes a certain approach to internationalization is normally taken. A case in point is internationalizing or globalizing companies from the US tend to employ the global strategy whereby subsidiary activities are firmly controlled from corporate headquarters. Gooderham,

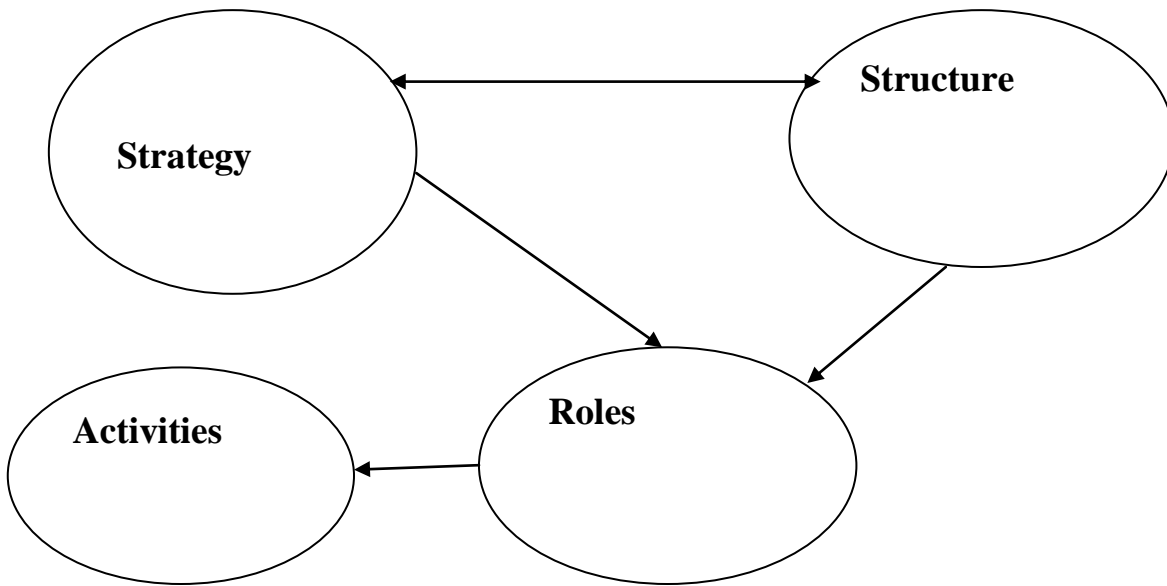
Nordhaug, and Ringdal (1999) assign “high degree of similarity” existing between the operating environments of the headquarters and the daughter unit as the third reason for CHQ dependence. The similarity does not necessitate differentiation. When a subsidiary is seen as a key source of competency or capability CHQ tends to tightly control it to protect the resource (Gooderham et al., 1999).

The three relational definitions of independence, dependence and interdependence are similar to Taylor’s (1996) classification of IHRM strategies: *adaptive*, *exportive* and *integrative*. Whereas adaptive refers to independent subsidiaries taking responsibility for practice design, exportive denotes all dependent subsidiaries reduplicate practices initiated at CHQ. Integrative means CHQ and subsidiary units cooperate in developing a unified IHRM strategy to serve the whole organization.

#### **2.4. Linking International HRM Strategies, Structures and Roles**

At the introductory section the new corporate HR roles identified were as follows: effective political influencer, a champion of processes, a guardian of culture, and a knowledge management champion. Farndale et al. (2010) sought to link the new roles to IHRM strategies and structures. And at the preceding section, the four strategies of internationalization were discussed: the *international* strategy, the *multidomestic* strategy, the *global* strategy and the *transnational* strategy. These strategies determine which CHQ-subsidiary structures are deployed in organizing the HR function. As such, the three different structural forms of (inter)dependence between CHQ and subsidiaries were explored: *independence*, *dependence* and *interdependence*. These things should relate in accordance with general contingency theory, as depicted in the heuristic framework in Figure 2 below.

## Linking internationalization strategy, structure, HR roles and activities



**FIGURE 2.** Conceptual framework

The distinct levels of (inter)dependence elicit different HR roles and activities under different settings. To illustrate as per Figure 3 below, when global (corporate) HR exercises its authority over the way HR policies and practices are executed worldwide, it is assuming the role of “champion of processes” (Evans et al., 2002: 472), enforcing loyalty and offering training. Clearly, the CHQ *dependent* structures are upheld here. MNCs operating on *independent* structures use informal HR ways to control subsidiary activities. For example, future leaders are sensitized to and given the needed tools for dealing successfully with difficult situations in the future. Furthermore in MNCs where interdependent CHQ-subsiary HR structures are the norm, formal control is de-emphasized since the structure of the firm is much more complicated.

## Linking International HRM and Corporate HR Roles

IHRM structure	<i>Dependent</i> <ul style="list-style-type: none"> <li>▪ Start-ups (Evans et al., 2002)</li> <li>▪ Country-of-origin (Edwards, 2004)</li> <li>▪ Similarity (Gooderham et al., 1999)</li> <li>▪ Criticality (Taylor et al., 1996)</li> </ul>	<i>Interdependent</i> <ul style="list-style-type: none"> <li>▪ Coordination and integration (Roth, 1995)</li> </ul>	<i>Independent</i> <ul style="list-style-type: none"> <li>▪ Dissimilarity (Farndale &amp; Paauwe, 2007b)</li> </ul>
Dominant corporate HR roles	<i>Champion of processes</i> (Kelly, 2001; Sparrow et al., 2003)	<i>Guardian of culture</i> (Sparrow et al., 2003)  <i>Knowledge management champion</i> (Kogut & Zander, 1993; Sparrow et al., 2003)	<i>Guardian of culture</i> (Sparrow et al., 2003)  <i>Effective political influencer</i> (Novicevic & Harvey, 2001)

**FIGURE 3.** (Farndale et al., 2010)

Rather in these settings, informal control measures, such as managing culture, are most effective. In this way HR assumes the role of “guardian of culture” (Sparrow et al., 2003:27), ensuring worldwide values are adopted. Scullion & Starkey (2000) found that in independent CHQ-subsidary structures global HR has fewer responsibilities whose principal goal is to serve the needs of top management and expatriates. As a consequence, their main focus on subsidiary units is playing the new role of “effective political influencer”, (Novicevic and Harvey, 2001: 1260), “to manage the internal labor market for global managers,” (Farndale et al., 2010). Since interdependent structures are complex and networked, HR assumes the additional role as “knowledge management champion”. In this environment knowledge transfer and sharing is encouraged across the network. Thus corporate HR actively ensures that attendant costs peculiar to the networked firm and “based on economic, social, and

linguistic dissimilarities between regions”, are minimized and the benefits maximized (Sparrow et al., 2003).

## **2.5. A Framework of the HR Organization in the Modern MNC**

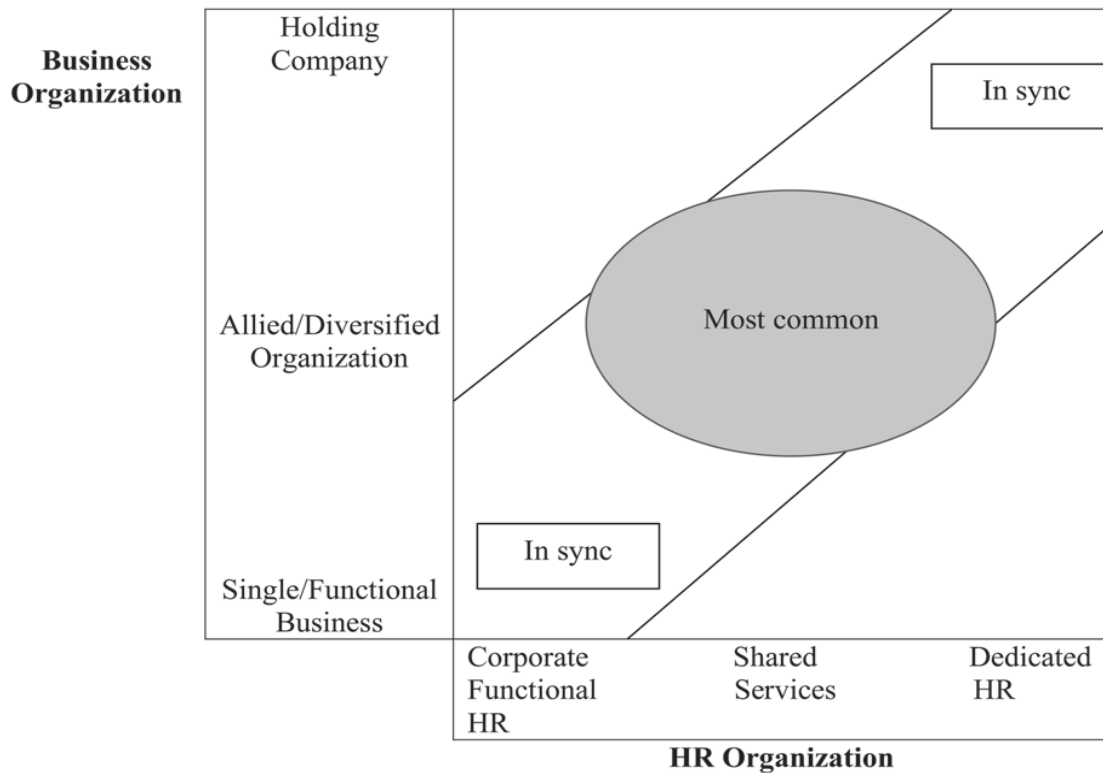
From the preceding section it was established by Farndale et al. (2010) that modern IHRM structures should reflect the business strategy. Moreover, to become truly responsive to global environmental demands the corporate HR function in an MNC must diligently perform the emergent roles of effective political influencer, champion of processes, guardian of culture and knowledge management champion.

Corroborating the suggestions of Farndale et al. (2010), Ulrich et al (2008) suggested two alternative ways the HR function could be structured. The first is HR should structure itself in imitation of the “business organisation”. Alternatively, since most MNCs today are diversified businesses, the HR department should be modelled after the business, taking on five roles and responsibilities. In support of the argument that the HR function should reflect the business organisation, Lawler and Galbraith (1995) identified three types of business organisations, namely, holding company, allied/diversified organization, or single/functional business.

### **2.5. 1. The HR Structure Mimicking the Business Organization**

The *Single/Functional Business*’s main strength is its singleness of purpose. HR helps it to fortify this strength. Start-up companies as well as small ones usually have no HR department. A line manager handles the HR work together with his own usual schedule. It is reasonable to expect that when the staff strength of the company grows to at least 50 then a full time HR professional is needed to do staffing, determine compensation and encourage cordial employee relations. Since the firm deals in a single business, there is no difference between the business and the corporate body. Therefore the pool of HR policies and practices are stored at the headquarters and HR generalists execute these at the branches.

## HR structure mimicking Business Organization



**Figure 4** (ULRICH ET AL., 2008)

Ulrich et al (2008) define a *holding company* as one *composed of multiple, unrelated, independently managed businesses*. As there is basically no HR department at the headquarters, HR practices are embedded in each business unit. Since the businesses are unrelated there is hardly any need to have a corporate HR coordinating activities. Exceptions are found in some holding companies where the corporate HR concentrates on attracting, hiring and paying senior managers. It is strongly recommended that given corporate HR does not coordinate the activities of the subsidiaries, an active HR department should be set up at each unit to handle the HR function.

**Table A:** Functional HR, Shared Services, and Dedicated HR (Ulrich et al, 2008)

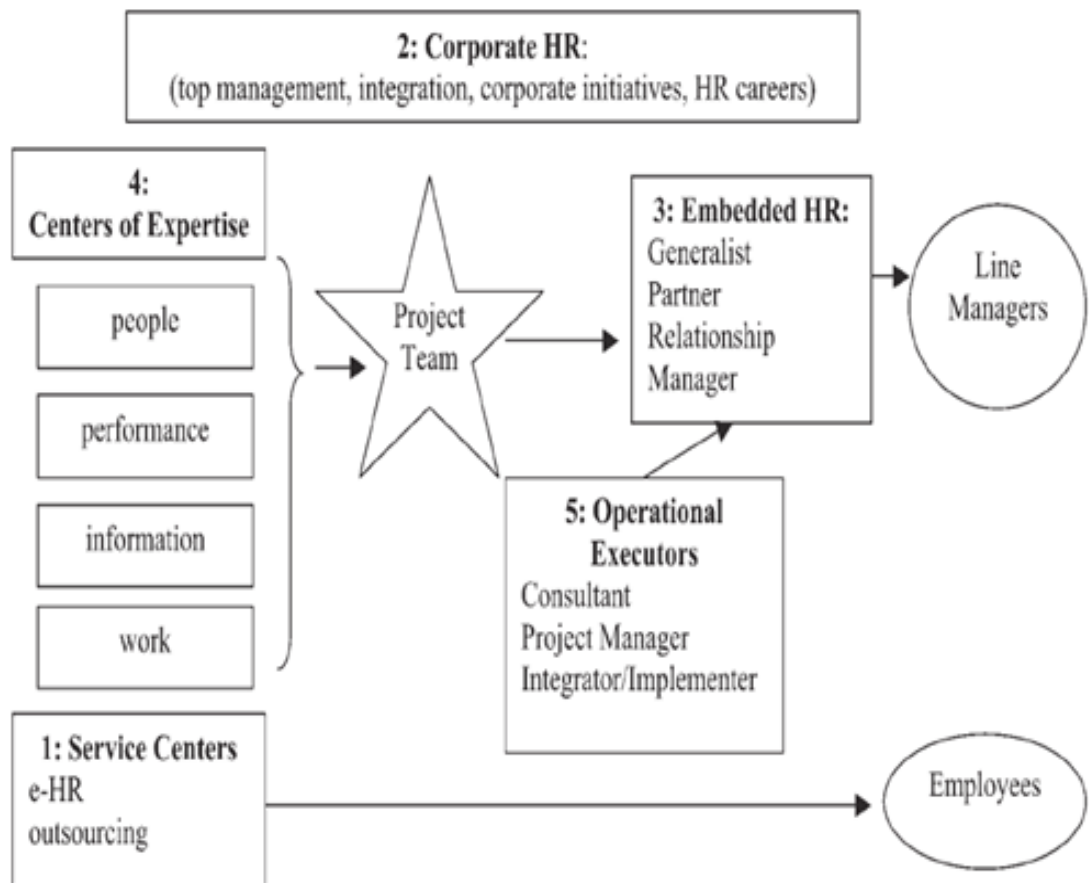
Dimension	Functional	Shared Services	Dedicated
Business organization	<ul style="list-style-type: none"> <li>• Single business</li> </ul>	<ul style="list-style-type: none"> <li>• Related or unrelated diversification</li> </ul>	<ul style="list-style-type: none"> <li>• Holding company</li> </ul>
Design of HR policies	<ul style="list-style-type: none"> <li>• Performed by corporate functional specialists</li> </ul>	<ul style="list-style-type: none"> <li>• Alternatives created by specialists in centers of expertise</li> </ul>	<ul style="list-style-type: none"> <li>• Designed and delivered by functional specialists within a business</li> </ul>
Implementation of HR practices	<ul style="list-style-type: none"> <li>• Governed by corporate specialists</li> </ul>	<ul style="list-style-type: none"> <li>• Governed by local HR professionals who select options from center of expertise menu</li> </ul>	<ul style="list-style-type: none"> <li>• Governed by local HR specialists embedded in the business</li> </ul>
Accountability	<ul style="list-style-type: none"> <li>• Corporate HR</li> </ul>	<ul style="list-style-type: none"> <li>• Split between operations and HR</li> </ul>	<ul style="list-style-type: none"> <li>• Local business leader</li> </ul>
Services orientation	<ul style="list-style-type: none"> <li>• Standardized services across the corporation</li> </ul>	<ul style="list-style-type: none"> <li>• Tailored to business needs with consistency through learning and sharing</li> </ul>	<ul style="list-style-type: none"> <li>• Unique services for each business</li> </ul>
Flexibility	<ul style="list-style-type: none"> <li>• Mandates use of internal resources</li> </ul>	<ul style="list-style-type: none"> <li>• Has flexibility as governed by the centers of expertise</li> </ul>	<ul style="list-style-type: none"> <li>• Each business creates what is required</li> </ul>
Chargebacks	<ul style="list-style-type: none"> <li>• Business units pay an allocation of HR costs</li> </ul>	<ul style="list-style-type: none"> <li>• Business units pay for use of service</li> </ul>	<ul style="list-style-type: none"> <li>• Business units fund their own HR costs</li> </ul>
Location	<ul style="list-style-type: none"> <li>• Strong corporate presence with HR generalists on site</li> </ul>	<ul style="list-style-type: none"> <li>• Wherever it makes sense</li> </ul>	<ul style="list-style-type: none"> <li>• Small (or no) corporate HR office, with HR staff at the local business level</li> </ul>
Skill requirements for HR	<ul style="list-style-type: none"> <li>• Technically expert in functional design and delivery</li> </ul>	<ul style="list-style-type: none"> <li>• Design expertise but also consulting and support</li> </ul>	<ul style="list-style-type: none"> <li>• Business expertise and technical specialty in business</li> </ul>
Wealth creation criteria	<ul style="list-style-type: none"> <li>• Corporate shareholder value</li> </ul>	<ul style="list-style-type: none"> <li>• HR value creation for line managers, employees,</li> </ul>	<ul style="list-style-type: none"> <li>• Business-unit growth and profitability</li> </ul>

### 2.5. 2. The Five Roles and Responsibilities of HR

*The HR organization is positioned to create value and deliver strategically relevant organization capabilities when it reflects the structure of the business(Ulrich et al.,2008).* A dilemma remains as to what specific format the HR function should be organized to reach organizational targets.

Figure 5 below is Ulrich et al.'s (2008) attempt to illustrate how the HR department should be formed towards the realization of the organization's two faceted goals: *value creation and capability enhancement*. The five roles of the proposed are as follows: Service Centers, Corporate HR, Embedded HR, Centers of Expertise, and Operational Executives. Each role is expounded in the ensuing paragraphs.

#### Overview of the HR Organization



**Figure 5.** (ULRICH ET AL.,2008)

According to Reilly (2000) *Service Centers*, in the form of e-HR and outsourcing, came into prominence just before year 2000 began. Both HR and other functions of an organization began to realize the cost effectiveness of organizing certain routine managerial activities into standardized ways. Moreover, information technology has helped legitimize service centers and facilitated in positioning them at economic locations around the globe. Employees are reportedly patronizing service centers very

much in finding solutions to routine problems. A clear advantage of service centers is overstaffing is avoided. Service centers have granted the HR function novel ways of doing conventional work including “employee assistance programs, relocation administration, benefits claims processing, pension plan enrollment and administration, applicant tracking, payroll and learning administration” (Ulrich et al.,2008).

*Corporate HR* typically enacts six roles and responsibilities as listed by Ulrich et al. (2008).

- They create a consistent firm-wide culture face and identity.
- They shape the programs that implement the CEO’s agenda.
- They ensure that all HR work done within the corporation is aligned to business goals.
- They arbitrate disputes between centers of expertise and embedded HR.
- They take primary responsibility for nurturing corporate level employees.
- They ensure HR professional development

Showcasing a “consistent cultural face and identity” (Ulrich et al., 2008) of the entire MNC is the foremost task of corporate HR. Potential shareholders are mainly concerned about financial performance, major buyers deal with different lines in the company, and prospective employees are influenced by the corporate brand. By constructing a strong, appealing organizational culture comprising values and principles, corporate HR would succeed in attracting the company’s stakeholders. The second role high on the agenda of corporate HR is to add the human element to the CEO’s chosen strategy for the corporate. Harnessing appropriate organizational resources and deploying suitable HR practices, corporate HR provides direction for implementing the HR practices. Corporate HR’s third function is to ensure all of the HR activities are in tandem with the strategic goals of the corporation. This means corporate HR would not be preoccupied with defining what needs to be done in each subsidiary unit since the managers therein understand specific business needs better. The HR professionals assigned to businesses also have a keener insight as to the HR needs of the business. Therefore, corporate HR would only provide the broad framework underlying the connection between business strategy and HR practices, which includes involving embedded HR professionals in setting achievable goals.

Corporate HR performs a fourth function ensuring a harmonious relationship between business-unit HR professionals and the centers of expertise. Fifth, corporate HR has a twin duty of overseeing the work of all HR throughout the corporation and training and educating the workers at the headquarters. Sixth, corporate HR responsibility is to ensure the *professional development* of all HR professionals. They also need to update their knowledge of current practices through short-term training and long-term development planning.

*Embedded HR* is the third role of the HR department. In different organizations they come by different names including *business partners*, *HR generalists* and *relationship managers*. They work very closely with line managers and other team leaders “to clarify strategy, perform organization audits, manage talent and organization, deliver supportive HR strategies and lead their HR function” (Brown et al., 2004). Their work is built around five key areas, namely:

- They participate in meetings for mapping out business strategy.
- They champion employee concerns
- They define requirements to reach business goals and identify where problems may exist.
- They determine the HR practices suitable for chosen business strategies.
- They monitor performance to ascertain the effectiveness of the HR interventions.

Ulrich et al. (2008) describe *Centers of Expertise* as “specialized consulting firms inside the organization.” Their scope of operation could be worldwide, regional (such as West Africa), or country-focused (e.g. Ghana). They act rather like a consulting firm with many customers. Some centers receive a fee for their services, charging a market price for that matter. They are the repositories of latest HR best practices and should be consulted by the businesses within the organization. Just as the other categories of HR professionals, centers of expertise have a number of roles to play:

- They create service menus aligned with the capabilities driving business strategy.
- They diagnose needs and recommend services most appropriate to the situation.

- They collaborate with embedded HR professionals in selecting and implementing the right services.
- They create new menu offerings if the current offerings are insufficient.
- They manage the menu.
- They shepherd the learning community within the organization (Ulrich et al., 2008)

In spite of the obvious importance of centers of expertise in many enterprises, they present real challenges which negate their usefulness. It is argued centers of expertise tend to deliver one-jacket-fits-all menus for all units. This might be unhealthy since some businesses are unrelated hence need flexible programs. Another area of concern is they have been accused of being too theoretical, building solutions irrelevant to business needs. Some argue that they need to regularly upgrade their knowledge of business realities to be able to perform a more meaningful role. Others criticize centers of expertise for assuming they have best practices in their menus simply because corporate policy demands the centers to be used instead of buying solutions from outside vendors. They need to progressively measure the relevance of the menus to see their effectiveness.

*Operational Executors* perform the fifth role of the HR department. Their main task is to implement new business ideas at the businesses either from the centers of expertise or from corporate HR. However it has been observed that in many MNCs no professional group is clearly mandated to carry out operational services. Center professionals plan HR practice options, expecting HR generalists to do the implementation but the latter, as business partners, are busy at the lines, offering strategic ideas to line managers. Only recently has some MNCs seen the need to assign someone to handle fresh initiatives. While some companies train HR *junior business partners* to execute strategic decisions made by business partners, others strive to solve the problem by forming a group of HR *operational consultants*.

## **2.6. Organizing Human Resources in MNCs**

In the past researchers produced multiple HR role classifications as discussed earlier in section 2.1. (see Tyson and Fell, 1986; Storey, 1992; Ulrich, 1997) and investigated whether HR practitioners have been found to be performing all of these roles or only some. Evans et al (2010) categorized the HR function into three roles, namely, Process and Content Development, Service Delivery and Business Support. This structure finds support in the ‘HR delivery models’ proposed by other HRM scholars (Lawler, Boudreau and Mohrman, 2006; Caldwell, 2008; Ulrich et al., 2008; Wright, 2008) and the roles are reflected in the way MNCs today organize their HR function. Caldwell and Storey (2007) argue that organizing HR in a certain way underlines what is important to the firm such as “which HRM issues will be focused on, measured, and followed up”.



**FIGURE 6.** (Evans et al., 2010)

### **2.6.1. HRM Process and Content Development**

‘Process and content development’ refers to how HRM policies, practices and processes are developed and thus who is responsible, who is involved, and in what capacity. Evans et al. (2010) discusses several ways this function has been organized by MNCs across the globe. The conventional intervention is to create the functional experts at headquarters whose responsibility it is to organize global HRM policies and processes. Centers of expertise (or excellence) strategically located across the global MNC is another intervention. A good deal of MNCs also favour the use of global functional committees, having a centralized HR function or a structure of more dispersed centers of expertise. HR communities of practice are informal groupings preferred by some where individuals voluntarily take part. The cross-boundary project group, regardless of what solution, is a fundamental process for formulating corporate HRM processes and tools. The composition of such groupings could include members from the businesses and lead countries, line and HR managers/experts.

Despite the fact that the use of some of the structural interventions above preceded the others, knowing when, how and why they are used remains limited. Empirically, there is scant evidence showing how HRM practices and processes are constructed and thereafter executed by means of these different structural solutions. Moreover, little empirical backing exists on how HR practitioners are expected to play in the different structural interventions and their critical success factors.

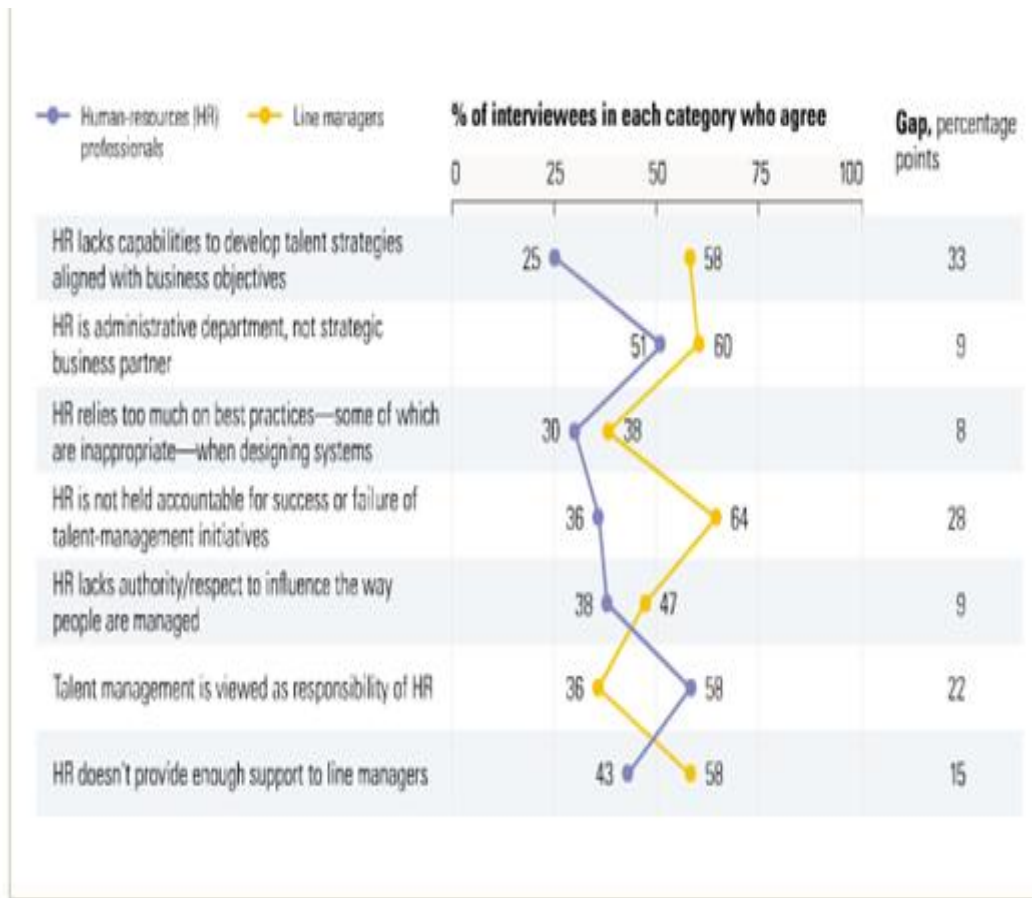
### **2.6.2. HR Service Delivery**

The main purpose of the HR service delivery is to carry out “regular transactional operations connected with HRM, carried out at low cost and with a satisfactory service level” (Evans et al., 2010). In response to the pressure on it to minimize costs and improve effectiveness over the past 15 years, the HR function has utilized IT in devising new ways of standardized service delivery in three main ways: Self-Help (self-service), Shared Service Centres and Outsourcing. Self-service has enabled the automation of transactional processes and the removal of intermediaries. This means work has been shifted to the end users of HR services such as line managers and employees. Increasingly corporations are finding it convenient creating a shared service center at a regional or global level. Select HR transactions, such as those

performed in shared-service centers, can be outsourced. Though all the three solutions seem beneficial; empirically we have little understanding concerning the organization, implementation, and consequences of such services. For instance, who is involved and/or accountable? What are the effects on user satisfaction, the content of HRM processes, and the overall effectiveness of the different structural solutions in terms of both service quality and cost? This present project purposes to investigate these issues.

### **2.6.3. Business Support**

‘Business support’ refers to the direct ways in which the HR function works with line and top managers on HRM issues. One part of the ‘strategic’ business support role is to contribute to discussions about people aspects of strategy and organizational capabilities; another may be to work with line/top management on change processes, including organizational redesign. In addition, HR professionals working within the line organization may get involved with the evaluation of candidates for key positions, to undertake the groundwork for periodic talent reviews, and help resolve employee concerns of various kinds. A further structural issue concerns reporting lines: HR professionals in business support roles typically seem to report to the head of the line with a dotted line relationship to the corporate, divisional, or regional HR department. As found below in the exhibit, the HR organization has faced much criticism today as to its actual activities vis-à-vis expected roles.

**Table B:** A declining impact (*McKinsey Quarterly*, no. 1, 2008, pp.49-59)

Source: M. Guthridge, A.B. Komm, and E. Lawson, "Making Talent a Strategic Priority," *McKinsey Quarterly*, no. 1, 2008, pp.49-59.

Nonetheless, recent trends show that the structure of many HR organizations have been in the process of major transformation and little research exist on these matters. Increasingly, it is becoming imperative for the HR function in MNCs to be restructured to balance their response to their role as strategic business support and more conventional HRM activities. Simultaneously, the new structure must fulfill the demands to be globally integrated whilst remaining locally responsive (Farndale et al., 2010).

#### **2.6.4. Adopting an HR Function Classification**

In this research the intention is to work with the typology by Evans, Pucik, and Björkman (2010), which distinguishes between the process and content development, service delivery, and business support roles of the HR function. This classification is mainly in consonance with the ‘HR delivery models’ recently proposed by other HRM academics (e.g., Lawler, Boudreau, and Mohrman, 2006; Caldwell, 2008; Ulrich et al., 2008; Wright, 2008), and conforms to the manner in which a considerable number of major MNCs organize their HR function.

#### **2.7. HR Activities**

Inferring from the HRM literature, we know a good deal about the intended roles of the HR function. Less is known about the concrete activities of HR practitioners and the level to which these activities tally with formal roles. In Section 2.6 above, the main aim was to investigate the formal structures of HR functions and how these manifest into expected roles for HR. In this section of the thesis, attention would be paid to examining the actual daily activities of HR practitioners with a greater emphasis on activities connected to the strategic partner role.

In recent times, there is a growing interest in bridging (Jarzabkowski, 2002) “the gap between the theory of what people do and what people actually do”. This theory of the ‘practice’ approach has gained much momentum in extant management literatures. For instance there is research on (Jarzabkowski, 2002) “knowing in practice, formal analysis in practice and technology in practice”. And all three theories share a general emphasis upon the manner “actors interact with the social and physical features of context in the everyday activities that constitute practice”. Current thinking in the practice suggests that emphasis be placed upon the actual work of strategizing by strategists (e.g. Hendry, 2000; Whittington, 1996; 2001a). In other words, in the same way the studies on knowing in practice propose that knowledge is not something that an organization is in possession of or *has* but knowing in action, something that a firm and its actors *do* (Cook and Brown, 1999), so we should investigate strategy not as something an organization has but something a firm does. By extension, the notion of strategy as practice naturally leads to the designation, ‘HRM as practice’ for HR

professionals. In other words, HR's strategic involvement in the businesses should be examined on the merit of what HR departments actually do, as opposed to a mere role designation such as strategic players, business partners, or strategic partners.

An emphasis on HR activities is intrinsically connected to the freshly presented process-based theory of the HRM-performance relationship. The concept of the process-based theory espouses that HRM is a signaling system whose messages should "enable employees to understand and motivate them to adopt behaviors consistent with organizational goals and strategies" (Bowen and Ostroff, 2004). Moreover, the major HRM process characteristics involve the visibility and authority of the HR function, and the consensus among decision makers both within the function and outside it concerning the expected objective of HRM activities, and the link between purported objectives and actual actions and activities.

Just as it is posited that the roles and activities of HR commence with the design of the HR architecture (Becker, Huselid, and Ulrich, 2001), a useful initial reference point for the study of HR activities are the HR structures discussed above.

### **2.7.1. HR Service Delivery**

The rationale behind the creation of service delivery is the increasing feeling that HR practitioners spend too much time and attention on non-strategic transactional HRM work to the detriment of value-adding activities such as HRM content development or business support. As a consequence an emerging trend of HR service delivery fragmented into strategic and transactional facets is becoming the norm (Caldwell, 2008; Wright, 2007). Utilizing a mixture of transaction cost and value chain kind of thought, firms are progressively deliberating on who or what is best suited for a certain activity as regards the requisite level of expertise, and how cost reductions could possibly be achieved. Well finding the structural solutions to these questions might have important and widely applicable effects or implications for the activities of different groups of HR professionals. To illustrate, the use of e-HR tools is purported to simplify the use of self-service amongst managers, employees and other end users which should logically lead to a diminished amount of work for HR practitioners. To the contrary, Ruta (2005) and other scholars reported this is not

always the case. Likewise, the transfer of transactional HR activities to shared service centers should be clearly reflected in the activities of service center HR personnel versus the activities of those remaining in the various business units. Contrariwise, it is impossible to ascertain from the current HR activities evidence that these intended outcomes have been realized in practice.

### **2.7.2. Business Support**

Prior studies have contended that HR departments ought to depart from their preoccupations with conventionally administrative roles and move towards more business-oriented ones (Beer, 1997; Ulrich, 1997). Accordingly, since the 1990s, HR managers and professionals have been urged to assume the function of “strategic partners” (Ulrich, 1997), “business partners” (Barney and Wright, 1998), or “strategic players” (Ulrich and Beatty, 2001). In reality, research on over 700 UK firms found that 81 percent had remodeled the HR function, and the leading motivation for this state of affairs was to empower the HR function to get more “strategic” (CIPD, 2007). In spite of the foregoing, evidence has shown that it has been a major challenge for HR to become strategic business partners (e.g. Caldwell, 2003; Guest and King, 2004). For instance, a survey of 1188 professionals found that 56 percent targeted to become strategic business partners, but only 33 percent said they played the role at the time of the research (Caldwell and Storey, 2007). By inference, in many firms the milestone of HR practitioners becoming more strategic is still a long way off.

With respect to actual activities, on the other hand, the questions of what ‘strategic HRM’ involves in tangible terms and how HR professionals ‘act strategically’ in their daily work are to date unexplored areas of research. For instance, do different key HRM stakeholders hold different views about what activities are ‘strategic’ and/or value-adding? To what extent can the lack of ‘strategic’ activities of HR professionals be explained by certain bottlenecks in the implementation of structural change, or other factors relating to e.g. the competence of HR professionals, their relationships with corporate and line management, or disagreements about the purpose and identity of HR as a professional function (Wright, 2008).

## **2.8. Social Capital Theory**

So far an analysis of the MNC context and its implications for the HRM professional, and the evolving role of the HR profession have been done. To complete the literature review, this sub-section would focus on how social capital influences the ability of HR to carry out these activities. However prior to this a discussion of the social capital theory would enlighten us on the facilitating role of social capital on the HR organization.

### **2.8.1. Social Capital**

Social capital has received much attention from a variety of disciplines ranging from sociology, political science, economics and organizational theory. Adler and Kwon (2002) distilled the broad array of theoretical research on the subject from the different disciplines into a working definition. Moreover, they have constructed a “conceptual framework” to guide users of the term in organizational research. The researchers identified three types of social structure as market relations (in which goods and services are traded), hierarchical relations (in which obedience to authority figures means material and spiritual gains), and social relations (the bedrock of presents and favors). Social relations form the social structural basis from which social capital emerges. The definition of social capital proposed by Adler and Kwon (2002) that is adopted in this thesis is :

*Social capital is the goodwill available to individuals or groups. Its source lies in the structure and content of the actor's social relations. Its effects flow from the information, influence, and solidarity it makes available to the actor. (2002:23)*

### **2.8.2. Sources of Social Capital and Conceptual Framework**

Opportunities, motivations and abilities are the three main sources of social capital identified by Adler and Kwon (2002). Opportunities for social relationships and resources arise as individuals widen their net of external contacts. They gain even

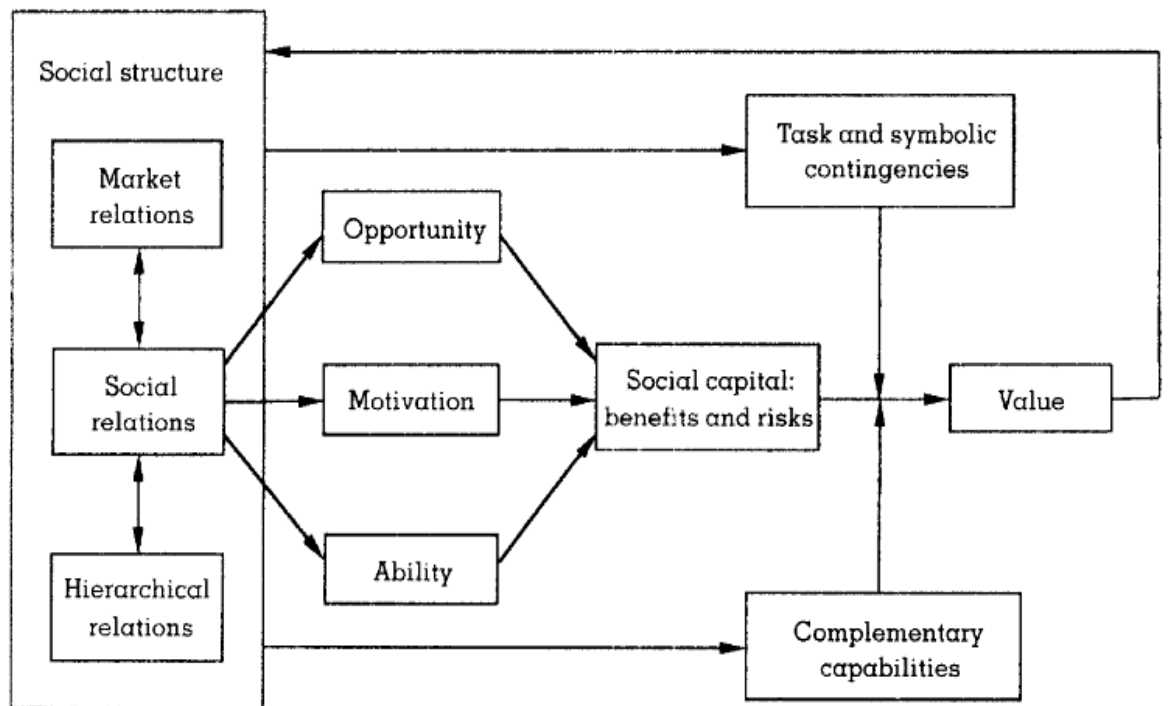
greater benefits within a group of actors. In a snowballing effect, as both the group and its individual members expand their reach to other groups, a network of actors is formed, a fertile ground for more social capital. Researchers vary in their opinion as to what structure a network of relationships should take to ensure optimal flow of social capital resources. Coleman (1988) is a strong proponent for the closure theory. His line of argumentation is closed network structure increases trustworthiness and improves the flow of social capital within the network. On the contrary, an open network leaves it to abuse and licentious behavior, thereby undermining trust and consequently, social capital. The foremost advocate for a loose social network structure is Burt (1997). He argues that an open structure with loose ties brings greater benefits to the network. So which theory is the better? Well Adler and Kwon (2002) contend that both open and closed networks can add benefits providing “we focus on external ties for competitive goals.”

In addition to opportunities in network structures, “donor” motivation is a key source of social capital as found in the conceptual model below. Putnam (1993) posits that social capital equally lies in “norms and trust”. Leana and Van Buren (1999:542) agree with him, reasoning further that the origin of corporate social capital reside in trust and “associability”—“the willingness and ability of individuals to define collective goals that are then enacted collectively.” Two forms of motivations have been identified in the literature: consummatory and instrumental motivations. Consummatory motivation arises from accumulated experiences from childhood or through adult life interactions. Instrumental motivation results from what Blau (1964), as cited in Coleman (1988), calls *dyadic social exchange* or from *enforced trust* where the community imposes its norms upon the individual or group actors (Adler and Kwon, 2002).

Ability as the third main source of social capital is the aggregate of “the competencies and resources at the nodes of the network” Adler and Kwon (2002). A network of actors with numerous opportunities for regular contact and with the right motivations to donate resources but who lack the ability to do so is certainly lacking. For example, supposing that Ville is a product designer at ABB Company who wants to test the manufacturability of the design. He may have a strong and well-motivated network of manufacturing colleagues but who lack the ability and expertise to test whether the

product can be manufactured or not. Therefore the possession of competencies and resources as a source of social capital is as crucial as the other two. The above analysis could be conceptualized from the model below. In the next chapter, we examine the theoretical perspectives of social capital as we proceed on acquiring a deeper understanding of the term.

A conceptual model of social capital



**Figure 7.** (Adler and Kwon, 2002)

### 2.8.3. Theoretical Perspectives on Social Capital

Woolcock and Narayan (2000) propounded that there are three perspectives to the question of social capital, namely, Communitarian View, Network View, and Institutional View. The *Communitarian View* argues that social capital resides in communities where shared values and norms govern behaviour. When a group of

persons cooperate on a common purpose the cooperation is a product of already existing relationships built on trust and shared values. The trust and sense of oneness and belonging were nurtured through many years of close-nit interactions within the community. Some researchers dismiss this perspective. They claim the communitarian social capital is limited and inward-looking since only members within the community in question are the only ones who share its values and hence the resulting social capital is not beneficial to the wider world.

The *Networks View* holds that social capital is derived from network patterns which play a role in forming “normative value systems.” The network lens is based on the simple premise that if you do not interact with others you are never able to be sure of your own views. Others ought to test out the soundness of your thoughts and either confirm or disagree with them. In this way you know whether you going right or wrong. Both formal and informal aspects of social exchange are emphasized. Bonding and bridging networks are the identified components under the network view. Lee (2008) defines bonding as the ‘inward’ or ‘intra-community’ “network linkages that help superglue homogeneous (similar) horizontal ties with actors who develop moral and fair values” (Lee, 2008). Bonded networks are characterized by strong communication lines and “similar levels of thick trust, emotional intimacy and mutual empowerment.” Actors within a bonding social network understand each thoroughly and know what to do to preserve the strong ties. These strong ties sometimes lead to the formation of secret criminal societies such as the Mafia and Ku Klux Klan (Putnam, 2000). Bridging entails *open networks characterized by ‘outward’ or ‘extra community’ network linkages across diverse social cleavages*. In bridged networks there is neither a frequency of communication nor “emotional closeness and interest.” The strong point of bridging is it allows individuals to engage in adventure through independent endeavor. This daring attitude in experimentation leads the individual status attainment. It could also result in the acquisition of new knowledge.

The third lens is the *Institutional View* of social capital. The previous two lenses view social capital as a process or independent variable culminating in useful benefits to both individuals and corporations. The institutional view by Swendsen and Swendesen (2003) sees social capital as a “material outcome” or dependent variable resulting “from constraining or facilitating institutional environments.” By this view

social capital is derived from influencing political and governmental institutions. Political institutions such as local government and state and regulatory bodies that encourage democracy and support policies necessary for deriving reciprocal benefits are seen as sources of social capital. Woolcock (1998) maintains that the state could do many beneficial things to immigrants such as providing financial support, helping them with the right information, and developing the language and labor skills. These are things the immigrants could not have obtained on their own. Nonetheless political units and companies could aid governments in doing good and thereby improve the economy. Governmental corruption and uncertainty about democracy in some South American and Sub-Saharan African countries have led to loss of trust and mutual relationships. This hampers economic growth.

In the following chapter, the review considers in finer detail, dimensions of social capital.

#### **2.8.4. The Structural Dimension of Social Capital**

Gooderham (2007) defines structural capital as *the presence or absence of specific network or social interaction ties between units of the MNC and the overall configuration of these ties*. And just like cognitive capital structural capital has no direct bearing on knowledge transfer. Its role lies in the extent to which it moulds the formation of the cognitive and the relational social capital facets. The existence of network ties stimulates social interaction which, in turn, triggers the build-up of the cognitive and the relational social capital. It is therefore vitally important for regular meaningful social interactions to take place within the MNC network. The degree to which non-codified knowledge transfer takes place depends on the richness and relevancy of the interactions (Gooderham, 2007). It seems to this researcher that the structural capital is the foundation upon which the remaining two are built. It is thus imperative for numerous networks between the parent and each subsidiary to be formed. Bresman et al.'s (1999) study established visits and transfers were particularly effective ways of building strong networks between the parent and its daughter units. The regularity of these interventions results in a community of shared corporate culture. As interactions deepen, a shared organizational "language" and

patterns of conduct (cognitive capital) are created. Thus with the same identity and communication patterns actors are naturally able to share and exchange expertise.

Since social capital theory proposes that the development of the relational dimension of social capital depends on the cognitive aspect which, in turn, takes root from the structural capital, the challenge is how to nurture the latter two. The answer to the question is the set of interventions management must initiate. In addition to these the external environment of the MNC has a major influence on the development of the structural and the cognitive social capital as discussed in the ensuing section.

### **2.8.5. Cognitive Social Capital**

Regarding the cognitive facet of social capital, Gooderham (2007) says it entails *shared interpretations and systems of meaning, and shared language and codes that provide the foundation for communication*. The research has it that the cognitive dimension has no direct impact on social capital; its role is to cause the formation of the relational dimension. In other words, the cognitive dimension triggers the development of the relational social capital. For instance, sharing a common language serves as a basis for mutual trust to develop which in turn leads to competence exchange. For social relations to be lasting a shared understanding between two parties, facilitated by meaningful communication, is required. Shared meaningful communication in the form of co-operative language, codes and narratives facilitates the formation of relational social capital (Gooderham, 2007).

Numerous researchers have underscored the critical importance of using the right choice of words in communication. Respectful language during business negotiations, in project teams, and in daily routine business activities creates strong bonds of friendship which breeds fertile grounds for knowledge sharing and “information and learning opportunities”(Edelman *et al.*,2004; Gooderham, 2007).A shared language between actors also results in developing shared codes of behavior, defining the framework for skillful interactions. For instance, Kumar and Worm (2003) investigated how Danish and Chinese business people have learned the code of when to begin to speak in a business negotiation.

### 2.8.6. Relational Social Capital

The relational aspect of social capital has to do with such shades of personal relationships as trust, obligations, respect and friendship. Norms of expectation and identity are additional relationship nuances. All these build up a strong incentive for two or more parties to share and transfer competencies. Norms govern behavior as to what is appropriate and what is not. Importantly, Adler and Kwon (2002) posit that behavioral norms form the basis for ‘the goodwill available to individuals or groups ... its effects flow from the information, influence, and solidarity it makes available’. Lin (2000) further observes that the norms of social capital not only ease up information flows but also save time, *reduce the transaction levels*, and remove levels of formality common in contracts by allowing informal interactions. It needs pointed out, however, that no party should be allowed to abuse informality by loose casualty or over-familiarity.

Of all the norms of behavior trust is the most prominent. Lee (2008) describes trust as “*the perceived reliability of an actor’s fairness and predictability of behavior for encouraging an open environment*”. In times of grave uncertainty trust strengthens loyalty, unbreakable confidence and enhances market performance. Therefore trust is a crucial facilitator of knowledge flows between an MNC and its subsidiaries. referring to trust Lee (2008) asserts that ‘*a trustworthy actor is more likely to be a popular exchange partner*’. By implication, corporate headquarters of MNCs must seek to build firm trust with each subsidiary. Trust is said to have played a vital in M&A and other strategic alliances. Thriving Alliances are formed around open and frequent interactions and trustworthiness among managers. This strongly implies that the top management team of MNCs ought to build strong relationships with the management of alliance partners.

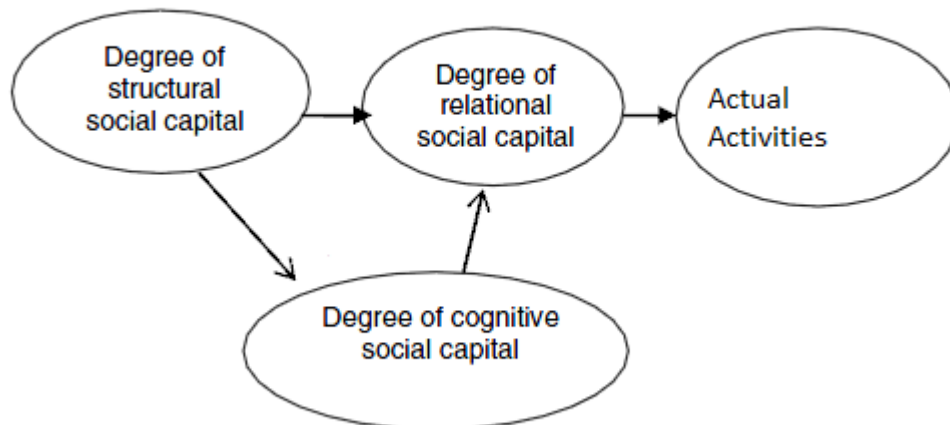
Obligations and expectations have played a part in enhancing competence exchange between MNC parents and their daughter units. In bonding networks, partners are expected to share intimate information and know-how, and feel a sense of belonging (Svendsen, 2006). Obligations arise from the premise of moral indebtedness. Player A who receives a favor from Player B feels morally obliged to repay that player in kind. Reciprocal favors deepen friendship and foster goodwill. If all subsidiaries are made

to feel part of the global organization, they will obviously be bonded to the norms and values of sharing procedural know-how with the headquarters.

Identity is equally an essential building block of social capital. As a network organization, subsidiaries should be encouraged to form strong bonds with corporate headquarters. This engenders “*similar levels of emotional intimacy and allows the development of self-esteem, reputation and status attainment*” (Oh *et al.* 2006; Gooderham’s, 2007) not only at the individual and group levels but essentially at the unit level. Subsidiaries which feel part of a community of interests, common identity and commitment in a global organization would strive to transform the businesses of the MNC as a whole.

### **2.8.7. Dimensions of Social Capital**

The research has identified both the internal and external environments as key influencers of knowledge transfer between MNC parents and their subsidiaries (Gooderham’s, 2007). Based on the internal environment, Nahapet and & Ghoshal (1998) have observed that MNCs can exploit the social capital they have to facilitate knowledge sharing. The strength of social capital, they argue, is seen in its ability to foster accommodative interactions. Consequently, differences between two MNCs, for instance, exist because of the varying amounts of social capital they are able to produce and utilize. Thus they identify three aspects of social capital, namely, the structural, the relational, and the cognitive.



**Figure 8:** Social capital determinants of HR enacted roles (Gooderham, 2007)

Gooderham's (2007) illustration of social capital is most appropriate as seen in the diagram above. As expected, a dynamic interplay of structural social capital, relational social capital, and cognitive social capital culminates in the successful transfer of tacit knowledge. In terms of social capital between the HR function and line management, Figure 8 illustrates that the degree of structural and relational social capital between the two organizations influences the way HR professionals carry out their roles and activities with line management.

## 2.9. Social Capital Perspective on HRM Activities

In spite of the necessity for a thorough consideration of the degree to which the actual activities of the HR organization reflect its formal structure in MNCs, scant research exists to this effect. For this reason we are handicapped in available theoretical framework acting as a measuring yard for gauging the actual activities of HR departments. Though Ulrich and Beatty (2001) and Jamrog and Overholt (2004) have contended that HR professionals ought to become much more involved strategically with the businesses, their prescriptive contributions have little empirical weight on HR actual activities. Caldwell's (2003) study of 98 UK firms on the functional roles of HR has failed to give evidence showing how the HR activities fulfill expected formal roles. Furthermore, published papers in famous academic journals have

extensively investigated HR practices, strategies and role influences; however none have gone into details on how these are enacted in normal day-to-day activities. (Gratton et al., 1999; Truss et al., 2002; Gratton and Truss, 2003; Hope-Hailey et al., 2005). Literature exploring possible connections between the formal HR structure and HRM activities has merely concentrated on strategies and practices, rather than actual activities versus formal structure (Huselid et al., 1997; Marchington and Grugulis, 2000; Paauwe, 2004; Truss, 2001). This has resulted in our narrow understanding of the HR function's relevance in terms of its enacted activities.

In this study therefore, the strategy literature is explored to utilize the argument that the internal workings of an organization and its sub-units can have a crucial effect on its performance (Teece et al., 1997). To this end the notion of social capital is of particular pertinence (Youndt and Snell, 2004). Social capital, or “the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit” (Nahapiet and Ghoshal, 1998: 243) is in harmony with the opinion espoused by Adler and Kwon (2002) that both the internal and external ties within and between firms and groups are essential for their ability to function well. Starkey and Tempest (2004) emphasized the growing relevance of the concept of social capital for clarifying how organizational success is realized by means of “relationship ties and knowledge sharing and co-production” (Truss and Gill, 2009).

Adler and Kwon (2002) posit that the notion of social capital is established on the premise that (Truss and Gill, 2009) “goodwill is a valuable organizational resource”. From the outlook of the HR function, it can be imagined that such goodwill might be notable between the HR department and the larger organization and within the function itself. Extending their argument, Adler and Kwon (2002) explain that the trust that underlies social capital, just as in the case of any other capital, may either grow in the course of time through positive mutual interchanges, or diminish in value, implying social capital (Truss and Gill, 2009) “is not fixed, but fluid and fluctuating”. Tsai (2000) distinguishes two distinct elements of social capital that are helpful for this research: structural and relational. Structural components are all about the position of an actor or unit within the network, level of network centrality, and degree of connectivity. This invariably implies the ability to secure resources, visibility and

communication activity (Tsai, 2000). Relational dimensions are concerned with the degree of “trusting relationships among network actors and include personal relations of trust and obligations and a shared sense of identity” (Starkey and Tempest, 2004, p. 79). Tsai (2000) contends that the extent of trustworthiness is influenced by other units’ estimation of the honesty and dependability of the unit.

Actors with high “network centrality” are presumably going to have a high level of “access to valued resources at both the individual and the unit level” (Gabbay and Zuckerman, 1998). A unit found to be both central to the network and that is trusted by others becomes a magnet of a partner for other units within firm and will easily create strong, precious links. Moreover, such a unit will become the conduit for information as it enjoys a high degree of conspicuousness (Tsai, 2000). It could be imagined that these characteristics are likely to be highly useful for an organizational HR function, and this has been, to a limited extent, researched by Murphy and Southey (2003) as regards HR networking skills, and by Lawler and Mohrman (2003) as respects the structuring of the HR function. These concepts are a valuable aid to reorganizing earlier findings as to what are the best approaches for HR departments to embrace. For example, it has been debated that HR should have a regular seat at board meetings and organized to enable easy access between HR and line managers (Ulrich, 1998; Boxall and Purcell, 2003; Lawler and Mohrman, 2003). These are instances of structural social capital. On the contrary, the proposition that HR managers should develop negotiating skills, and convey logically consistent messages to the lines, could be considered as evidences of relational social capital (Wright et al., 2004; Bowen and Ostroff, 2004; Barnett et al., 1996).

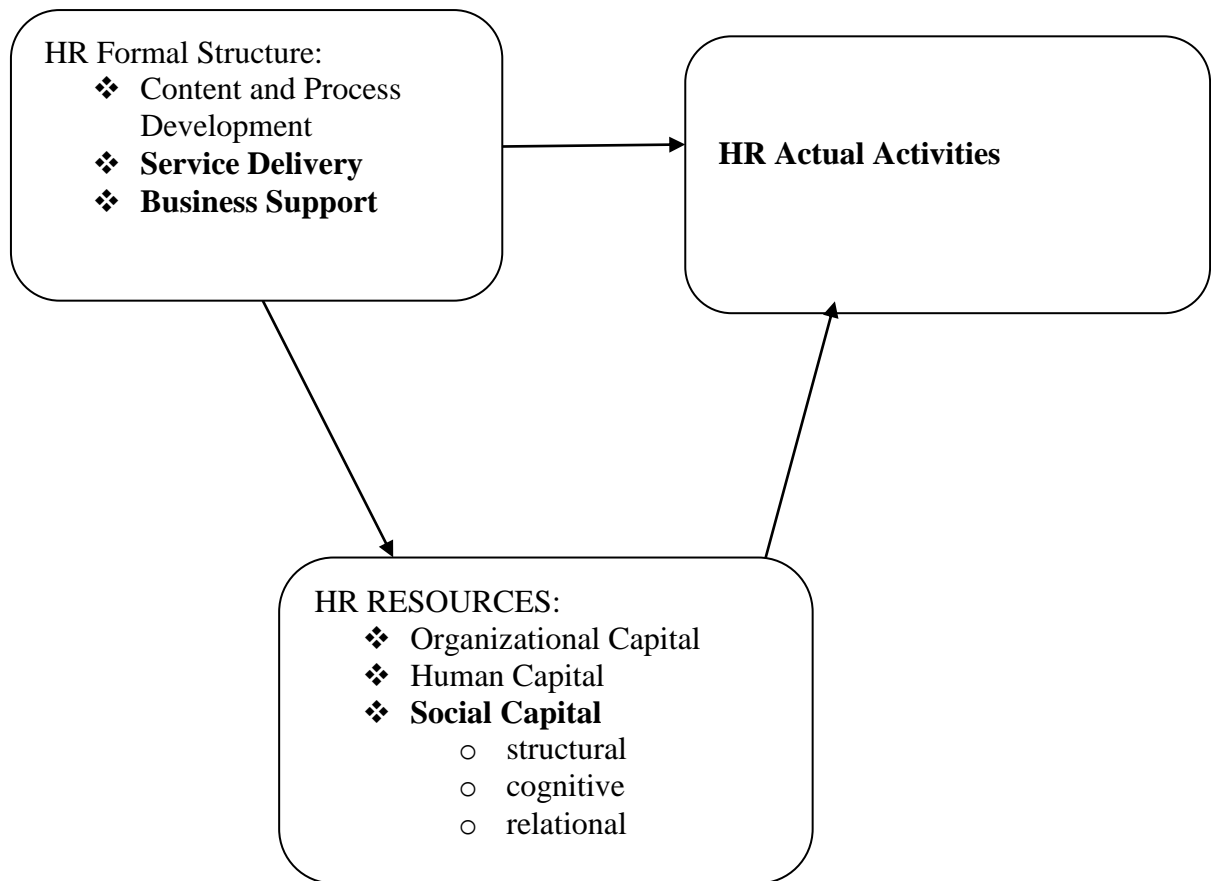
Through the perspective of social capital, it could be imagined that an HR function that works without valuable linkages to other parts of the organization, or that is bereft of trusting relationships with other units within the organization, would be limited in its contributions to the organization (Snell, 1999). In broad terms, Youndt and Snell (2004) envisages some of the gains to the organization, accruing from high levels of social capital as being “enhanced problem solving, process innovations, increased service delivery efficiencies and a reduction in organizational costs”. Additionally, Tsai (2000) argues that high levels of social capital allows firms to “co-ordinate and integrate cross-functionally and leverage their knowledge base”. These gains are

equally applicable to HR functions, hence the argument could be put forward that where HR functions manifest high levels of social capital, with a strong network of both formal and informal relationships, then they will naturally be seen as better enactors of their formal roles (Snell, 1999).

Evans et al.'s (2010) HR role typology reflects the reality in many HR departments in MNCs today. And as stated earlier in section 2.6.4., their model of the HR function's formal structure is the one adopted in this study. The three distinctive roles are HRM process and content development, HR service delivery, and business support. In business support, HR professionals are assigned to specific businesses. They work closely with top or line managers on business, organizational, and HRM challenges. A major aspect of the business support role is to have a say on strategy discussions, by focusing on the implications of implementing a strategy and developing a capability. HR service delivery consists of shared services, self-service, and outsourcing. In process and content development, the MNC formulates "policies and practices that help the firm maintain and enhance the organizational capabilities needed to execute its business strategy" (Evans et al, 2010).

## **2.9. A Conceptual Framework**

From the foregoing, a conceptual framework of the HR organization on the case company below further clarifies the design of the thesis. Evans et al. (2010) categorized the three roles of the HR function of MNCs into content and process development, service delivery, and business support.



**Figure 9.** Conceptual Framework of the Study

Ulrich, Younger, and Brockbank (2008) posit that the HR structure is an essential ingredient, enabling the function to align itself with the overall structure of the larger corporation in order to reach its goals and those of the broader firm's strategic goals. Whereas their study focused on strategy versus roles, this study's emphasis is roles versus actual activities. Logically, the HR function should be structured and the roles of HR professionals clearly defined. Previous research has done much good in classifying these roles, such as debating whether the HR profession should honour all of the roles or only a selection. However, few have undertaken to investigate the HR structure which forms the basis for these roles. Furthermore little empirical research exists to address the question as to what extent is the formal HR structure reflected in the actual enacted activities. Additionally, despite a considerable body of research on the role of social capital on the HR function, little is known as to the extent to which

the social capital between the HR department and the line management influences the actual activities of HR departments.

This thesis attempts to apply the classification by Evans et al. (2010), which distinguishes between the process and content development, service delivery, and business support roles of the HR function. Since the content and development role is a function of corporate HR of the case company, only the service delivery and business support roles will be explored in this study. Have these facets of the formal structure of the HR organization been actually 'lived' in the day-to-day activities of HR professionals? How has the HR organization balanced the demands of traditional HRM activities and the need to be strategically focused to the businesses? And how has social capital between HR and the line management impacted the extent to which the HR function delivers on its formal roles? Furthermore, the researcher expects to see that activities should correspond to formal roles, but will be influenced by the level of social capital between HR and the line management. These key issues guided the empirical examination of the case company.

### **3. METHOD**

#### **3.1. Research design**

Saunders et al (2007:131) define research design as “the general plan of how you will go about answering your research question(s)”. Maylor and Blackmon’s (2005) posit a research design is “the general approach you will take to answering your research questions, as well as the specific techniques you will use to gather, analyse and interpret data”. And Hakim (2000) alludes to an academic research project as akin to an architectural design of a building. The composition of the research design involves clear objectives formed from the research question(s), specified sources from which data were gathered, and a realistic list of impediments to the success of the project such as data access, time, location and money [Saunders et al (2007:131)] The main questions this thesis addresses are: To what extent is the formal structure of the HR organization reflected in the actual activities of HR professionals? To what extent are the HR activities influenced by social capital between the HR function and the line organization?

The social capital perspective is the lens through which these questions were investigated. There is little empirical evidence authenticating the influence of the social capital perspective on HRM activities. Moreover, how the formal structure of the HR organization is reflected in the actual daily activities of HR has scantily been researched. Furthermore the research was also ‘testing’ this researcher’s assumption about the impact of social capital on HR’s actual activities. This also suggests a deductive element to the research design as explained below. The deductive aspect is also seen in the use of a framework. Therefore, an exploratory and explanatory research design employing the qualitative interview approach was adopted to explore these questions.

The deductive and inductive methods are the two approaches used in academic research. By the deductive approach, a theory and a hypothesis (hypotheses) are formulated and then tested by designing a research strategy. The opposite is the inductive approach in which data is collected, analysed and a theory subsequently derived. Saunders et al (2007:117) observe that every master’s thesis will use theory

in the design of the research. Thus right from the onset the research approach should be clarified. Consequently, this research employed the ‘abductive’ approach, containing elements of the two, although it was more inductive. Both primary and secondary data were gathered and analysed to facilitate deriving an informed generalisation.

### **3.2 Research strategy**

Saunders et al (2007:135) outline experiment, survey, case study, action research, grounded theory, ethnography, and archival research as alternative research strategies in management. This thesis employed the case study strategy. Robson (2002) defines case study as “a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence”. Yin (2003) clarifies that in a case study, “the boundaries between the phenomenon being studied and the context within which it is being studied are not clearly evident”. In this study, ‘the phenomenon being studied’ is the role of HR in MNCs from the *social capital perspective*. Since this involves social interactions between and among the employees, the corresponding context in the case company is the working community. This researcher chose the case strategy to obtain an in-depth understanding of the research context and the unfolding events. As such, the case research is very appropriate as the goal is comparing formal roles and actual activities.

Yin (2003) outlines four case types, namely, single case, multiple case, holistic case, and embedded case. A single case is most suitable for scarcely considered phenomena. Multiple cases are used to cross-check the findings of previous cases. If the second case study contradicts the first one, it may call for re-formulation of a new theory. This work used the single case study strategy. Yin (2003) differentiates between explanatory, exploratory and descriptive types of case study uses. Given the orientation of the first research question which is, to what extent is the formal structure of the HR organization reflected in the actual activities of HR, it is descriptive in nature. It is also partly analytical, comparing formal roles and actual activities.

And the second research question, to what extent are the HR activities influenced by social capital, portrays an exploratory predisposition. Contrary to the notion that the case study is not scientific, Saunders et al (2009) argues it could be a significant way of exploring a known theory. Moreover, the case study strategy is suitable for not only questioning existing theory; it could create the grounds for further research work. Hence the purpose of this case study research was to achieve analytical rather than statistical generalization.

### **3.3. Data collection**

Both primary and secondary data were collected for this study. Secondary data in the form of annual reports, working diaries and corporate publications along with information from the firm's website contributed to a rich source of data. Primary data were collected as follows. The Triangulation technique as a key influencing characteristic of the case study implies gathering data from multiple sources for the purpose of obtaining a thorough understanding of the phenomenon under investigation (Ghauri, 2004). Validating information naturally adds to the accuracy of the findings. In this research the concentration is on the role of the HR function. However given the thoughts of Ghauri (2004) on the aims of triangulation, other managers were interviewed in addition to HR ones. Specifically, respondent triangulation was used. To ensure accuracy, a few key managers were the focus of the interviews for deep, comprehensive information instead of a large pool of less informed employees (Huber & Power, 1985). Overall, 5 HR and 5 line managers were interviewed between January and March, 2011. Nine were separate interviews and the remaining one was conducted on an HR manager and the assistant. The criterion for selecting HR and line managers was to get a holistic view of the role of the HR function across the three lines, and to facilitate the study on the role of social capital between these two groups of individuals.

The empirical data was gathered by means of semi-structured thematic interviews suitable for a logical approach to the issues under study (Easterby-Smith, Thorpe & Lowe, 1991:74). The rationale for a semi-structured theme-based interview was to draw interviewees to speak on matters of interest to the researcher. The theme method

enables the researcher to cover all the issues in the interview, optionally varying the theme scope between interviews. Two important purposes of theory in qualitative research are explained as follows. As well as exposing the researcher to new knowledge, theory provides the basis to structure and systemize empirical data. Theory will be used in this study as the foundation of the empirical investigation and for the subsequent analysis and structuring of the empirical results.

Semi-structured interview as a data gathering method was used for two purposes in this research. It was the only instrument in conducting qualitative study – interviewing selected HR and line managers. Second, it was also used to discuss the case company's organizational context and human resources management with their HR and/or general manager. The outline of the interview was not fixed in advance completely. Rather, annotations were deployed from precedent interviews to update and refine the outline, themes and questions as the researcher moved from one respondent to the next. Individual attributes (e.g., demographics, function, and expertise) and individual structural characteristics based on descriptive social network analysis (e.g., centrality, information brokerage roles) were used as criteria for selecting up to ten respondents for interviewing. Respondents' recent experiences in utilizing informal connections in effecting HR interventions provided the background for probes enabling us to draw valid conclusions as to how social capital influences HRM.

For the purpose of expressing themselves naturally on issues, the respondents did not receive the theme guide prior to the interview, except for a few sample questions. Nonetheless, each interviewee was given advance information by e-mail on the study, the interview topic and the duration of the interview. Moreover, the matter of confidentiality was also considered in the e-mail. Ideally, all interviews were expected to take place at the interviewees' offices though alternative venues were used at their convenience. It was desirable for each interview session to last 45 minutes except for instances where an interviewee had more informative experiences to relate. In addition to tape-recording all interviews, the researcher took personal notes. The researcher tried to capture actual activities, opposed to general responses about roles, by asking the interviews to first of all describe the formal HR structure of the

organization. This was followed by a second question to describe their actual activities in a week.

In gathering data for the empirical part of this thesis, both HR and line managers were selected from units A and B.

**Table C:** Number of interviews conducted

		Kanga Company	
		Unit A	Unit B
interviewees		<b>5</b>	<b>5</b>
HR Managers		<b>2</b>	<b>3*</b>
Line Mangers		<b>2</b>	<b>3</b>
Type	Subsidiary of Zokko MNC		
Employees	2800		

\* Specifically, 3 HR managers plus 1 HR Assistant

### 3.4. Time Horizon

Cross-sectional and longitudinal studies characterise the time horizon of academic researches. While a cross-sectional study investigates a phenomenon once at a particular time, the longitudinal one does so over a period of time gathering empirical data at different times during the study, even over many years. For instance, a master's thesis is often conducted cross-sectionally given the time constraint. However, studying the change in employee attitude on a new management accounting

system implementation where data is collected several times and analysed within a year or more is a longitudinal study. This study was done cross-sectionally. Despite that cross-sectional studies are mostly done using the survey method, this research was done qualitatively based on interviews.

### **3.5. Reliability and Validity**

Objectivity is the lifeblood of good research (Kirk and Miller 1986:20). The assessment of objectivity comprises two parts-- reliability and validity. Saunders et al (2007:149) define reliability as *the extent to which your data collection techniques or analysis procedure will yield consistent results*. Easterby-Smith et al. (2002:53) intimate that the reliability of data collection techniques and analysis procedure can be measured against the ensuing questions, namely:

1. Will the measures yield the same results on other occasions?
2. Will similar observations be made by other observers?
3. Is there transparency in how sense was made from the raw data?

This work was guided by the questions above.

To safeguard the quality of empirical social research work, four tests can be applied (Yin 2003:34). These tests are as follows: (1), construct validity—establishing correct operational measures for the concepts under study, (2) internal validity—establishing causal relationships, whereby certain conditions are shown to lead to other conditions, as distinguished from spurious relationships, (3) external validity—establishing the domain in which a study's findings can be generalised, and (4), reliability—demonstrating that the operations of the study can be repeated with the same results. However, it has been proposed that matters of external validity and reliability would only be appropriate in researches where the social researcher is exploring invariant and universal law (Numagami,1998) and hence would be inappropriate in case study research.

In this case study research, construct validity was safeguarded by gathering interview data from both HR and line managers, and by having the interviewees review and

make comments on the transcripts to verify their contents. Moreover, in reporting the findings, construct validity was further ensured through the use of raw interview data in the best way possible to illustrate the conclusions drawn and to allow readers to understand the analysis (Patton 1980:343).

Internal validity is mainly employed in causal ( or explanatory) studies (Yin, 2003:36), where the researcher wants to ascertain if event A leads to event B. It is therefore relevant since this study is partly explanatory. Internal validity was improved by use of a theoretical framework grounded upon existing research, which formed the basis for the case study analysis. This implies the findings of the case study was authenticated on the foundation of what is known from earlier research (Miles and Huberman 1994: 278-279). External validity was guaranteed by following the replication logic of case studies , where a case study was carefully selected such that it predicted similar results ( literal replication). Lastly, to increase the reliability of the case study the research process has been explained in detail in previous chapters.

### **3.6. Case Background: Zokko Corporation**

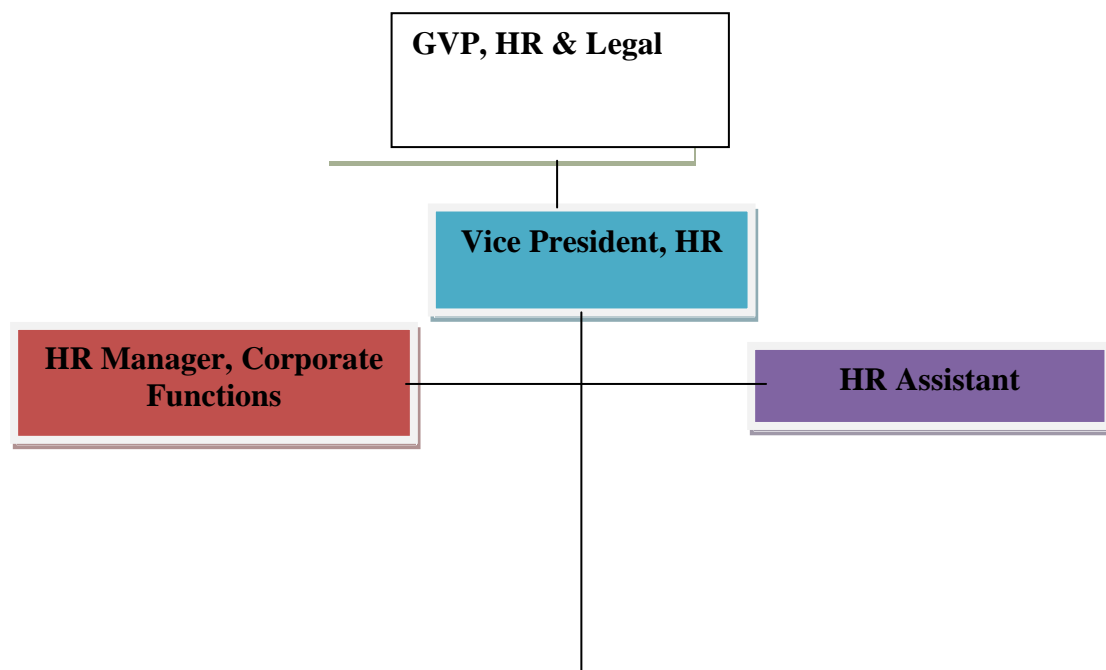
Zokko is one of the leading players in the energy markets. Key competitive strengths being technological innovation and comprehensive efficiency, the company has built efficient green solutions. Zokko is an MNC specialized in three main business lines. Using the latest cutting edge technology the company furnishes innovative solutions efficient, environmentally friendly, and economically viable to customers. With multiple units across the globe, Zokko employs nearly 20000 highly motivated individuals. As a publicly traded firm it is listed in the NASDAQ OMX Helsinki, Finland.

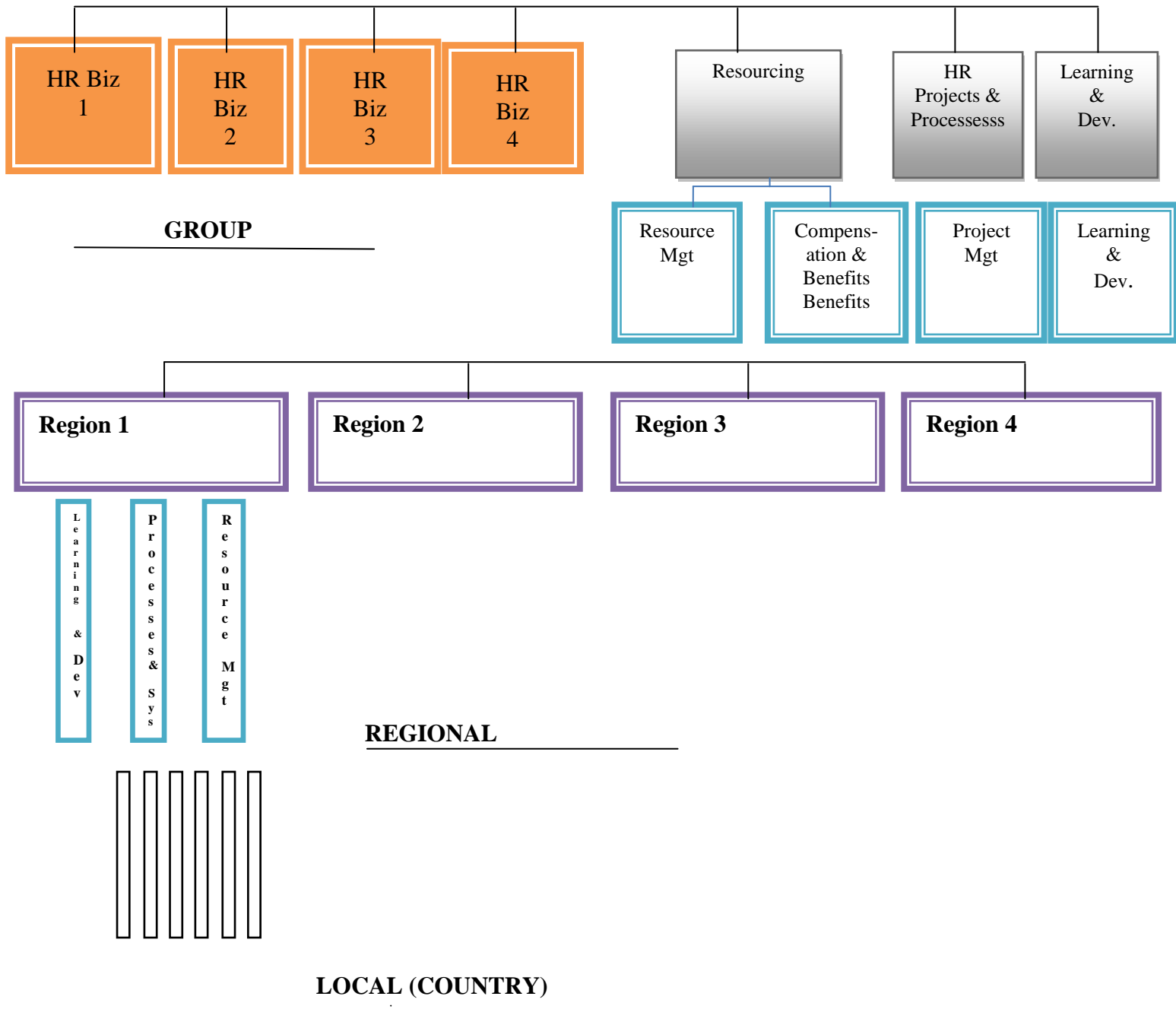
The global organizational structure had been re-modelled beginning January 2011. Thus the HR function was also modified to reflect the transnational, networked organization. This was to ensure HR policies and strategies become more closely aligned with those of the larger organization and corporate objectives. The change was especially ideal for smaller foreign subsidiaries; they would henceforth get expert

support from the network since each unit was not required to have all the needed competencies, expertise and resources. Other functions such as the information management, quality management, finance and control and the real estate departments were all synchronized and harmonized to provide symbiotic support among units and across borders. The HR function was accordingly structured to reflect the new changes. The overall global HR organization has been structured into global, regional, and local sub-units. The aim was to ensure there would be much more cooperation in delivering HR services across borders. Formerly every country had their own HR processes but now HR has been globally integrated. Henceforth there would be need to have one Zokko view which includes the rules, guidelines and processes. The main issues would be done in the same way across units.

### 3.6.1. Formal Structure of Zokko HR Organization

Formerly, the organizational structure of the Zokko Corporation was meant to use the multi-domestic approach in establishing and managing its subsidiaries. However starting from January 2011, market pressures necessitated an organizational restructuring where the transnational strategy was adopted. This globally integrated strategy affected all structures in all of its subsidiary units across borders, including the HR organization. Figure 10 below depicts the new global HR organization of the company. The corporation's HR structure has been organized into three strata: Group (strategic) level, Area (regional) level and Local (country) level.

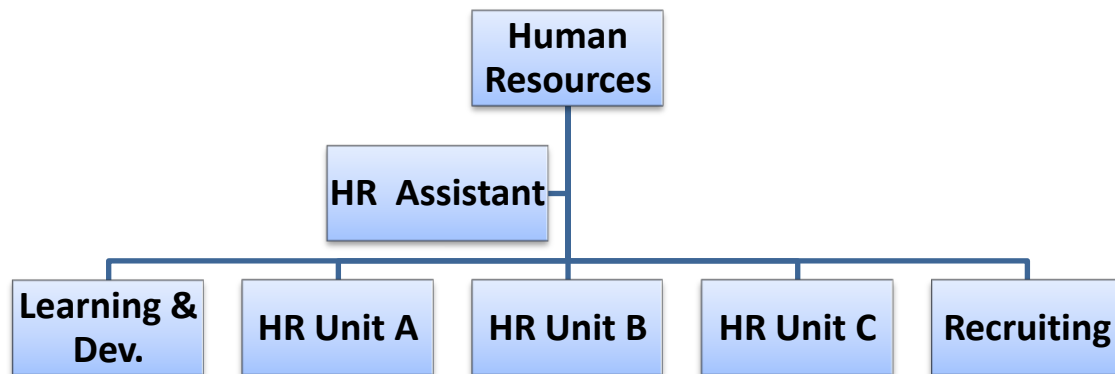




**Figure 10.** Zokko Corporation HR Organization

At the pinnacle of the Zokko HR Organization is the vice president, Human Resources, whose immediate subordinates are two. The strategic(group) level HR manager for corporate functions oversees HR business 1, HR business 2, and HR business 3. The other is HR assistant at the strategic level, directing the global resourcing, HR projects and processes, and learning and development. Regional HR

has been split into four zones. The regional HR director for each region oversees learning and development, processes and systems, and resource management. Each of the four regional (Area) levels, in turn, supervises six groups of countries at the local (country) level, as depicted in Figure 10. In turn, Each country HR director directly reports to the regional HR Manager.



**Figure 11.** Kanga Subsidiary—HR Organization

The Kanga Subsidiary Company is one of the country-level units in relation to Figure 10, and the role of the HR function therein is to carry out HR activities. The HR director for Kanga Subsidiary Company, as depicted in Figure 11, has jurisdiction over the three HR managers of units A, B and C, as well as the learning and development, and recruiting managers. In line with the globally integrated HR policy, the learning and development and recruiting managers, seated in unit B, have responsibility for the respective needs of all three units in the subsidiary.

By reason of the theoretical framework and research questions, the following formed the basis for selecting Kanga company: the case company needs to be an MNC with a diverse workforce from several countries; it performs various HR practices and is

extensively involved in relationship building and network activities; and the size of the unit is large and diverse enough for conducting a complete social network study. Given obvious logistical, financial and time constraints, the study was an embedded one targeted at the personnel of three business lines. Specifically, Units A and B were the focus of this research in terms of Figure 11.

## 4. FINDINGS

### 4.1. General Findings

Every organization desires to attract, motivate, and retain the best qualified employees and place them on tasks they can perform optimally. Human resources, training, and labour relations are the collective agency to make this possible. In the past, HR's function involved performing the administrative tasks of the firm, such as attending to employee benefits matters, or recruiting, interviewing, and hiring new staff in line with laid down policies by the top management team. Today, even though HR departments are still expected to fulfill these roles, recent calls have been made for them to confer with top executives on matters pertaining to business support. They are required to 'leave' the ivory towers and lead the firm in proposing and changing policies. This awareness of the dual role of the HR function guided the focus of the analysis that follows.

The empirical data gathered on the actual activities of HR managers revealed mixed outcomes. Both HR and line managers were asked to what extent the HR organization's formal structure was reflected in the actual activities of the department. Resource management, learning and development, processes and systems, and recruitment were the formal HR roles and responsibilities the interviewees enumerated. Other roles identified were remuneration and compensation, strategic HRM, handling safety and legal issues.

The general activity of the HR organization was highly evaluated. To the question as to whether the HR actual activities differed from the formal roles and responsibilities, one line manager responded:

*"I think 99% or 98-99% they are doing their work very well. Every time our salary in time. They do their work efficiently because I assume that.....they are quite many who have worked quite long time so they know what to do. And also new people they they can mentor them what to do."*

*(Head:Investigation Group for Technical Services)*

Clearly, prompt salary payment, longevity of service and the successful integration of new employees were the reasons assigned for the positive evaluation of HR functional performance. Another encouraging commendation came from a senior line manager who stated:

*“I will say, “good” or at least “ok”. Most cases I will say we get the support needed. Sometimes we get really really busy, there might be some delay but that’s of course there are always resource limitation.....They are very knowledgeable in the areas let’s say line managers are not so familiar, the timing, the exact details of national agreements or laws and regulations.....where for sure need expert support.”*

*(Director, Industrial Operations)*

The learning and development team was found to be actively engaged in creating, procuring, and conducting training and developing programs for employees. There was a growing awareness that training provides a way of honing skills, improving productivity and work quality and ensuring employee devotion and loyalty. Progressively, managers are becoming aware that deepening the knowledge, sharpening the skills and competencies of employees is a business necessity that could grant a competitive advantage in recruiting and retaining a high calibre workforce, potentially leading to growth in business. Despite their good efforts, line managers complained about the learning and development team’s failure to maintain regular contact to assess training and development needs. In addition, presentation materials were either out of date or dysfunctional.

The recruiting team maintained contacts within the community and often participated in job fairs. Contacts were extended to colleges and universities in search for prospective job seekers. Given his extensive stay at the company, the recruiting manager was thoroughly familiar with the firm, the businesses, and the human resources policies of the companies to confidently discuss with potential employees, wages, working conditions and opportunities for development and promotion.

## 4.2. Formal Roles Versus Actual Activities

The focus of the analysis on this section is to discover the extent to which HR professionals were enacting their formal roles and responsibilities in daily activities. The analysis starts by presenting and dilating on Tables D-H, summarizing the formal roles versus actual activities of five individual HR managers. The tables have a third column listing the differences between the formal roles and actual activities. The next sections consider in detail the extent to which the actual activities of the HR function are influenced by social capital in reference to social capital theory.

**Table D:** Global Resourcing Manager

### INTERVIEWS

Formal Structure and Roles	Actual Activities	Key Differences (if any)
<p>HR Manager: Resource management: global resourcing of talent Learning and development processes and systems recruiting Response from Line Manager: global resourcing---to explore talent across the globe. To cooperate with regional resourcing managers in finding needed resources.</p>	<p>HR Manager: 1. Production management meetings 2. Writing employment contracts 3. Meeting with production managers and shop stewards 4. Open office for employees 5. CR profit Line Manager: Global Resourcing Manager attends all management meetings: DCV Production Management Team Meetings ECOTECH Management Team Meetings PCE Management Team Meetings Info session (for all managers and shop stewards on production issues)</p>	<p>A line manager at the factory maintenance department complained this HR manager was not proactive during a lay-off exercise.  Business support by this HR manager was insignificant.</p>

The global resourcing manager defined his responsibility as assessing global human resources needs and identifying appropriate expertise, wherever it could be found, to fill these needs. He would subsequently give recommendations and assistance to the four regional resourcing managers. In addition to this bigger role, he was also expected to liaise with the Kanga local unit line managers on people strategy. There he maintained strong formal linkages with line management by regular presence at management team meetings where he became strategically involved with the businesses. He would get to know what kind of business decisions were made so as to discuss the human resource implications for such decisions. Responding to how he really got line managers to listen to him as a trusted advisor, he explained that many people wrongly think that ‘shooting straight’ is a drawback on your advancement inside the organization. He as well as most other HR leaders reckon the opposite is true. Being forthright with bold confidence is a precondition for being a trusted advisor:

*“You must respect the director but you are not allowed to be afraid of the directors; because if you are afraid of directors they are not telling you everything. You must lift yourself almost at the same level with the directors when you are talking. Be polite, kind, but never afraid about directors”.*

*(Global Resourcing Manager)*

The implication from models portraying the HR ‘business partner’ is a stress on consultancy skills. As an internal consultant, the HR ‘business partner’ is regarded as offering suggestions to senior managers and facilitating key organizational changes which include discussing major strategic issues confronting the business (Wright, 2008). Portrayals of the HR ‘business partner’ as internal consultant also emphasize that this role is only legitimate depending on whether senior management accepts the individuals’ proficiency instead of the notion that the HR professional has a formal position from the bureaucratic structure. As a result of the foregoing, the global resourcing manager asserted that those championing the business partner cause should stress the essence for HR managers to cultivate “superior influencing, relationship and networking skills”. He argued further that given recent calls within the organization for HR managers to add value to the businesses, he often had to work long hours, often extending working time to the house. He understood his new role as one which

should enable him accomplish the goal of elevated status and prestige as a valuable contributor to business issues.

Nonetheless he admitted having to often grapple with the question of whether HR strategy should be aligned to the business strategy or not, and what precisely constituted business support. His concerns corroborated those of the director of industrial operations who pointed out that HR managers had poor knowledge of the businesses. In addition to his strategic role, the global resourcing manager would write employee contracts, which is non-strategic according to his formal role. His activities also included an open office on a weekly basis for employee concerns which is a role for generalists. It appears though his formal tasks and responsibilities included these matters.

**Table E: Regional Resourcing Manager**

Formal Structure (Tasks and Responsibilities)	Actual Activities	Key Differences
<p><b>HR Manager:</b></p> <p>HR Trains employees  Recruiting and resourcing  HR handles salary issues  HR department takes care of international assignments  HR function handles human resources <i>administration</i>  HR function operates the SAP system  HR function holds cooperation with business units to gauge present and future needs. This helps the function to take a strategic view of the business with respect to recruiting and other HR issues.</p> <p><b>Line Manager:</b></p> <p>The HR department formulates common rules(reporting time,holidays,travelling)  The HR function determines salaries  HR helps in recruitment (including e-tools for job applications).  HR is responsible for formulating work safety measures  They arrange learning and development courses</p>	<p><b>HR Manager:</b></p> <p>Regional resourcing manager (RCM) maintains contact with government, companies and other stakeholders of the community to discuss strategic labour needs  RCM actively seeks cooperation with educational institutions to communicate skill requirements and to unearth potential talent. RCM often travels to job fairs, college and university campuses, in search for promising job applicants.  Recruiting team actively screens, and sometimes tests applicants</p> <p><b>Line Manager:</b></p> <p>In general terms they are able to come up with good candidates for recruitment purposes  HR keeps contact with universities,students to discuss labour needs and to identify potential talent.  HR department participates in fairs for talent identification.</p>	<p>The regional resourcing manager complained that recruitment procedure was not well defined for identifying right talent. This This could possibly be due to lack of clarity from senior HR managers, the recruiting manager's own lack of technical knowledge about the businesses,and lack of social capital between the recruiting manager and the line managers.</p> <p>RCM and the line director of industrial operations both identified difficulties in recruiting middle managers and niche specialists. This is significant since the RCM must have the expertise for all sorts of labour.</p> <p>A Senior business director at one unit also observed that recruiters' challenges included lack of thorough understanding of the organization, the work that is done, and the human resources policies of the company in order to discuss recruiting issues with the line organization. Recruiters as well as other parts of the HR organization, were not really involved with the businesses to understand business development and the connection between that and HR issues such as needed competencies, needed amount of resources and things like that.</p> <p>These challenges are potentially due to his shortcoming on strategic priotization. Though the emerging systems are opportunities, they are also challenges for recruitment professionals. Recruiters need to be abreast with staffing needs and priotize the activities to meet the changes in the market.</p> <p>The regional recruiting manager could not clearly demonstrate how he was fulfilling this role. He defined his scope of work as cooperating with other regional managers on recruitment issues. Admittedly he had only assumed the role for one month. Still it could be perceived that he was facing the challenge of adaptability to globalization, keeping pace with the changing times and adjusting to them.</p>

The recruitment manager was generally commended for fulfilling his roles. Reacting to a question on feedback from the clients, he said:

*At least when ask feedback they have told us that they (business managers) are quite satisfied. Naturally there are things to develop but things are quite positive.*

*(Regional Resourcing Manager)*

This assertion was backed by some line managers one of whom declared the actual activities of the resourcing manager reflected his formal responsibilities, though recent lay-offs from the HR department meant more HR matters were henceforth devolved to the lines:

*We have very good communication with the recruiting side. But the problem now is we have some difficulties, recently we laid off some people so if you have recruitment going on.....If we talk about training issues, competence development I think we [line managers]have to be more active in the business. The line managers have to be more active than before, since we don't have this competence training er ladies sometimes push us to: "Now we have to do this; Do you have some need?" Now we have to be alert ourselves. So in that respect I think the work is shifted to the line organization. That is how I see it.*

*(Director,Supply Market Management)*

His shortcomings and challenges were identified by both himself and line managers, as reported in Table E.

**Table F: Unit B HR Manager**

<b>Formal Structure (Tasks and Responsibilities)</b>	<b>Actual Activities</b>	<b>Key Differences</b>
<p><b>HR Manager:</b>            HR manages recruiting and resources            The HR department is responsible for remuneration            The HR function provides training needs for the company            Legal issues are handled by HR.            HR business partners support the lines with people strategy            HR's responsibility it is to manage SAP and other HR software tools.            HR function is represented at management meetings to discuss people strategies.</p> <p><b>Line Manager:</b>            HR department formulates common rules on e.g. reporting time, holidays, etc.)            The department determines the salaries of employees            HR helps in recruitment including e.g. e-tools for job applications.            HR is responsible for formulating work safety measures            They arrange learning and development courses</p>	<p><b>HR Manager:</b>            Handles remuneration matters, and employment contracts            holds discussions with line managers on recruiting needs.            attends change team meetings            is responsible for occupational health            attends to legal matters related to employees.</p> <p><b>Line Manager:</b>            The HR manager skilfully handles labour law issues, such as those of Finnish and EU            The HR manager regularly communicates with employee unions regarding pertinent matters such as salaries and holidays.            HR manager adequately caters to employee sick leave affairs.</p>	<p>The HR department was portrayed as “quite stiff”, frustrating processes needing prompt solutions. Additionally, certain rules and regulations from both local and global HR, described as quite strict, were difficult to follow hence merited improvement. He requested flexibility.</p> <p>The HR function had been seen to be non-supportive to the line managers in employee disciplinary cases.</p> <p>Into the third month since the new structural changes were implemented the new HR structure was not yet explained, leaving line managers in the dark.</p> <p>A senior line manager from one of the three businesses observed that this HR manager was inactive regarding the businesses.</p> <p>The HR manager's personal contact with clients was minimal. It was suggested he should offer more support to the lines on people strategies.</p>

Unit B HR manager is a generalist who specialized in compensation, benefits, and legal affairs. Like others managers, he was perceived to fulfilling his roles. In addition he was coordinating HR activities in positive ways; he had a regular presence at management team meetings where he had opportunities to discuss HR matters on strategy. Despite this the services maintenance manager complained HR professionals did not actively get involved with the businesses. And incidentally, the HR manager gave little explanation on how much he offered at the meetings on business strategic goals. He described himself as an “old-fashioned generalist”. However, attending management team meetings entailed his work was both administrative and strategic. Could this be owing to a lack of clear-cut direction on business support from his superiors?

His lack of understanding of business support apparently led to complains from line management to the effect that certain HR policies were not properly communicated. One instance was the concern that policy changes on travelling and maternity leave had not been well communicated. Another probably more serious concern came from the supply marketing manager. He bemoaned that very helpful HR business professionals were recently withdrawn from the lines. HR staff withdrawal was part of a restructuring exercise, but evidently this was not adequately communicated to the lines. It had become a corporate policy to devolve much of the HR issues to line managers. Apparently lack of clarity from senior HR managers, including this one, potentially contributed to the lapse. Alternatively it might simply be failure on responsible managers’ part to explain policy changes fully as proposed by a line manager. Interestingly, both this HR manager and line managers alike testified that the HR function was now overstretched, having lost many of the staff through redundancy.

Several more shortcomings of this HR manager were recounted by line management. HR software systems such as SAP and SABA, were reportedly not user friendly. Moreover, presentation templates and other materials were described as non user-friendly and out-dated. A recent survey named, MY VOICE, was said to be badly administered. Too many managers were involved with the data analysis rendering the exercise rather expensive. The supply marketing manager intimated this HR manager

failed to realize prevailing low remuneration levels which demotivated employees. Line managers stated there was lack of mental support for project managers from the HR manager. Many projects were challenging, exhausting and depressing. In times line managers really needed some emotional support from the HR department, this was not forthcoming. Futhermore, a line manager from the services business complained HR information in the intranet was scattered hence difficult to find and suggested it should be well organized. This HR manager was expected to take note of these developments since HR issues were under his oversight.

**Table G: Unit A HR Manager**

<b>Formal Structure (Tasks(roles) and Responsibilities)</b>	<b>Actual Activities</b>	<b>Key Differences</b>
<p><b>Tasks and responsibilities:</b></p> <p><b>HR Manager:</b></p> <ul style="list-style-type: none"> <li>• HR cares for all kinds of personnel matters</li> <li>• HR is responsible for all recruitment</li> <li>• It is HR's role to deal with salaries</li> <li>• HR plays an advisory role for line managers and employees</li> <li>• HR takes responsibility for people strategy</li> </ul> <p><b>Line Managers:</b></p> <ul style="list-style-type: none"> <li>• HR attends to legal matters</li> <li>• HR does recruitment for the company</li> <li>• HR is responsible for employee health and safety</li> <li>• HR is responsible for signing all contracts of new employees</li> <li>• HR negotiates salaries and wages according to corporate policies</li> <li>• HR is responsible for regular dialogue with unions and shop stewards</li> <li>• Employee statistics are handled by HR(for purposes of monitoring e.g. sick leaves, and doing a follow-up)</li> <li>• HR representative attends Management Team(MT) meetings to update MT members on HR issues, e.g. relaying new guidelines from Headquarters)</li> </ul>	<p><b>HR manager:</b></p> <ul style="list-style-type: none"> <li>• makes new contracts,</li> <li>• discusses with the shop stewards(employee representatives) the concerns of employees</li> <li>• discusses with different managers matters of concern in the lines</li> <li>• keeps in contact with different management teams</li> <li>• occasionally does staff reshuffles</li> </ul> <p><b>Line Managers:</b></p> <ul style="list-style-type: none"> <li>• administrative matters have been devolved to the line</li> </ul>	<p>A line manager from the production maintenance management observed that administrative matters had been devolved to the line. This might be as a result of change in corporate policy, but the lines remained disinformed.</p> <p>The line director of industrial operations added that occasional special case HR matters were left to the line, such as a returning employee from long illness. Some returning workers would do overtime work right on the day they would have resumed work.</p> <p>Other key differences included inappropriate development projects for employees, insufficient job description for workers, lack of mechanisms for reviving demotivated workers, occasional employee disruptive behaviour inadequately handled, and poor communication during redundancy exercise in 2010.</p> <p>A production line manager reported that additional causes for concern were HR managers' apparent lack of grasp of labour laws and the struggle of new managers to integrate. New managers were largely left on their own to find their way.</p>

**Table H: HR Manager—Learning and Development Team**

<b>Formal Structure (Tasks and Responsibilities)</b>	<b>Actual Activities</b>	<b>Key Differences</b>
<p>HR Manager Responsibilities of the HR: Personnel matters Learning and development Recruiting</p>	<p>HR Manager Attending meetings organizing, administering trainings doing basic office work, writing e-mails, or phone calls planning trainings</p> <p>Line Manager HR is responsible for setting up training programmes. The department does practical arrangements like finding trainers, and other resource professionals HR takes care of competency management</p>	<p>A line manager from the services business stated that discussions on learning and development to identify competency needs were infrequent. It was desirable for the learning and development team (LDT) to inquire from the lines on a regular basis prior to organizing training sessions. Close collaboration with line managers helped identify training needs (sometimes line managers need training themselves) For effective output, employee competency levels needed regular monitoring (presently lacking)</p> <p>A manager from the services maintenance management submitted that the LDT lacked knowledge of right software for training and development purposes. HR failed to pre-check the suitability of training materials beforehand.</p> <p>A director from the production line bemoaned that injured or burnt-out workers were not re-trained to get the most out of them</p> <p>A manager from services maintenance department deplored the lack of profiling of employees into databases. This would help to identify competencies for new jobs as well as training and development needs.</p> <p>The foregoing suggests that there is a gap in regular flow of interactions between the learning and development team and the clients, as claimed by some line managers.</p>

The learning and development received mixed report from the lines despite the team leader thinking their clients felt the team was enacting its formal roles well. The team leader observed:

*“ I have to say that customers are very happy... We usually don't have any challenges or problems with line management or .....because I think with training they're usually very happy. And if they like to have some improvement we will always try to find out the solution. So I think it is working very well.*

*(Learning and Development Manager)*

On the other hand, although line managers said the actual activities of the learning and development team reflected their formal roles to some extent, certain aspects were not fully accomplished. One line manager recommended a “little more activity from their side [Learning and Development's] with regard to....training”. Another one from the services business was critical of the training tools and equipment:

*“HR lack knowledge of the right software for training and development.They fail to pre-check the suitability of training materials before hand.They must collaborate with line managers in identifying needs before prescribing training. Sometimes it is the line managers themselves needing training.”*

*(Services Maintenance Management)*

### **4.3. The Structural Features of Social Capital**

The focus of this section is to examine the degree to which the structural feature of social capital between the HR function and line management was shown to influence HR's ability to enact their roles. In other words, the goal is to establish the extent to which HR's actual activities were influenced by social capital. Table J uses the social capital lens to explain the differences arising from HR's formal roles vis-à-vis actual activities performed.

**Table J:** External Structural Components of Social Capital

Key Differences	
<ul style="list-style-type: none"> <li>❖ Business support by HR department was insignificant ; HR function was inactive regarding the businesses ; HR managers' personal contact with clients was minimal ; there were calls from line management on HR to offer more support to the lines on people strategies.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Social capital is a plausible explanation, that is, HR managers' poor relationships with corporate and line management or disagreements about the purpose and identity of the strategic role of HR. Other limiting factors on the manager's ability to be strategic might include personal competence and personal characteristics such as his educational background. These are crucial in dealing skilfully with the lines, reflecting the diversity of duties and levels of responsibility. Also human resources occupations require strong interpersonal skills which might be lacking in a manager whose background was not based on personal interactions.</li> </ul>
<ul style="list-style-type: none"> <li>❖ HR department was inactive during lay-off exercise. The HR department was portrayed as "quite stiff", frustrating processes needing prompt solutions. HR was also seen as non-supportive to line managers in employee disciplinary cases.</li> </ul>	<ul style="list-style-type: none"> <li>➤ HR's inactivity could partly be explained by a lack of social capital between HR and line managers. It could also be explained by certain bottlenecks in the implementation of structural change, or other factors relating to e.g. the competence of HR professionals.</li> </ul>
<ul style="list-style-type: none"> <li>❖ Into the third month since the new structural changes were implemented the new HR structure was not yet explained, leaving line managers in the dark.</li> </ul>	<ul style="list-style-type: none"> <li>❖ A lack of clarity from senior managers possibly contributed to the deficiency. At the time of the interviews, the company was just one month implementing a new organizational structure. The HR organization was changed from multi-domestic to a globally integrated one. This state of affairs confused HR managers as to the exact scope and details pertaining to their new roles job. And as always, low levels of social capital between HR function and line management was a contributory factor.</li> </ul>
<ul style="list-style-type: none"> <li>❖ Administrative matters had been devolved to the line</li> </ul>	<ul style="list-style-type: none"> <li>➤ Line managers might not want the increased responsibility for HRM, might not have time to deal with this role properly, or might lack the capacity and current functional knowledge on HRM issues. Possible reasons for the devolvement are cost reductions and more importantly, to focus on developing leadership competencies of HR professionals. Nonetheless, HR's failure to communicate this important change in policy could be attributable to the function's weak social capital with the line. HR managers' weak personal competence and lack of regular flows of latest HR information from senior HR managers are other potential factors.</li> </ul>
<ul style="list-style-type: none"> <li>❖ Inappropriate development projects for employees, insufficient job description for workers, lack of mechanisms for reviving demotivated workers, were further line concerns.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Again these instances of failure on the part of the HR manager could be attributable to the absence of social capital between him and the line managers. Personal characteristics such as shyness, lack of enthusiasm or confidence might also be contributory factors.</li> </ul>
<ul style="list-style-type: none"> <li>❖ Discussions on learning and development (LDT) to identify competency needs were infrequent. LDT lacked knowledge of right software for training and development purposes. Training materials were unsuitable.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Plausible explanations for this state of affairs are presented below. Eventhough the learning and development manager stated her team received positive feedback from clients, she admitted her team only had minimal contact with the lines at informal levels. This indicates a lack of social capital with the lines. Informal relationships are a powerful force to receiving more accurate feedback. Formal feedback carries a risk. Clients might simply want to avoid stepping on toes, hence would decide to give positive feedback.</li> </ul>

It summarises the findings as reported in Tables D to H, offering possible explanations as to the differences between HR's formal roles and actual activities. It could be inferred from those tables strong formal structures to connect the HR department and line management. Still the differences seen between expected roles and HR professionals' concrete daily activities merited explanation. Structural social capital involves the inter-relationship between the HR department and the larger subsidiary organization, such as HR functional participation at meetings and processes designed to "link" the HR department with the organization. As depicted in Table J, major gaps were found between HR's expected and actually enacted roles despite the function's strong formal linkages to the line organization. It was found that HR managers had various degrees of connection to the line organization, making visible efforts to generate formal links between the function and the lines:

*"I will say local HR managers' role.....to cooperate with er with er different level of organization is quite important. First of all, The HR Director of Kanga is a member of Kanga Management Team. And these directors are members of local management teams. For example I used to be a member of Kanga R&D Management Team as well as Kanga Production Management Team. And he [Unit B HR manager] should be So-so-and-so Management Team and Services Management Team. So when you're part of the management team, you know what kind of business decisions will be and when you know business decisions then you can adjust the HR issues, that you cooperate and align your strategy to the business strategy."*

*( Global Resourcing Manager)*

The strategic managers regularly participated at meetings with various business management teams. For instance, the global resourcing manager seemed to have been the most involved HR manager at the meetings, doing so severally in a week. He stated:

*"I used to be a member of .....R&D Management Team as well as Production Management Team. .... So when you're part of the management team, you know what kind of business decisions will be and when you know business*

*decisions then you can adjust the HR issues, that you cooperate and align your strategy to the business strategy. There is always a question that should the business strategy and HR strategy.....should they be er er aligned or should they be same?"*  
*(Global Resource Manager)*

Other forms of the HR function's contact with the lines were evident. Reacting to a question on how the lines met with the HR department, one line manager stated:

*"The formal part, the important one is the monthly DCV Management Team meeting, that is one thing, but of course there are more that are unofficial. By phone, by mail....."*  
*(Line Director, Industrial Operations)*

Involving the HR function at line formal meetings was viewed as a priority. A line manager at unit B explained that there was always a seat for the HR Manager where he presented HR strategy:

*Actually we have....we're arranging this PP information event every quarter and then half a year back we have Markku as the permanent speaker; he always has time 15 min to half hour to talk about HR issues; there is always something happening there. Then also they get direct information from our businesses, what is our need?*  
*(Director, Supply Market Management)*

In unit A, the HR department is located in a block housing the production, R&D and logistics departments where the respective line managers also are. This physical proximity makes it convenient for formal and informal interactions. Commenting on the convenience of having the HR function close to the businesses, a line manager related:

*"Hannu is sitting quite next here so it is easy for him to come down here or for me going there.....in that sense of course it's quite easy to arrange."*  
*(Director, Industrial Operations)*

Echoing this, another line manager had this to say:

*“No, usually no problem for me it’s almost good location, they’re just a floor up from here, so I don’t find it difficult.....Mika Palosaari is located in Unit B, but Kanga is such a huge company. In Kanga it’s not possible to have everybody under one roof. That’s why we have 2 locations, Mika is over there but we have local HR here. It would be much more difficult if the HR people is totally in Unit B or.....”*

*(Production Maintenance Manager)*

On the modes of contact between the lines and the HR department, managers from both sides concurred that both sides used phone calls, e-mails and face-to-face meetings as modes of communication, depending on the urgency and gravity of the situation at hand. A line manager recounted:

*“Many times at first I try to call but also they are sometimes hard to reach; after that I should e-mail. Of course sometimes when we need new faces and we have to make the contract with new employee then it’s face-to-face.....”*

*(Director, Supply Market Management)*

Another line manager confirmed:

*“Mostly I call them, but er I have also used e-mail...when I have to get the solution at that place---within certain minutes I have to get the answer then I take call. And also when the matter is a little bit bigger I call if you have time and then I have face-to-face meeting. That is quite seldom—once in 2 years, excluding these recruitments.”*

*(Services Maintenance Manager)*

The foregoing analysis showed that HR managers and professionals used definite structures to keep links with the line organization. These included formal management meetings, phone calls, e-mails and one-on-one meetings. Thus to a reasonable degree, structural social capital was strong between the lines and HR. Despite those positive developments certain appeals were made regarding HR’s weak cooperation with line management in business support. Some line managers indicated more HR involvement with the lines was needed:

*“Support, one thing that should be a little bit more, maybe support for the managers in HR issues and I think it’s very difficult when you have problematic issues in the company or with some employee and so on. But I have not realized it myself but I could imagine that in that respect it should a little bit more. More cooperation and discussion and if you .....have problematic issues....”*

*(Director, Supply Market Management)*

Apart from calls for more business support, concerns were raised respecting certain administrative issues. Intranet sites and news letters used by HR managers to communicate current HR issues to the lines were inconveniently mixed with the company’s general information. Hence one line manager criticised the approach, arguing it took a great deal of time searching for HR information. The intranet is fraught with a maze of information from all divisions, including HR. One could spend all working time looking for certain information. He suggested ways to improve this situation, including information sessions and subsequent regular reminders. He observed :

*“I have missed some very important information and that’s why it’s good to have.....organized information”.*

*(Head, Technical Services)*

Other concerns raised included the lack of clarity in communicating policy changes. Calling face-to-face meetings with managers for the purpose of briefing them on new changes and repeating these in other forms to achieve full awareness would be a welcome relief. Furthermore, key matters such as maternity leave should be put in the intranet for easy access. It should also be a good practice if HR professionals could informally communicate HR initiatives to line clients. This would obviously help forestall the frustrations associated with misinformation and disinformation. Commenting on the frustration resulting from misinformation, one line manager recalled:

*“ ‘Yes, yes it’s ok to have two years maternity leave’ ...Then you go to your place and and ‘sorry, sorry, very sorry you only have 11 months and the mother is ‘Oh no! What a shit! You promised me.....two years and now you’re saying that you’ll only get 11*

*months?’In that, to avoid that kind of situations it’s good to have that kind of information where Rautonen or somebody else is giving, ‘Now maternity leave has now changed from this number of months to this number of months.’”*

*(Head, Technical Services)*

#### **4.4. The Relational Elements of Social Capital**

Table K below summarizes the findings regarding relational social capital. The aim is to establish support for trusting relations between the HR function and the line businesses. Additionally, the interviews were conducted to ascertain if informal links between the HR department and the line organization existed and to what extent those links influenced the enacting of formal roles.

##### **4.4.1. Evidence of Trusting Relations**

Mixed reactions came from both HR and line managers in the matter of trust. Regarding his working relationships, the former Unit A HR manager explained that treating both managers and subordinates equally respectfully was his way of engaging them in honest communication:

*“Equal for managers, equal for blue collars, equal everybody. I say hello same way to the director, same way to blue collar and you must respect the director but you must respect also the blue collar...When you respect honestly then you can also communicate honestly, and when you communicate honestly you get the first and important information....You must respect trainees and you must respect the director but you are not allowed to be afraid of the directors.”*

*(Global Resourcing Manager)*

The new HR Manager for Unit A underscored his positive working relationships with the lines:

*“So I think it is very important to have very good relations not only with the line managers but also the shop stewards and so on.”* Giving further details, he explained that *“there are also good Line Managers who approach HR to make sure they are doing the right things according to labor rules and so on.”*

*(New HR Manager for Unit A)*

Similarly Unit B HR managers firmly believed their working relationships with the lines were good. The Head of HR described his relationship with key clients such as line managers as “uncomplicated relationship”. He seemed to “have no problem to take contact with just anyone”. Contact with senior managers to plan strategy though “not so much on a daily basis”, was quite regular. With direct line supervisors, contact with them was mainly on advising and discussing very concrete issues, “like employing, employment contracts, remuneration”. With senior line managers though, the purpose for meeting was more strategic. He further explained that the HR department’s strong expertise was the cause for *high levels of trust from the lines*. High performance over the years resulted in a trusting bond between the two organizations to the effect that “both sides keep their word without written contract”:

*“The kind of expertise you have; it’s much to do with the relationship builds trust and also natural trust always...both sides you can trust on each other that it’s agreed, it’s agreed. So it is not a substantial but also that both sides keep their word without written contract. This is internal questioning so the policies are commonly accepted and we can trust on each that we follow what agreed. So it is expertise, trust.....”*

*(Unit B HR Manager)*

Line managers interviewed generally supported the claims by HR managers of good working relationships. In response to the question, ‘Do you have a good working relationship with them [HR Managers]?’ , one senior line manager responded:

*“ I will say, “good” or at least “ok”.Most cases I will say we get the support needed.Sometimes we get really really busy,there might be some delay but that’s of course there are always resource limitation.....They are very knowledgeable in the areas let’s say line managers are not so familiar, the timing, the exact details of national agreements or laws and regulations.....where for sure need expert support.”*

*(Director, Industrial Operations)*

However line managers expressed concerns about HR function's lack of business strategy as regards needed competencies:

*“What I can see as perhaps a challenge for them is to really be involved and understand the business development and the connection between that and HR issues such as needed competencies, needed amount of resources and things like that.”*

*(Director, Industrial Operations)*

A senior HR manager at one of the units agreed with those concerns raised above. Explaining HR is a support function, he underscored the necessity for HR managers and professionals to understand the businesses:

*I think that HR people have to get the knowledge of the businesses so they understand what they are doing.....It will really be a problem for the HR people to understand the businesses, what they are doing, why they are doing, what the goals are, what needs, how do you help in resourcing? Naturally as an external recruiting consultant if you get good enough order from the line you can act but then it's just doing, not supporting and it could be ordered from anyone outside the company; there are others who do that. And that is naturally question of involvement from the HR manager side....Ten years ago I understood of the production as much as the factory managers. The legal questions, you can answer the legal questions without understanding anything because you have to understand the legal point of view but if you are really going to support the businesses you have to know what you are supporting.*

*(HR Manager, Unit B)*

**Table K:** Relational Social Capital

Attribute	Kanga HR Organization
Informal links between HR and organization	Former Unit A HR Manager liaised informally with line managers and employees. New Unit A HR Manager regularly took part in sporting activities where informal ties were formed . Unit B HR Managers had weak informal links with the line organization. Lack of systematic depth in informal relationships across lines.
Trust in HR by line managers	HR function generally trusted to be knowledgeable and capable. Recruiting team trusted to recruit suitable professionals, though it is an appreciable challenge recruiting middle managers and niche specialists. High trust in remuneration Unit HR team. Perception of new employee integration mixed. Lack of trust by some line managers owing to slow response on administrative issues, e.g. understanding business issues, early warning on aging workforce, handling change, responding to employee strife
HR strategy/policy development process	HR objectives developed at corporate headquarters, and then cascaded through individual objectives in the department.HR policy was globally integrated since January 2011. HR objectives aligned with subsidiary.

#### 4.4.2. Informal Links

As before, both positive and negative reactions were reported on informal ties between HR and line management. The interviews revealed that HR managers in Unit A were better at forging informal links with the line organization. The former HR manager in Unit A seemed to have had a fairly good network of informal relationships

with senior and line managers as well as blue collar workers and all other professionals. He explained that in addition to formal meetings with managers, regular informal contact with them and a “very close communication with shop stewards and unions” was necessary. He further explained:

*“First of all you have to gather a lot of contacts amongst the blue collars, amongst the specialists, amongst the managers; and the reason is if something is going wrong in the company, and when you have a lot of contacts and when you’re hanging around in the factory floor...amongst the management, amongst the designers, experts, people start to tell you things and you get an early warning, you get the warning before the managers and directors get the warning.”*

*(Global Resourcing Manager)*

Forwarding the new threat to top management, interventions would be taken to forestall a potential strike, low performance, and poor quality of work. Further underscoring the salience of informal connections, he explained:

*“And very many things which have come up, I am aware before because I spend at least, roughly 1 day of my working hours on the factory floor just talking with people, hanging around. It’s....somebody said it’s management by walking around, because we spend time with people. If you lose the contact with organization and you just stay in the office and only visit in the meetings, you know nothing was happening in the factory.”*

*(Global Resourcing Manager)*

Other informal level interactions between line and HR managers took place at lunch, or during balling, for example:

*“In the Management Team a couple of times per year, we have maybe we go balling or we go doing some exercise outside, and for those occasions also Hannu is invited as part of the Management Team so there you have team building or more informal discussions a couple of times per year.”*

*(Line Director, Industrial Operations)*

The positives from the foregoing notwithstanding, the HR department in Unit A appeared to lack in systematic depth in informal relationships across lines. A line manager was prompted to recount:

*“We don’t really have meetings with them, but sometimes we have.....Line Management info sessions or something like that; they’re [HR Managers] also there but they’re not....It’s not something like personal relationship exists.....”*

*(Factory Maintenance Manager)*

A touching revelation by a senior line manager further underscored the apparent lack of connection at the personal level by the Unit B HR function:

*“They should give some kind of mental support for the people; that’s not maybe there. We have a lot of people living under a quite heavy stress. We have managers in the project team, we work around the globe more or less and we have difficult projects, we have difficult errrr customers, tricky technology and so on. So they may really have rough times. We don’t really have anything or anyone to turn to. I would imagine.....someone to discuss these things with. I know that is not in the way of Finnish culture but it’s good to some extent we have.”*

*(Director, Supply Market Management)*

Perhaps a more startling revelation came from a line manager who was asked if HR professionals informally approached the line organization:

*“YES! They never come around at informal level—contact is purely at professional level. I suppose they have limited resources there because I know that they—big, big bosses---these presidents-- they don’t want to er hire people on that kind of work which can’t be invoiced from our customer. So they [HR] have limited resources there. That’s why they don’t have time to come and and visit me and ask, ‘How is life and things like that.’ I understand it very well. It’s nice if they can come and we give them signals which we get from our employees. But I understand that this is not the reality in our company.”*

*( Technical Services Manager)*

HR managers seemed to agree with line managers on informal linkage. Whilst building evidence for high quality services to the line needs, the head of learning and development conceded informal ties with the lines were almost non-existent:

*“I think we have high quality training and we always listen to our customers: our employees and managers and and top management. And we’re very customer-oriented..... We have built the relationship for a long time so they are trusting the organization. Her assistant continued: Not necessarily relationship at a personal level but relationship to our organization is very good, so it doesn’t depend on the person. Eventhough I’m quite new they trust our organization so they trust that our communication is good and it works so....I think it is something that we have already built in the ‘90’s that we have like er put in lots of effort to develop our trainings...and...we have found....correct way to work with these trainings and that’s why we have built the good cooperation and they trust that they will get support from us. And it is not the person issue anymore, it’s like...way of working.”*

*(Learning and Development Manager, and Assistant)*

From their words, the learning and development team enjoyed high formal working relationships with clients. What seemed to be problematic was a severe absence of informal linkage with the lines. Both HR and line managers admitted that the HR function was under-resourced, limiting its professionals’ ability to form valuable informal ties. Nonetheless, the weak HR social capital seemed to suggest certain key issues were not attended to. A line manager intimated that they were left to grapple, almost single-handedly, with problematic issues with either the company or some employees. Support and more cooperation from HR would likely have made matters less stressful. Furthermore, remuneration issues were a major cause for concern among many employees. There seemed to be a lack of coordinated HR policy to initiate sufficient personal interactions with the lines. Both line and HR managers identified under-resourcing in the HR department as the main cause for this. A line manager speculated:

*“I can also sense something; I don’t have the facts basically, maybe they would like to work really closely with the local entity, local unit like here, but on the other hand*

*they have a lot of targets, programmes and things like that coming from Head quarters via Area that now you need to work with this, that is happening.”*

*(Director, Supply Market Management)*

This observation finds direct support in the words of the Global Resourcing Manager who explained:

*“Yes, lack of time, really disturbing. I am receiving a lot of e-mails; I have no time to fill all these e-mails. It’s quite usual that when my kids are going to sleep I open my laptop and I start to work again, at 9:00 O’clock in the evening and I continue till 11 or 12 O’clock. You can do it sometimes but every day you can’t do that. And I feel sorry myself that I can’t do all these things I should do.”*

*(Global Resourcing Manager)*

Thus clearly the HR function is deeply constrained for time. From the foregoing the HR managers in the company were generally trusted to perform their activities professionally. What was not supported was clear evidence for a cohesive network of informal relationships between the line and HR organizations. Bureaucratic constraints also played a role in HR’s inability to develop precious informal connections with the lines. A non-HR manager whilst voicing real concern for the lack of strong support from the HR function, conceded:

*“Finnish HR is just one part. You have other HR departments everywhere and then you have global HR that are setting the guidelines and so on and they are going according to what is approved in the Board of Managers so sometimes they have their hands tied when they would like to do something.”*

*(Director, Supply Market Management)*

## **5. DISCUSSION AND CONCLUSIONS**

The purpose of this chapter is to accomplish four aims. The discussion of the study findings will first be undertaken. This will be followed by presenting the limitations of the work. Subsequently, the practical implications of the study will be drawn, and finally future research suggestions offered.

### **5.1. Discussion of Findings**

Previous research on HRM has implied that HR strategies, policies and the way the HR departments function may influence their effectiveness (Buyens and de Vos, 2001; Murphy and Southey, 2003). And extant contributions to this debate have focused mainly on what HR departments do, instead of outrightly reporting on the extent to which the actual activities of HR professionals reflect the formal HR organization. Furthermore, existing contributions have said little on the influence of social capital on HR function's actual activities. For these reasons presently, it has been impossible to ascertain what HR roles are notable and why, and how significant the impact of social capital is for HR departments in successfully performing their roles and responsibilities.

Based on the findings of this study, the main points of discussion that emerge would be considered. First, the key differences arising from the analysis of the case firm's HR formal roles and responsibilities versus actual activities would be further expounded. Next, the lens of social capital would be employed to see the impact its structural and relational elements have on the actual activities of the HR department. The focus was on the social capital between the HR department and the line organization, rather than the impact that the HR department may have on levels of social capital within the organization more generally (Snell, 1999). This expands previous works on the salience of social capital in strengthening inter-unit and inter-department links and developing trustful relations within organizations that might plausibly lead to good results (Adler and Kwon, 2002; Tsai, 2000). This study also builds on existing previous descriptive and prescriptive research on HR functional roles (Lawler and Mohrman, 2003; Murphy and Southey, 2003).

A qualitative exploratory study was administered, focusing on HR formal structure versus actual activities and on structural and relational social capital. This study showed mixed results on the activities of the HR organization in the areas of HR strategic partnership (business support) and generalist roles such as recruitment and selection, learning and development, performance management and rewards, and communication (labour and industrial relations). In business support, HR professionals and managers work closely with line and top managers on matters pertaining to HRM. According to Evans et. al (2010), strategic partnership is “generalist in nature, requiring competence across different functional areas of HR as well as a *close understanding of the specific business* [italics this thesis writer’s]. The HR professionals occupying this role *support business unit management teams* [italics this thesis writer’s], and they are often members of these teams.”

By this definition, the global resourcing manager, the regional recruiting manager, and Units A and B HR managers are considered strategic players. During the interviews all the managers confirmed they belonged to respective management teams. For instance the global resourcing manager was a member of at least three management teams. However, writing employee contracts, and keeping a once-a-week open office for employee concerns were some of his activities which are non-strategic vis-a-vis his formal role. Similarly, the Unit B HR manager described himself as an old –“fashioned generalist”, lacking business knowledge. Incidentally, line managers were quick to point out that the HR department was handicapped in business knowledge, limiting its ability to recommend useful people strategies at management meetings. As a consequence, the HR department would lack the capability (Evans et. al, 2010) “to contribute to discussions about the people aspects of strategy and organizational capabilities.” Since strategies are effected using people, a core task of the HR business partner is to prompt the management team on the strengths and constraints that the current crop of human capital imply for any decision to change business strategies. The regional resourcing manager spoke of liaising with colleagues and universities to discuss industry needs and also to identify potential talent. Though a key responsibility, it was not clear how he was cooperating with colleague resourcing managers from other regions. Moreover, this task was a role for the local recruiting manager. Thus, there seemed to be role confusion here.

Another support function of strategic players is to work directly with functional HR specialists to ensure “that HR practices are in place to build the intended organizational capabilities” (Evans et. al, 2010). Furthermore, active business partners are alert to (Evans et. al, 2010) “change management implications”. However, these issues would likely suffer since the unit HR managers’ daily activities were mainly administrative and transactional.

In addition to strategy and change, HR managers and the professionals attached to the line businesses have other matters to attend to. These include taking part in appraising candidates for important positions and laying the foundation for re-evaluating potential talents. The supply marketing manager who acknowledged the importance of these issues wondered why the business HR professionals were withdrawn from the lines. It was ironic to recall these and thereafter implement a policy of people strategy. On talent reviews, The line director for industrial operations observed that the HR function had no mechanism for profiling employees for the purpose of identifying talents as well as recommending training for the individuals needing it. Evans et. al (2010) posit that business support managers are frequently requested to assist in settling diverse employee issues. This was a specific area some line managers felt the HR function had been inactive. And that seemed to find support when the global resourcing manager recounted an instance where he was personally involved in settling an actual brawl case. It is significant to note that another important responsibility of the HR function is to Evans et. al (2010) “become linking pins between business units and the centrally located functional expertise centers as well as with the *service delivery centers*.” The full purpose of the service delivery model used in the company seemed poorly communicated to clients. A section of the workforce wondered why employees were left to using electronic self-help services in finding available learning and development opportunities and job openings. Additionally, some line managers had no idea what the purpose of the shared services centre was, whose location was only a few miles away. Evidently this lack of awareness potentially leads to the under-utilization of these HR provisions.

The discussion above focused on whether the HR function was considered strategic by the line organization. In this section, the discussion would rest on recruitment and

selection, learning and development, compensation and rewards, and communication (labour and industrial relations) in the case company. Generally speaking the HR organization was perceived to be devoted, well-informed and professional. Among others, the function was providing the normal day-to-day support and support in cases of special need, such as staff reshuffles. Longevity of most HR managers in the company helped its stability and unity of purpose. Some have been in the organization for 35 years!

The issue of devolving HR activities to the lines has recently caught the attention of academics (Evans et. al, 2010). A line manager reported this issue of devolvement was extensively discussed in the lines. A growing trend existed where a great deal of everyday duties were being pushed to the line organization. Though conceding much of the processes must be undertaken by line managers, the lines felt other administrative tasks could be shared. Line managers allocating a large portion of time to take care of administrative issues instead of working directly and guiding the people doing the operative work was a major cause for concern in the line organization. This ultimately elicits the question, Whose responsibility it is for HRM ? Is it line managers' or HR's? Baron and Kreps (1999) posit that while the HR is indispensable in ensuring "expertise and focused attention" were made available, the line organization, especially general managers at all levels, must have a shared responsibility. These researchers advanced three arguments why HRM should be undertaken collaboratively.

First, whereas top and general managers' responsibility it is for formulating and executing corporate strategy, "human resources constrain strategy and its execution". The constraining effect could be so severe it is urgent for general managers to actively take lead in driving talent hunts and its management. They must furthermore exemplify performance management practices with their own conduct. Second, it is practically unwise to execute any policies and practices in a company without some input by line managers. Third, since line managers take responsibility for the outcomes of policy implementation, it is imperative for them to make "the operational decisions around people management". These decisions include "recruitment and the selection of new employees, training and development decisions for their subordinates, and the management of the performance of employees in their units."

Evidence shows in other companies that practices such as recruitment, promotion, talent development, performance evaluation are considered so (Evans et. al, 2010) “strategically important” that the HR department is directly responsible to the CEO or general manager, with little devolvement to line managers. In such firms the HR is termed as a (Brewster and Larsen, 1992) “guarded strategist”, playing an enforcing role in the implementation of policies and practices.

On recruitment and selection, HR was hailed as being very active during recruitment processes. One line manager related that during recruiting the HR manager was always the first contact point to make to ensure we have all needed permits were available. All practicalities were also taken care of, such as placing advertisements in the newspapers or the internet. From start to finish, all needed details in negotiations including salary issues were fully participated in by the HR department. The same line manager further intimated of very good communication with the recruiting team. The positive comments notwithstanding, evidence from the interviews exposed some challenges. The recruiting team was seen as not using well-defined procedures for identifying right talent. Moreover, it had particular difficulties in recruiting middle managers and niche specialists. Though this could not be directly attributable to lack of social capital, regular informal contact with the line managers would no doubt help HR, especially recruiting professionals, in discerning line needs to enable them respond appropriately.

Owing to the unique nature of the energy industry the case company, as well as many other organizations around the globe, face recruitment challenges. A lean HR department, domain knowledge issues, and difficulty in sourcing unique roles are some of the challenges the recruiting team must grapple with. With mounting pressures to reduce costs, the HR departments are compelled to operate on lean staff sizes. This being true in the case firm of this study, the recruiting team explained that they often had to manage several equally urgent priorities. Especially in times of recruitment drives, requested by the line businesses, the recruiting team was occasionally overwhelmed, making it impossible to get or employ the right candidates. The recruiting team also faced difficulties hiring for senior tasks or for niche specialist positions. This was because all the line businesses were in the energy sector, hence very technical in nature. The former recruiting manager, presently the

regional recruiting manager, admitted with a business background, it was impossible for him to understand technical issues.

The learning and development team was roundly praised. For instance a senior line manager reported that the strength the team had before at least was that they were very good and fast in responding to the needs of the businesses. Particularly, the yearly competency training was described as “excellently performed.” A couple of concerns were raised about the activity of the learning and development team which involved the following. Prior to organizing training sessions, little or no discussion was done to identify competency needs. Close collaboration with line managers was needed to identify training needs--sometimes line managers needed training themselves. For effective output, employee competency levels, currently lacking, needed regular monitoring. HR lacked knowledge of right software for training and development. HR failed to pre-check the suitability of training materials before hand. Finally, there was no provision for re-training injured and burnt-out workers to get the most out of them. One line manager suggested that HR could become more relevant in the eyes of the line businesses by profiling each employee which would obviously facilitate the identification of employee competencies and weaknesses. The learning and development manager herself admitted to having a non-existent informal network of contacts with the lines.

On the matter of compensation and rewards process activities such as remuneration were well appreciated of the HR function. The department was noted for ensuring prompt payment of salaries and benefits. However, both HR and line managers were not happy with the present levels. Seemingly resigned to his fate, the former Unit A HR manager observed that he had to be contented with what he received, though not the best. The director of supply marketing management echoed the HR manager’s sentiments, intimating there was a large number of demotivated employees owing to the low remuneration and reward system. He added that the HR department’s hands were tied even if they would want to improve the situation. Performance management, including remuneration and rewards, was retained by top management. Hence, as part of an MNC, the subsidiary company could not make independent decisions regarding remunerations. This was partly the reason why line managers observed that the level of bearaucracy was so frustrating. Improvements on these are probably yet in the

future as the MNC had recently adopted the transnational strategy. Being globally networked, top management might become open to opinions and concerns bottom-up, thus reducing the levels of bureaucracy and being more responsive to concerns across units.

The HR function's communication with the lines on labour and industrial relations received mixed reflections. Employee-related legal matters, such as local and EU laws and matters pertaining to various workers' unions were well taken care of. Some line managers however expressed strong misgivings about HR department's mastery of labor laws and employee conflict resolution capabilities. He clearly was not satisfied with the handling of temporary lay-offs in the summer of 2010. Line managers were largely left to grapple with the responsibility of explaining the exercise, HR coming in rather too slowly. Proper guidelines were not available in filling out papers which had to be done thrice. Crucially, applying the right labor laws during that difficult period required initiative and active leadership from the HR department. But this was disappointingly lacking. Akin to this was HR's failure to discern potentially explosive situations involving factory employees, at least one of which cases apparently escalated into a physical brawl. Moreover, inappropriate development projects, insufficient job descriptions, and non-existent models for reviving demotivated workers were all issues suggesting HR managers' lack of strong informal relationships with the lines. Key gaps in other generalist functions were sparsely organized information on the intranet, ill-communication on policy changes such as travelling and maternity leave, HR's low personal contact with the line businesses and a general perception that the HR department was rather inactive.

When considering social capital aspects of HR functioning across the two units making the case company, the external structural and relational elements were examined. With regard to the external HR structural factors, the aim was to investigate how the HR department was connected to the line. Extant research has emphasized the vital importance of these connections to ensure the best possible functioning of the HR organization (Caldwell, 2003; Lawler and Mohrman, 2003). Strong proof of connections between the HR function and the line organization was established. Basically, this comprised in the words of Truss and Gill (2008) "the structure of the department and its physical location and spatial arrangements, but

also, at a more complex level, internal processes linking the department into a cohesive whole, and structural processes linking HR to the line through, for example, attendance at meetings and involvement in key decision-making groups.” The degree of the structural social capital is manifested by a framework of arrangements facilitating the forming of strong, useful links within the department and between it and the broader organization. Additionally, another structure is demonstrated when HR managers participate in meetings at the senior level. For the purposes served by this thesis the scope of the structural dimension of social capital is defined as the (Truss and Gill, 2008) “structural processes linking HR to the line” through meeting attendances including senior level ones, whereby the HR function is involved with major decision making. Structural processes also included, in addition to meeting attendance, other means through which the HR organization connects with the lines.

It was found that the HR function was formally involved in meetings across the organization. The global recruiting manager attended all management meetings such as production, ECOTECH, and PCE management team meetings. In addition, he regularly organized information sessions for all managers and employee representatives. The HR manager for Unit A regularly attended the production, ECOTECH and R&D management team meetings. Similarly, the Unit B HR manager was a party to senior management meetings at business level and line management meetings on employee issues. HR managers involvement at management team meetings afforded HR the opportunity to get to know what kind of business decisions were made in order to adjust the HR issues, and to cooperate and align the HR strategy to the business strategy.

HR processes linking it with the line organization included frequent use of e-mail and phone to discuss urgent issues. The learning and development manager kept close contact with managers from the three lines to discuss training needs for the line managers themselves and their subordinates. The recruitment manager held face-to-face meetings with line managers on recruitment purposes. On occasions of recruitment exhibitions, line managers were requested to be present or be seconded by an subordinate. Exhibitions were as frequent as fourteen times a year. Another process was HR information in the intranet site intended to keep in touch with the lines

organization though this medium was criticized as lacking relevant information ; it was also perceived as being user unfriendly.

Overall, the HR department was perceived as stable over time. The long tenure of HR managers lent stability of approach. Some HR managers have been with the company over 30 years! The HR function, following the implementation of the transnational IHRM strategy, was seen as becoming even more integrated under the new organizational structure.

The relational social capital was employed to accomplish two aims. First to find evidence for trusting relations between the HR department and the lines. Second, the lens was used to verify if informal links between the HR department and the line organization existed and to what extent. It was found that degrees of trust and mutuality were high between the HR and line organizations. The HR function was generally trusted as knowledgeable and capable of efficiently performing its tasks and responsibilities. For instance, the recruiting team was trusted to recruit suitable professionals, though both line and HR managers concurred on the appreciable challenges in recruiting managers and niche specialists. High trust existed in the performance management and rewards team. The interview investigations found that trust levels were high between the HR department and the lines. The previous Unit A HR Manager, presently the global resourcing manager, met regularly with employee unions, represented by so-called shop stewards (employee representatives).

Underscoring the importance of close contact with the union representatives, the HR manager commented that it was essential to keep informal lines of communication with employee unions. This measure prevented worker union discontentment and degeneration into opposition. On this score, the HR manager was perceived as a strong leader. Another intervention that strengthened trust levels in the HR department was in the issue of promotions. Promotion to managerial positions had been the only way to higher compensation. This was a source of frustration to some highly talented individuals who lacked managerial qualities. Correcting this anomaly, a parallel structure was created for gifted individuals to receive comparable salaries and bonuses as managers without actually becoming managers. This initiative was an enormous boost raising the motivational levels of innovative performers.

However, perception of new employee integration was low. The HR function was not trusted to handle administrative issues properly. The department was accused of responding slowly to business issues, to giving early warning on aging workforce, to handling change, and to responding to employee strife.

Gooderham (2007) explained the relational element of social as:

*“facets of personal relationships as trust, obligations, respect and even friendship, which together increase the motivation to engage in knowledge exchange and teamwork”*. In the organizational context, these personal relationships are built through informal links between the HR function and the lines. Formal structures have acted as nodes that fostered new informal connections among individuals. Both the former (now global resourcing manager) and current Unit A HR managers created informal links with the line organization. The global resourcing manager used to spend some time each week in the factory floor to interact with workers. This way he forged friendships. These friendships, in turn, removed initial inhibitions thus allowing access into the thinking and inner feelings of the workers. As the employees expressed their concerns, it would become possible gauge what problems were on the ground. Other informal links included meeting for lunch, doing sporting activities together or just having a cup of coffee. The director for industrial operations mentioned sporting activities as the main informal settings for members of the management teams. The HR manager was always invited to these. Similarly, the HR manager for Unit B had occasional informal meetings with the director of supply market management.

These linkages, it appeared, were not frequent enough to engender trusting relationships. This might partly explain why the director of supply marketing management complained of mental distress emanating from challenging projects. He intimated many managers were affected but often had no listening ear. A possible explanation for this was lack of social capital between the HR function and the lines. Another was the under-resourcing at the HR department. This meant the few managers and professionals therein could only focus on their formal roles and responsibilities. As a consequence, there was little time left for building informal networks.

## **5.2. Limitations**

It goes without saying that as is common with all research works, it needs to be admitted this study has its own imperfections. One limitation of this study is based on a small sample size of the persons interviewed, implying it would be inaccurate to generalize the study. Furthermore, the sample was drawn from one subsidiary out of several, further posing problems with generalising the findings. It would be beneficial to investigate these ideas further with a larger and more mixed sample of subsidiary organizations. The study is also based on the exploratory method to make the concept of social capital operational. Further research to polish this concept and employ quantitative measures would be a beneficial contribution to expanding our knowledge of how social capital influences the enactment of HR functional roles. This study was dependent on perceptual data of HR functional roles and activities, and once more it would be valuable to examine these issues applying more quantitative methods. This study relied heavily on social capital in measuring the concrete enactment of HR functional formal roles. Other resources such as human capital and organization capital would add to a more meaningful contribution. This work utilized the qualitative approach on a single case study by interviewing only a handful of managers in the organization. For an improvement, more managers, HR and non-HR, could be involved in a subsequent study.

## **5.3. Practical Implications**

In general, this study has established that the intensity of social capital seems firmly related to the actual enactment of HR formal roles, but this grows and develops gradually in the course of time. Nonetheless, these findings portray a genuine contribution to the debate about HR functional roles and how HR departments contribute on people strategy to their wider organization. From a practitioner outlook, the findings implicate that as well as HR policies and strategies, HR directors and heads should concentrate on department formal and informal linkages, and informal relationships if they are to be perceived as valuable to the larger organization. Overall, the HR formal structures of the HR organization constructed by Ulrich et al. (2008) and Evans et al.(2010) represent what is practiced today in MNCs. Both models have

reported that modern firms have now devised cost cutting measures by adopting IT tools such as e-HR in the form of self service. In addition, shared service centres and the outsourcing of routine process functions are meant to unburden the HR department. This is intended to create more time for HR professionals to be more strategic, contributing “to discussions about the people aspects of strategy” (Evans et al.,2010). Since business strategies are effected by people, a fundamental duty of HR professionals is to admonish management about possibilities as well as the limitations that the present crop of organizational capabilities imply for any chosen business strategies. The empirical investigation of this study found that HR managers seem to lack the knowledge of the boundaries between being a generalist and a strategic partner. This would constitute an area of improvement by HR practitioners. Furthermore, HR professionals need to leave the ‘comfort zone’ and become involved strategically with the businesses.

#### **5.4. Suggestions for Future Research**

Although there exists much research on HR roles, empirical research work on HR actual activities under the lens of social capital is scant, thus merits further investigation. Moreover, using the social capital perspective to study HR departmental performance in a systematic manner is scarce in existing works. This represents an avenue for future further studies. It would also be fruitful to expand our knowledge about the interrelationship between HR social capital and HR policies and practices by means of additional research. The exact way in which the HR departments should become strategic partners is particularly confusing among both academic scholars and HR practitioners. This avenue merits further empirical investigation.

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## APPENDICES

## APPENDIX 1.

Moderately scheduled(semi-structured) interview questionnaire

WITH HR MANAGERS:

## LEVEL ONE

1. What is the formal role and responsibilities of the HR in Wärtsilä Finland?

In other words:How would you define the role of HR?

How does it fit in with the overall Global Wärtsilä HR organization(structure)?

How are these organized into strategic and non-strategic?

- Where does business HR add value?

2. Describe your average work in a week.

3. Do you think what you are doing differs from what it is supposed to be?

If not,why not?

## LEVEL TWO

4. How would you describe your relationship with key clients: managers and employees?

5. What problems do you encounter in fulfilling your roles?

- ❖ *What aspects are challenging?*

## LEVEL THREE:

6.How would you describe your relationship with key clients: managers and employees?

- What is the quality of relationships?
- How do you relate?

- How do you meet? By phone or face-to-face?
- Do you feel your relationship with line managers is enhancing or impeding your work?

7. What else would you consider affecting your relationship?

- Own skills?
- Resources: enough time, training, enough knowledge?

WITH LINE MANAGERS:

#### LEVEL ONE

1. How would you describe the formal role and responsibilities of HR?  
How do you understand the formal HR structure?  
What level of knowledge do you have about the HR structure?

#### LEVEL TWO

2. Do you think what they are doing actually differs from the roles you described above? If not, why not?
3. What challenges do you see impeding their ability to carry out their intended roles?

#### LEVEL THREE

4. How would you describe your relationship with HR managers?
  - What is the quality of relationships?
  - How do you relate?
    - How do you meet? By phone? face to face?, etc?
  - Do you have a good working relationship with them?

- Do you feel your relationship with HR managers is facilitating or impeding their work?
5. What else would you consider affecting your relationship?
  6. What needs to be changed to improve their work?
  7. Is there anything affecting HR ability to be strategic?