

# *THE IMPACT OF MICRO-POLITICS AND RESOURCE DEPENDENCIES ON DECISION MAKING IN MNC'S: LOOKING INTO THE FUTURE*

*Results of a Delphi Study*

**UNIVERSITY OF TWENTE.**

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*Master's thesis*

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## ABSTRACT

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The decision making process, recognized as critical issue in the management of multinational companies (MNC's), is becoming increasingly complex as internal and external complexity increases. Headquarters and subsidiaries are viewed as key actors and interact throughout the decision making process. Based on resource dependence theory and micro-politics, power is viewed to be decisive in this process. As a highly context-related attribute, power is constantly shifting.

Drawing on the ideas of micro-politics and resource dependence theory, this study aimed to identify potential future developments regarding the voice of subsidiaries in the decision making in MNC's, and in the specific case of e-HRM adoption. It did so by utilizing the Delphi method. Over three rounds, HR practitioners were involved in a structured group communication process about the topic and potential implications between 2015 and 2020. The purpose was to establish a list of potential future developments with regard to decision making in MNC's based on micro-politics and resource dependence theory and to assess the expected impact on e-HRM adoption. The final consensus among participants was weak and accuracy of forecasts is therefore also believed to be weak.

Findings indicate that intra organizational resource dependencies and micro-politics might change due to forecasted developments. Structural issues as well as local embeddedness might partly increase and partly decrease the subsidiary's power to influence decisions. Additionally, the subsidiaries negotiation capabilities are believed to decrease, mostly due to opportunistic behavior of executives. Summarized, a mostly negative trend with regard to the voice from the subsidiary's point of view is expected. However, regarding the impact on the decision making in the case of e-HRM adoption in MNC's, changes are barely expected to occur at all. It became obvious that this kind of decision will very likely remain in the hands of the headquarters and that (changes in) resource dependencies and micro-politics have almost no impact.

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# 1. INTRODUCTION

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## 1. INTRODUCTION

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MNC's face diverse environmental conditions and external pressures, which derive from dependency relationships with its environmental counterparts (Leksell, 1981). MNC's thus face very specific challenges due to their international characteristics. Kimiagari, Keivanpour, Mohiuddin and Van Horne (2013) categorize the growing challenges for MNC's into four major aspects: relationships, environmental context, managerial aspects and stakeholder engagement. First, configuration of relationships of involved actors, such as organizational subunits and external counterparts, is a potential source of conflict and increases complexity of decision making. Second, the environmental context involves dealing with different conditions with regard to politics, cultures and competition. Third, as Ghoshal and Nohria (1989) indicate, internal structures are not homogeneous, but depend on environmental differences. In this context, Rosenzweig and Nohria (1994) add that dual pressures for both local adaptability and internal uniformity exist. Additionally, the global market is becoming increasingly complex and, according to Sy, Beach and D'Annunzio (2005), companies opt to use "complexity to battle complexity" (p. 47). They utilize internal structures to respond to the complex international context and thus face challenges and increasing complexity due to corporate as well as subsidiary structure. Fourth, dealing with different stakeholders from different "socio-economic, cultural and political backgrounds raises many challenges for multinational firms" (Kimiagari, et al., 2013, p. 60). Ren (2009) found similar results while analyzing Chinese MNC's in Vietnam, concluding that economic and political factors, social culture and management systems influence the decision making.

### 1.1. Decision making process in multinational companies

The decision making, recognized as critical issue in the management of headquarters-subsidiary relationships (Young & Tavares, 2004), becomes increasingly complex as internal and external environment increase in complexity. Viewing organizations as political systems with actors with partially conflicting goals, assumes that decisions are the result of conflicts between actors (Eisenhardt & Zbaracki, 1992). Decision making in

MNC's includes diverse organizational actors. Headquarters and subsidiaries, which are "the two generic organizational units that form multinational corporations" (Dörrenbächer & Gammelgaard, 2011, p. 231), are viewed as key actors and interact throughout the decision making process. In the process subsidiaries' and headquarters' interests may clash due to different pressures originating from different environmental contexts (Kostova & Roth, 2002). The decision making process, in this sense, includes all phases of a group decision process as described by Fisher (1970) as orientation, emergence, conflict and reinforcement with the purpose of deciding on strategic issues. The outcome of this process is determined by power of actors as a "choice reflects the preferences of powerful people" (Eisenhardt & Zbaracki, 1992, p. 25).

## 1.2. Micro-politics and resource dependence theory as conceptual background

Decision making in MNC's can be viewed as a political game in which different actors interact. Dörrenbächer and Geppert (2006) argue "that socio-political underpinnings of the management and organization of the multinational corporation" (p. 251) are thereby included. Micro-politics stresses a dynamic concept of power relations between actors and assumes that decisions in MNC's are the result of interactions and negotiations. By doing so, a behavioral aspect is added. The actors possess actor-specific differences, resulting from bounding rules and restrictions, and asymmetric distribution of resources (Dörrenbächer & Geppert, 2006; Pfeffer, 1981) and seek to develop "explanations, rationalizations, and legitimation for the desired activities and choices" (Pfeffer, 1981, p. 181) through the use of power (Pfeffer, 1981). Pfeffer (1981) concludes that "there are numerous resources which potentially can be the focus around which power is organized" (p. 101). Drawing on the work of Barney (1991), the resource dependence theory argues that power, as ability to influence behaviors or decisions, of an organization depends on the resource dependence relationships with other organizations or organizational sub-units. Barney (1991) defines resources as "all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc." (p. 101) that improve efficiency and effectiveness. In order to function as source of competitive advantage, these resources ideally ought to be of value, rare, inimitable and non-

substitutable. In this sense, micro-politics refers to the activities within companies “to acquire, develop, and use power and other resources” (Pfeffer, 1981, p. 7) to influence decisions over critical issues marked by disagreement and uncertainty of outcomes. Organizational actors do not act in a “contextual vacuum” and micro-politics stresses a dynamic, context-dependent power relation between actors, which is crucial for decision making (Pfeffer, 1981).

### 1.3. Research Question

The future remains unpredictable and therefore uncertain, active formation of opinions and accompanying awareness of potential trends may reduce uncertainty and could prepare practitioners and researchers alike for the future to come (Kreibich, Schlaffer, Trapp, & Burmeister, 2002). Futures Studies, as this study, aim at predicting potential, probable or desirable future scenarios or developments (Kreibich et al., 2002). The concept of power and its impact on decisions making has been studied intensively (cf. Mudambi & Navarra 2004; Pfeffer & Salancik 1978; Salancik & Pfeffer, 1974; Bouquet & Birkinshaw, 2008). Research about potential future developments in this field, however, is scarce or rather non-existent. This study aims to identify potential future developments regarding the voice of subsidiaries in the decision making in MNC's based on resource dependence theory and micro-politics. For the purpose of this study, the Delphi method is used in order to answer the central research question:

*What developments in internal resource dependencies and subsidiaries' negotiation capabilities will affect power in decision making in multinational companies between 2015 and 2020?*



## 1.4. Outline and structure

In this chapter, the underlying situation and the deriving research problem have been presented. The following theoretical chapter introduces the micro-political perspective, the concept of power and the impact of resource dependencies within the decision making process. The methodological chapter describes research design, method and data collection. Thereafter, results of the conducted research are listed. Subsequently, the results will be connected to the theoretical framework in order to provide an estimation of the future of decision making in MNC's, and implications for further research and limitations are provided. The final chapter illustrates concluding remarks and managerial implications.

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## 2. THEORETICAL FRAMEWORK

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### 2.1. A micro-political view on decision making in MNC's

Micro-politics highlights the role of organizational power, politics, conflicts and resistance in MNC's by interacting actors. Conflicts, in this sense, are not viewed as signs of dysfunctional management, but as accepted component that emerges "when powerful actors with different goals, interests and identities interact with each other locally and across national borders" (Dörrenbächer & Geppert, 2006, p. 255). The results of these conflicts, described as "fundamental mechanism of social interactions" (Dörrenbächer & Geppert, 2006, p. 256), are determining the outcomes of decision making processes (Pfeffer, 1981). Micro-political headquarters-subsidiary negotiations recognize executives of both, headquarters and subsidiary, as key actors (Dörrenbächer & Geppert, 2006; Dörrenbächer & Gammelgaard, 2006). Micro-politics accepts that both might have very distinctive goals, values, interests and identities, which influence the corporate decision making (Bower, 1970). These goals, values, interests and identities might derive from numerous potential factors, such as personal career ambitions, group dynamics or different perceptions of responsibility or loyalty. Based on distinctive goals, interests and identities headquarters and subsidiaries behave differently, which might eventually lead to conflicts. The fact that organizational decision making has elements of political power involved, has implications for the understanding of organizational behavior (Pfeffer & Salancik, 1974).

#### 2.1.1. Political games in MNC's

Decision making could thus be seen as a power game of different actors in which political motives are more important than rational motives (Bouquet & Birkinshaw, 2008). In these political power games, actors follow different personal strategies and behave differently depending on their own objectives and the resources they control (Doz & Prahalad, 1991). Mintzberg (1985), describes these games as "typically divisive and conflictive" (p. 134). Actors may even opt to resist or support opinions independently of the matter itself, but for opportunistic reasons. Headquarters in particular may oppose

the subsidiary's opinion in order to avoid potential consequences for the internal hierarchy and thereby protecting its own position. Birkinshaw (2000) used the term 'corporate immune system' to illustrate this phenomenon, which is seen as a barrier of thoughts subsidiaries must overcome.

Companies function as arenas in which actors engage in games bounded by accepted rules, restrictions and resources. Boundaries, however, may provide certain scope to implement strategies or tactics for engagement (Dörrenbächer & Geppert, 2006). Individual resources and constraints drive actor's behavior and strategies (Doz & Prahalad, 1991). These resources and constraints can be internally and externally based (Dörrenbächer & Geppert, 2006).

As Bouquet and Birkinshaw (2008) pointed out, even when subsidiaries lack power to influence decision making, they are to engage micro-political processes by deploying different indirect strategies, such as representation or cooptation. In general the political games are sometimes the only options for subsidiaries to express crucial resources and to influence decisions in a manner that go further than headquarters' intention or even contradict those (Dörrenbächer & Gammelgaard, 2006).

### 2.1.2. The concept of power

Viewing decision making as political game, requires to illustrate the concept of power, as politics implies the use of power (Becker-Ritterspach & Dörrenbächer, 2011). The underlying concept is thus intra-organizational power, which is seen as the crucial issue regarding headquarters-subsidary relationships (Schüler-Zhou & Schüller, 2013). It is argued that power imbalances, and awareness and effective use of these imbalances define the outcomes of decision making (Pfeffer, 1981; Geppert & Dörrenbächer, 2014). Power is therefore not rigid, but "depends on its context of application" (Becker-Ritterspach & Dörrenbächer, 2011, p. 542). It describes the ability of an actor to let another actor do something against its intention (Pfeffer, 1981).

Regarding the power in intra-organizational conflicts, the headquarters has per definition the ability to implement its will regardless of the subsidiary's will (Dörrenbächer & Gammelgaard, 2011). Individual factors are believed "to affect the amount of power

and the effectiveness with which it is used", however, "power is first and foremost a structural phenomenon" (Pfeffer, 1981, p. X). Despite the fact of the hierarchical power the headquarters may opt to desist from dominating the subsidiary for different reasons. It may, for instance, fear the impact of oppressive behavior, as leaving key employees or unleveraged key contacts (Meyer, Mudambi, & Narula, 2011). Nevertheless, headquarters has the formal power, for instance, to replace employees, control wages, and affect promotion opportunities (Pfeffer, 1981; Bouquet, & Birkinshaw, 2008).

While assuming an initial power advantage of the headquarters, subsidiaries are believed to be able to overcome the disadvantage in the bargaining processes (Dörrenbächer & Gammelgaard, 2006). Birkinshaw and Ridderstråle (1999) note in that context, that managers of subsidiaries are "adept at identifying their limited sources of power" (p. 176) in order to hold against the headquarters' intentions. This power has its origin in the subsidiaries capabilities and host-country environment. In an earlier work, Salancik and Pfeffer (1974) state that "power accrues to those departments that are most instrumental in bringing in or providing resources which are highly valued by the total organization" (p. 470) and power is thus hold by actors controlling resources, regardless of hierarchical positions (Doz & Prahalad, 1991). Nevertheless, power in this sense, is neither possession nor exclusive, but relational (Becker-Ritterspach & Dörrenbächer, 2011).

### 2.1.3. Resource dependencies as sources of power

The degree of dependency on particular resources, controlled by other organizations or organizational sub-units, defines the relative power. These interdependencies are rarely symmetric or balanced, but rather asymmetric and in favor of one side. Hence, within the context of MNC's, the central assumption is that a mutual resource dependence defines the relative power in the headquarters-subsidiary relationship. Headquarters' dependence on the subsidiary increases as the subsidiary acquires control over crucial resources as defined by Barney (1991). Although internally focused, the causes of resource based advantages in the dependence relationship originate primarily from the local embeddedness of subsidiaries (Pfeffer & Salancik, 1978). Since the

headquarters does not possess the same local embeddedness as the subsidiary, created advantages are difficult to compensate. Highly locally embedded subsidiaries, as Ambos and Schlegelmilch (2007) conclude, may be able “to resist decisions that reflect the perspectives of headquarters only” (p. 482) due to its possession of crucial resources. Logically, corporate embeddedness, on the other hand, has a reciprocal effect for the same reasons (Andersson & Forsgren, 1996).

Research indicates that the maturity process of subsidiaries influences the intra-organizational dependencies (Johnston & Menguc, 2007). Maturity, however, is merely a concomitant. Relatively small and young subsidiaries are subject to a higher degree of control and as subsidiaries mature, the ability of the headquarters is reduced as it develops complex and heterogeneous relationships. It thus becomes increasingly autonomous with regard to resources (Prahalad & Doz, 1981; Johnston & Menguc, 2007). From a subsidiary's perspective, Andersson and Forsgren (1996) state, that the subsidiary's operations are embedded in the local environment and operational procedures. As the embeddedness increases over time, the subsidiary's operations become more complex and ties with the local environment, for instance with local competitors, customers, suppliers, higher education or research institutes or governmental agencies, become stronger. Its autonomy is therefore related to advantages over headquarters' knowledge of the environment, the subsidiary's operational processes and value-creation (Pfeffer, 1981; Manolopoulos, 2006; Bouquet & Birkinshaw, 2008). Subsidiaries gain access to knowledge necessary to establish or maintain a competitive advantage (Foss & Pedersen, 2002) and Ambos, Ambos and Schlegelmilch (2006) therefore conclude that “knowledge creation gets more dispersed [and] the assumption of home-base supremacy holds true for fewer and fewer companies” (p. 296). Mudambi and Navarra (2004) argue that the unique knowledge strengthens the bargaining position of the subsidiary and forms therefore a crucial resource (Doz & Prahalad, 1991). Similar, knowledge has been identified as a crucial resource and therefore source of power (Barney, 1991), which is believed to increase in the maturity process of subsidiaries (Nohria & Ghoshal, 1994). As Prahalad and Doz (1981) point out, counterparts, such as governments, may seek to utilize subsidiaries to achieve own goals and thereby pressuring subsidiaries to diversify in business areas

unfamiliar to the headquarters', which in turn increases the knowledge advantage and decreases the possibility for headquarters' control. Maturity and growth of subsidiaries also lead to increased management capabilities due to size and experience of management shaped by environmental conditions distinct from those of the headquarters (Prahalad & Doz, 1981). Moreover, both factors affect the ability to generate resources internally, which leads to a stronger bargaining position of the subsidiary (Gates & Egelhoff, 1986; Bouquet, & Birkinshaw, 2008).

Additionally, internally allocated resources, controlled by the headquarters, also affect the dependency relationship. Headquarters, for instance, may control physical resource allocation within the MNC or possess superior knowledge concerning fundamental technologies in operations. However, these initial advantages may erode over time, as subsidiaries absorb technology-related knowledge or find substitute sources of resources (Schüler-Zhou & Schüller, 2013). Thus, subsidiaries develop their own sets of capabilities over time (Birkinshaw & Hood, 1998). Peng (2001) argues that the headquarters is required to equip the subsidiaries with resources, such as administrative heritage, organizational practices and bargaining power in order to overcome initial disadvantages originating in the foreignness of the subsidiary to the local market. In doing so, headquarters is already strengthening the subsidiaries position. As a subsidiary's ability to function without other units of the company increases, independence and power also increase (Forsgren & Pahlberg, 1992; Pfeffer & Salancik, 1978). As advantages erode, the headquarters has also the ability to remove critical resources from the control of the subsidiaries and therefore re-increasing the resource dependencies of the subsidiary (Geppert, Williams & Matten 2003).

## 2.2. Conclusion

The degree to which headquarters is able to dominate subsidiaries is high as long as the headquarters possesses and controls resources, as knowledge or financial capital, required by the subsidiaries. Headquarters thus holds initial power over subsidiaries and as Bouquet and Birkinshaw (2008) state “power [...] breeds additional power” (p. 484). However, as the subsidiary matures and its role changes, it creates or obtains resources (Birkinshaw & Hood, 1998). The Headquarters dominance diminishes and the power of the subsidiary increases. Crucial to the subsidiary's increase of power is the ability to contribute to corporate goals, to provide strategic insights and knowledge concerning the local environment and to create intra-organizational transferable knowledge (Bouquet & Birkinshaw, 2008). Furthermore, perceived and actual power of actors influences the actor's strategies and behaviors in decision making processes (Bouquet & Birkinshaw, 2008).



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## 3. METHODOLOGY

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#### 3.1. The emphasis on e-HRM adoption

The central issue of power in decision making in multinational companies is applied to the case of electronic-HRM (e-HRM) adoption. CedarCrestone (2014) concludes that “regardless of type, organizations with more HR technologies outperform financially those with less” (p. 1). Based on survey and case study results, CedarCrestone (2008) reports process savings between 20% and 80% depending on the technology, 18% fewer HR staff through shared service center and self-service and 10% fewer staff to support talent management through automation. Additionally, companies with “several key technology solutions have stronger operating income growth than those without” (CedarCrestone, 2008, p. 1). Adoption of e-HRM thus leads to significant cost and operating advantages. The field of e-HRM still insufficiently researched, as is the path leading to e-HRM adoption. E-HRM is thus a field promising profitable results, which requires further exploration.

E-HRM is defined as “an umbrella term covering all possible integration mechanisms and contents between HR and IT aiming at creating value within and across organizations for targeted employees and management” (Bondarouk & Ruël, 2009, p. 507). E-HRM enables users to interact irrespective of distance and, additionally, supports or even executes basic HR activities (Strohmeier, 2007). According to Geffen, Ruël and Bondarouk (2013), e-HRM is “placed firmly at the crossroads of Information Systems (IS) research and Human Resource (HR) research” (p. 374) with promised benefits regarding “the generation of HR metrics to support strategic decision making, the automation of routine HR tasks and replacing ‘filing cabinets’, the branding of organizations, freeing HR staff from administrative burdens and allowing them to undertake strategic people-management activities, improving talent management through e-selection, self-assessment, e-performance management, and transforming HR professionals from administrative paper handlers to strategic partners” (Bondarouk, & Ruël, 2013, p. 17).

### 3.2. Research design

In order to answer the research question, methods of Futures Studies are discussed. Gidley (2013) distinguishes five methodological approaches of Futures Studies. First, the predictive-empirical approach depicts a single probable and possible future and it implies that developments are inevitable. Second, the critical-postmodern approach merges experiences and data, usually empirically gathered, in a creative manner to depict desirable futures. Third, the cultural-interpretive approach highlights the possibility of alternate futures. Its results are based on creative application of information to establish different possible futures. Fourth, a prospective-action approach utilizes projects groups to create empowerment and transformation through engagement and participation. Fifth, the integrative-holistic approach integrates different methods to depict a holistic view. This is the most complex approach and used to forecast 'global futures' (Gidley, 2008). Depending on purpose, requirements and conditions, different methods have been widely deployed in Futures Studies. The most widely deployed method is certainly the Delphi-method, which draws mostly on a cultural-interpretive approach to reach a consensus among expert opinions (Kreibich, 2008). This method aims at identifying distinct developments that are possible and probable (Häder & Häder, 1998).

Although developed decades ago, no universal definition of the Delphi method has been established and scholars have used many different versions of the method (Schmidt, 1997). The Delphi method is therefore no solid method, but rather a congeries of methods sharing the same basic characteristics. To be specific, the "Delphi [method] may be characterized as a method for structuring a group communication process so that the process is effective in allowing a group of individuals [...] to deal with a complex problem" (Linstone & Turoff, 1975, p. 3). It has the objective "to obtain the most reliable opinion consensus of a group of experts" (Dalkey & Helmer, 1963, p. 458) by repeated individual questioning and feedback provision. The Delphi method has the underlying assumption that more than one opinion will result in more accurate estimations than a single opinion. Furthermore, the entirety of relevant information a group of experts possesses is greater than any individual within the focal group could possibly possess (Rowe, Wright & Bolger, 1991).

### 3.3. Delphi method: Main characteristics

Originally developed in the 1950<sup>th</sup> by the think-tank 'Project RAND' in order to handle subjective expert opinions the Delphi method has since then primarily been used for policy making and forecasting in various fields, such public administration (Preble, 1983), industrial (Goldstein, 1975) or technological changes (Singh & Kasavana, 2005). The Delphi method can be described as a structured group communication method for consensus formation within a group of experts. It highlights the anonymity of participants and repeated feedback provision (Häder & Häder, 1998).

The particular method has been chosen for several reasons. First, the Delphi method, as a moderated and indirect group communication, effectively eliminates efforts necessary for traditional methods, such as travel efforts or time consuming discussions (Linstone & Turoff, 1975). Second, disadvantages due to human behavior can be avoided through indirect and anonymous consensus formation. Dalkey and Helmer (1963), for instance, came to the conclusion that direct discussions frequently result in predetermined ideas and individual defense of a point of view for the sake of the defense itself, or, quiet contrarily, an individual tendency to be persuaded by other dominant opinions. In other words, direct communication leads to biased individual opinions, due to personal characteristics of participants. Third, in general, individual responses are inferior to the averages produced by group decision processes. Provided feedback increases information each individual participant possesses, which in turn leads to a higher individual accuracy of estimations. By providing feedback, the Delphi method becomes a structured group communication method (Okoli & Pawlowski, 2004). Viewed as such, the researcher adopts a moderating role, establishing an indirect communication. Fourth, due to the complexity of the topic at hand, extreme opinions could be expected when collecting single opinions (Okoli & Pawlowski, 2004). The Delphi method integrates the consensus formation and thereby restricts extreme opinions, space for interpretations and enhances the chances to reach noteworthy results (Linstone & Turoff, 1975; Okoli & Pawlowski, 2004). Through feedback of group responses and sequential stages individual opinions converge towards realistic opinions and estimation errors are reduced. The feedback can expand knowledge and encourage new

ideas (Häder & Häder, 1995).

Ono and Wedemeyer (1994) conclude, that the Delphi method has demonstrated validity and accuracy as forecasting method and is seen as a „cornerstone of future research“ (p. 290). According to Erffmeyer, Erffmeyer and Lane (1986), the method is deemed suitable for any circumstances under which a decision making group or committee would also be appropriate. In these cases, as the degree of suitability is hard to compare, efficiency advantages favor the Delphi method (Häder & Häder, 1998), as the Delphi method requires significantly lower effort due to the methods ability to engage locally dispersed participants (Rowe & Wright, 1999).

Häder, Häder and Ziegler (1995) argue that social desirability as major bias of surveys is erased from the results of the Delphi method. They conclude that the validity should therefore be higher. Additionally, several authors (cf. Boje & Murnighan, 1982; Parenté & Anderson-Parenté, 1987; Erffmeyer & Lane, 1984) found that that the Delphi method results have a higher accuracy than group surveys or similar one-round methods.

Rowe et al. (1991) conclude that “there is no reason why Delphi should not be used for aiding forecasts of the near future or assessing present trends for which suitable data may be lacking” (p. 241). Duffield (1993) adds that the Delphi method is an “accepted method of achieving consensus among experts” (p. 22). Identifying the consensus is seen as the major challenge of the method (Häder & Häder, 1998). This study draws therefore on the alternative Delphi method employed by Schmidt (1997). Schmidt (1997) used nonparametric statistical techniques to tackle the shortcoming of non-statistically definition of ‘consensus’, which is characteristic for many variations of the method.

### 3.4. Research process

The experience of individual participants is crucial for an accurate estimation of the potential future. Therefore, participants were identified based on their experience concerning e-HRM adoption in MNC's and for the purpose of this study, HR practitioners were selected directly from the author's personal network and indirectly through second grade introduction. Initially, the participants' willingness to participate and their eligibility were secured through informal mail conversations or by telephone. Thereafter, the procedure, as depicted in table 1, proceeded solely via mail.

*Table 1: The researcher's activities in the Delphi process.*

|  |  |
|--|--|
| Stage one: The<br>'brainstorm'-stage     | Send open questions to participants  |
|  | <ul style="list-style-type: none"> <li>• Structure responses</li> <li>• Remove exact duplicates</li> <li>• Unify language</li> </ul>   |
|  | Send list of responses back to participants for re-assessment  |
|  | <ul style="list-style-type: none"> <li>• Participants may alter their responses based on responses provided by other participants</li> <li>• Establish final list of statements</li> </ul> |
| Stage two: The<br>'narrowing down'-stage | Send final list to participants  |
|  | <ul style="list-style-type: none"> <li>• Participants are asked to select ten statements</li> <li>• Remove items selected by less than 50 % of participants</li> </ul>                     |
| Stage three: The<br>'ranking'-stage      | Send shortened final list to participants  |
|  | <ul style="list-style-type: none"> <li>• Participants are asked to rank the remaining statements</li> <li>• Assess consensus using Kendall's coefficient of concordance</li> </ul>         |

### 3.5. Participants and data collection

First, the 'brainstorm'-stage consisted of three initial open questions to gather statements regarding the central issue. These questions were developed based on the underlying theories and perspectives elaborated in the previous chapter – micro-politics and resource dependence theory:

Question 1: What factors will affect control over resources of subsidiaries in multinational companies between now and the year 2020 and why do you expect these factors to arise?

Question 2: What factors will affect negotiation capabilities of subsidiaries in multinational companies between now and the year 2020 and why do you expect these factors to arise?

Question 3: What implications will these factors have on the decision making about electronic HRM adoption by multinational companies between now and the year 2020?

Additionally, participants were asked to elaborate their responses. This stage was started April 23<sup>rd</sup>, 2015. After one week, a first, and after nine days, a second reminder was sent. 13 HR practitioners were invited to participate and 10 in fact responded until May 03<sup>rd</sup>, 2015. These 10 participants have at least 3 years of professional experience in MNC's. They work in different industries and are not limited to either subsidiaries or headquarters.

Especially within the first stage, intensive communication between participants and researcher took place. On the one hand, the initial questions required further elaboration, on the other hand, participants were eager to discuss their thoughts. The received responses to the initial open questions were structured, exact duplicates and off-topic responses removed by the researcher and subsequently provided as feedback to participants on May 06<sup>th</sup>, 2015. In the light of the feedback, participants were able to

alter their individual responses. After five days, a reminder was sent. Four participants chose to alter their responses until May 13<sup>th</sup>, 2015. Based on these responses, a consolidated list was established by the researcher. The objective of this first stage was to generate a list of general topics and a common understanding with regard to e-HRM adoption in MNC's including possible rationales from the experts' views.

Second, in the 'narrowing-down'-stage participants were asked to select ten items from the consolidated list, established by the researcher, they consider to be most important and most likely to occur. Additionally, participants were asked to elaborate their selections. This stage was started May 18<sup>th</sup>, 2015. Again, after 6 days, a first reminder was sent. Further reminders were sent after 10 days, 12 days, 14 days and 16 days. Of 10 participants entering the second stage, 10 responded until June 04<sup>th</sup>, 2015.

Third, in the 'ranking'-stage, participants were asked to rank the remaining statements. This stage was started June the 06<sup>th</sup>, 2015. Reminder were sent after 6 days, 8 days and 10 days. Of 10 participants entering the third stage, 10 responded until June 16<sup>th</sup>, 2015. The ranked lists were analyzed with Kendall's coefficient of concordance. Kendall's coefficient of concordance or Kendall's W measures agreement and thus indicates when a consensus is reached (Schmidt, 1997). The degree of agreement among all rankings is a result of the degree of variations among the sums of ranks (Siegel & Castellan Jr, 1988). It results in a value between 0 (no agreement) and 1 (total agreement). Kendall's W can be computed as illustrated in equation 1.0.

$$W = \frac{\sum_{i=1}^N (\bar{R}_i - \bar{R})^2}{N(N^2 - 1)/12} \quad (1.0)$$

where  $\bar{R}$  = Average of all ranks assigned across all statements

$\bar{R}_i$  = Average rank assigned per statement

$N$  = Number of statements



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## 4. RESULTS

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## 4. RESULTS

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### 4.1. The 'brainstorm'-stage

The 'brainstorm'-stage resulted in a variety of factors, thoughts and potential developments (see table 2). Due to the broad definition of the term 'resources', responses to question one were manifold. They can be roughly classified as knowledge and information, internal structure, networks and local connections, and market share and public awareness. Responses to question two were limited to a few areas. Leadership and personal interests of executives, structural issues and maturity of the subsidiary form categories to which most of the responses can be allocated. Categories are not mutual exclusive and statements are interrelated. Participants had unambiguous opinions regarding the decision making in the case of e-HRM adoption.

#### 4.1.1. Question one

*What factors will affect control over resources of subsidiaries in multinational companies between now and the year 2020 and why do you expect these factors to arise?*

**Knowledge and information:** Locally gathered or created knowledge and information were highlighted by several participants. "Knowledge about [the] local market" and applied "knowledge in marketing strategies, product selection, supplier selection and services offered to customers" (participant 5), "more knowledge" about operations, technology and services (participant 2) and "knowledge about the culture of the local market" (participant 5) are becoming more important and are believed to increase the power of subsidiaries.

In general, advanced information and communication technology simplifies the access to information (participant 2). Knowledge advantages due to locality might therefore be undermined. Better and cheaper transportation and communication decrease the importance of proximity (participant 5). Furthermore, a more centralized approach becomes possible and likely, which allows headquarters "to control the business independent of the location or time zone" (participant 6).

**Resulting statements:**

Locally developed operational and technology-related knowledge will become more important

Transportation and communication become easier and cheaper

Information Technology simplifies access to information and decreases information-related advantages

Locally collected market information will be increasingly important

Knowledge about local business cultures and practices becomes more important

**Internal structure:** Participant 2 expects advancing globalization to force “companies to reduce costs” due to decreasing margins which could affect the size of subsidiaries and their granted freedom. This may consequently reduce their control of resources and therefore their relative power in general. Participant 1 expects automation and digitalization in general to advance. This leads to reduced importance of low-skill tasks and increased importance of high-skill tasks. Subsidiaries in high-educated countries with high-skilled labor become thus more important. Having said this, subsidiaries might be “broken down in sales offices or operational units” and operations might “further shift to low wage countries” where “knowhow will accumulate” (participant 10). These subsidiaries might grow in size while others will be downsized (participant 10). Contrarily, participant 2 expects subsidiaries in markets with strong overall economies to become more important in general due to higher purchasing power of customers. He adds that subsidiaries in emerging markets will become more important simply due to “their local existence” in the market und market access they provide to the MNC.

In case of subsidiaries in peripheral markets in free trade areas, subsidiaries may be downgraded to “clean operational” units (participant 10), which would most certainly lead to reduced responsibilities. Participant 3 foresees a further divisionalization of MNC's, which comes down to a bundling of support services. Participant 8 expects similar developments as he states “local resources of subsidiaries will be reduced and activities

will be brought to shared service centers". Better and cheaper transportation and communication increases the importance of subsidiaries in low-wage countries, "because production and shared services" will increasingly be shifted to those countries (participant 5).

#### **Resulting statements:**

Globalization and economic system will force multinational companies to reduce costs due to decreasing margins

Economic growth in developing countries amplifies subsidiaries' importance

Subsidiaries in low wage markets are expected to gain importance

MNCs will further divisionalize

Subsidiaries become some kind of sales office with limited responsibilities and resources

Subsidiaries in peripheral countries of economic communities will be downgraded to operational units

Low level tasks or production procedures will be automatized dramatically

**Networks and local connections:** Diverse local connection are stressed by participants to increase the subsidiaries' power. Close connections with suppliers enable the company to "control and keep the quality [standards]" with lower costs (participant 5). According to participant 2 "local networks of any kind will increase in importance" due to lower prices, technological input and better support services by suppliers and participant 9 adds that the national network is what "drives the company" (along with the advantages received from the MNC). This is supported by participant 3 who argues for greater importance of local connections and especially "vertical partnerships" with suppliers and customers. "Strategic sourcing" and "partnerships / sharing of information and technologies are big trends" (participant 4). "Local sourcing creates cost advantages and spillovers" and personal local networks "with agencies and NGO's play [also] a role" (participant 7). These contacts also prove key to tap local knowledge pools through

contacts with local institutes (participant 7). Additionally, national associations increasingly control national markets and access or membership thus becomes crucial (participant 5) as does access to clusters, which are increasingly forming. The latter, similar to local networks, provide advantages due to costs, support and joint developments (participant 7).

**Resulting statements:**

Local networks of any kind will increase in

National associations (e.g. trade associations) will increase in importance and numbers. Access to associations will become critical

Access to local knowledge pools becomes vital

Unions grow in importance. Local connections with Unions are becoming more important

Strategic local partnerships and sharing of information & technologies will increase in the near future

Strategic local sourcing will be the trend of the future

Local clusters are grouping and growing around the world. Access will be crucial

**Market share and public awareness:** Following the argumentation of participant 2, relative power of subsidiaries increases based on the local importance of their market share and their direct local influence on the market, which might be more an observation than an actual expected future development. The “public awareness” (participant 9) of the local subsidiaries is also important and believed to increase over time. Due to advancing fragmentation of the market, this might even become a bigger issue (participant 9).

**Resulting statement:**

Market share and local awareness of subsidiaries increases due to market fragmentation

#### 4.1.2. Question two

*What factors will affect negotiation capabilities of subsidiaries in multinational companies between now and the year 2020 and why do you expect these factors to arise?*

**Leadership and personal interests of executives:** Most of the participants expect negative developments regarding leadership and management capabilities of subsidiaries. Participant 4 states that “the courage of leaders is diminishing” and “the recruitment of leaders up against this culture will most likely continue and will perpetuate the non-leadership culture”, which “will not allow to grow responsible leaders until 2020”. Although, this holds true for MNC's in general, for headquarters as well as for subsidiaries, impact for subsidiaries is believed to be higher. Participant 4 also denounces insufficient preparation of leaders as “they lead intuitively and [have] in many cases neither a strategy nor an intrinsic capacity to lead people”. He adds that “most [leaders] are emotionally weak and lack social leadership capability”. Participant 10 explicitly states his support for this expectation and adds that “in case of subsidiaries in low educated countries [...] there is no leadership or negotiation culture at all”. Depending on the subsidiary's situation, he expects either executives to be transferred from headquarters to subsidiaries or local executives to be obedient in favor of their own career. In any case, from his point of view, obedience seems to be inevitable and opportunistic behavior of executives harms subsidiaries' position. The culture of promoting “adult yes sayers” (participant 4) or “yes-persons” (participant 10) causes the ability of subsidiaries to influence decision making or to engage in negotiations to decrease. Having said this, participant 9 states “the actual capabilities depend on the leaders” and that “good leaders with skills and personality don't stay for long”.

#### **Resulting statements:**

The courage of leaders to be responsible for decisions is diminishing in subsidiaries

Opportunistic behavior of subsidiaries' leaders undermines the subsidiaries' positions

Subsidiaries in countries with low overall education lack negotiation capabilities

Leadership and negotiation abilities in subsidiaries will be nonexistent

**Maturity:** Several participants stressed the importance of time and maturity. Participant 7, for instance, argues that “experience, networking and standing” develop over time if the subsidiary’s management is allowed to develop. Standing or prestige of the subsidiary’s management is believed to be crucial for influence on decision making. Participant 3 adds that awareness of “unwritten rules” and “their [own] position” also increase over time. As mentioned above, participant 9 states that “good leaders with skills and personality don’t stay for long”. Development of management capabilities over time seems therefore limited. While also focusing on standing, participant 1 argues that “capabilities are directly related to standing” and that especially subsidiaries in fast growing markets will be able to develop standing due to the MNC’s necessity to invest. Standing also seems to be directly related to time as participant 7 states that management capabilities develop over time if a subsidiary is allowed to grow without interruption. Similarly, participant 2 argues that “locally trained [employees], expert knowledge or experience will be important when negotiating about subsidiaries’ power”.

#### **Resulting statements:**

Mature subsidiaries tend to have established a certain kind of standing and increased management capabilities

Training, knowledge and experience will increase the subsidiaries ability to negotiate directly

**MNC’s structure:** Participant 3 expects further differentiation between subsidiaries as divisional centers and “reduced” subsidiaries, which is likely to be comparable to participant 6’s expectation of a downgrade of subsidiaries to “sales agencies”. In this case, qualified personnel is expected to be transferred to headquarters. Thus, participant 3 also expects a reduction of qualified employees along with structural centralization. Those

subsidiaries, not downgraded to sales agencies, might possess an increased ability to influence decision making. Analogous, participants 4 and 8 expects centralization of activities in shared service centers.

Participant 9 is the only participant who states a specific kind of interaction as he states that “subsidiaries resist all changes” and “eventually resistance becomes cooperation”. In the specific case of takeovers, participants 2 and 9 expect limited negotiations and rather strict control, as MNC's have clear “roadmaps” for integration. In those cases, “extremist ways of decision making [of the subsidiary], e.g. executing strategy without asking headquarters” (participant 2) might arise.

Participant 5 indicates a noticeable positive view of the negotiation capabilities of subsidiaries and states very directly “the subsidiaries will gain more power and independence within the organization due to the information they own about the market”. This is consistent with his expectation regarding resource dependencies. Although, this describes rather a development of the sources of power, it also indicates the expectation of increasing potential of subsidiaries in negotiations. Besides that, he is remarkably the sole participant to mention increasing language skills of subsidiaries' executives to influence negotiations.

#### **Resulting statements:**

Subsidiaries will be downgraded in general

Language skills in subsidiaries increase over time

Extremist ways of subsidiaries action-taking will rise, e.g. executing strategy without asking headquarters



#### 4.1.3. Question three

*What implications will these factors have on the decision making about electronic HRM adoption by multinational companies between now and the year 2020?*

Although most participants assume changes in power in decision making due to resources or other factors, they did not expect changes in decision making regarding e-HRM adoption. Participant 9, for instance, views e-HRM adoption as pure IT adoption and in that case “transparency is crucial”, which leads to “central control”. Participant 10 views IT adoption as “always a top-down decision” where headquarters dominates subsidiaries without negotiations.

“Power of the subsidiary is quite low as the decision making will take place within the headquarters” (participant 2). Even if the subsidiary is of great value, it still remains a “question of hierarchical power” in which case “headquarters will still push what they think is the best solution to the subsidiaries” (participant 2). Only local specifics might have an influence on that (participant 2). In those cases “the local organization is in the driving seat, but always in line with the electronic HRM system that is applicable for the whole company” (participant 8). As “the implementation of global IT-systems or e-HRM systems [...] are driven by global investments from HQ, HQ is setting the frame [...] with room for local adjustments” (participant 1).

Participant 3 expects “support tasks” of e-HRM to be absorbed by ERP systems, which would be headquarters’ authority. In other instances, the subsidiaries may realize, but the headquarters provides the framework and may overrule. “There will always be a need for local adaption”, “but things like recruitment, administration, car-lease, etc. will be centralized” (participant 6). As participant 7 argues “the trend points to customized integrated systems” not only regarding HRM, but for all business units. In that case headquarters decides and subsidiary has to accept.

#### 4.1.4. Summary of the 'brainstorm'-stage

Most notable, participants who had positive expectations about increasing power of subsidiaries due to control and possession of resources, had also positive or less negative expectations about subsidiaries negotiation capabilities (e.g. participants 2, 5 and 7).

Most of the participants agree there will most likely be no increase in the voice of subsidiaries in the decision making regarding e-HRM adoption. As participant 2 summarizes "there might be a big difference between the power of the subsidiaries [...] and the real executable power due to the headquarters close connection to C-level management".

Participant 6 expects hardly any power of subsidiaries in negotiations, but lobbying, due to increasing centralization within MNC'S. Several other participants also relativize the term negotiation: "Negotiations are very limited" (participant 9) and "I wouldn't use the word negotiations. It's some kind of influencing" (participant 7).

The responses provided to question one and two resulted in 30 statements regarding potential future developments in the power relation between headquarters and subsidiary as listed in table 2.

*Table 2: Statements resulting from stage one.*

| No. | Statements (random order)  |
|-----|--|
| 1   | Shared service centers will increase in importance   |
| 2   | Locally developed operational and technology-related knowledge will become more important  |
| 3   | Globalization and economic system will force multinational companies to reduce costs due to decreasing margins                       |
| 4   | Market share and local awareness of subsidiaries increases due to market fragmentation   |
| 5   | Economic growth in developing countries amplifies subsidiaries' importance   |
| 6   | Locally collected market information will be increasingly important  |
| 7   | Local networks of any kind will increase in importance   |
| 8   | Strategic local sourcing will be the trend of the future   |
| 9   | Strategic local partnerships and sharing of information & technologies will increase in the near future                              |
| 10  | Information Technology simplifies access to information and decreases information-related advantages                                 |
| 11  | National associations (e.g. trade associations) will increase in importance and numbers. Access to associations will become critical |
| 12  | Transportation and communication become easier and cheaper   |
| 13  | Subsidiaries become some kind of sales office with limited responsibilities and resources  |
| 14  | Subsidiaries in low wage markets are expected to gain importance   |
| 15  | Knowledge about local business cultures and practices becomes more important   |
| 16  | Low level tasks or production procedures will be automatized dramatically  |
| 17  | Local clusters are grouping and growing around the world. Access will be crucial   |
| 18  | Unions grow in importance. Local connections with Unions are becoming more important   |
| 19  | MNCs will further divisionalize  |
| 20  | Extremist ways of subsidiaries action-taking will rise, e.g. executing strategy without asking headquarters                          |
| 21  | Training, knowledge and experience will increase the subsidiaries ability to negotiate directly                                      |
| 22  | The courage of leaders to be responsible for decisions is diminishing in subsidiaries  |
| 23  | Language skills in subsidiaries increase over time   |
| 24  | Mature subsidiaries tend to have established a certain kind of standing and increased management capabilities                        |
| 25  | Access to local knowledge pools becomes vital  |
| 26  | Subsidiaries in peripheral countries of economic communities will be downgraded to operational units                                 |
| 27  | Subsidiaries in countries with low overall education lack negotiation capabilities   |
| 28  | Subsidiaries will be downgraded in general   |
| 29  | Leadership and negotiation abilities in subsidiaries will be nonexistent   |
| 30  | Opportunistic behavior of subsidiaries' leaders undermines the subsidiaries' positions   |

#### 4.2. The 'narrowing-down'-stage

In this stage, participants were asked to select 10 statements according to their perceived likelihood and importance. In several cases, participants did not select statements that were predominantly based on their responses provided in stage one. Statements 4, 20, and 21 were not selected by participant 2, although based on his responses. Statement 20 was consequently not selected by any participant. Statements 6, 8, 11, 14 and 15 were not selected by participant 5, although based on his responses. The same holds true for statement 17 and participant 7, and statement 7 and 9 and participant 3. In total, 21 statements were selected by at least 30 % of the participants.

Table 3: Selection of statements and percentages resulting from stage two.

|                                     | Participants |   |   |   |   |   |   |   |   |   | Percentage |     |
|-------------------------------------|--------------|---|---|---|---|---|---|---|---|---|------------|-----|
|                                     | No.          | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |            | 10  |
| Statements (as reported in Table 2) | 1            | ✓ |   | ✓ | ✓ | ✓ | ✓ |   | ✓ |   |            | 60% |
|                                     | 2            | ✓ | ✓ | ✓ |   |   |   | ✓ |   |   |            | 40% |
|                                     | 3            | ✓ | ✓ | ✓ |   |   | ✓ |   | ✓ | ✓ |            | 60% |
|                                     | 4            |   |   |   |   |   |   |   |   | ✓ |            | 10% |
|                                     | 5            | ✓ | ✓ |   |   |   |   |   |   |   | ✓          | 30% |
|                                     | 6            |   | ✓ |   |   |   | ✓ |   |   |   |            | 20% |
|                                     | 7            | ✓ | ✓ |   | ✓ |   |   | ✓ |   | ✓ |            | 50% |
|                                     | 8            |   |   | ✓ | ✓ |   | ✓ | ✓ |   | ✓ |            | 50% |
|                                     | 9            |   | ✓ |   | ✓ | ✓ |   | ✓ |   |   |            | 40% |
|                                     | 10           |   |   |   |   | ✓ | ✓ |   |   | ✓ | ✓          | 40% |
|                                     | 11           |   |   |   |   |   |   | ✓ | ✓ |   |            | 20% |
|                                     | 12           | ✓ | ✓ |   |   | ✓ |   |   |   |   |            | 30% |
|                                     | 13           |   | ✓ | ✓ |   | ✓ | ✓ |   | ✓ |   | ✓          | 60% |
|                                     | 14           | ✓ |   |   |   |   |   |   |   |   | ✓          | 20% |
|                                     | 15           | ✓ | ✓ |   | ✓ |   |   |   |   |   |            | 30% |
|                                     | 16           | ✓ |   |   |   | ✓ |   |   |   | ✓ |            | 30% |
|                                     | 17           |   |   |   | ✓ | ✓ | ✓ |   |   | ✓ |            | 40% |
|                                     | 18           |   |   |   |   |   |   | ✓ |   |   |            | 10% |
|                                     | 19           |   |   | ✓ | ✓ |   |   |   | ✓ |   |            | 30% |
|                                     | 20           |   |   |   |   |   |   |   |   |   |            | 0%  |
|                                     | 21           |   |   |   |   |   |   | ✓ |   |   |            | 10% |
|                                     | 22           |   |   |   | ✓ | ✓ |   |   | ✓ | ✓ | ✓          | 50% |
|                                     | 23           |   | ✓ | ✓ |   | ✓ |   |   | ✓ |   |            | 40% |
|                                     | 24           | ✓ |   | ✓ |   |   |   | ✓ |   |   |            | 30% |
|                                     | 25           |   |   |   |   |   |   | ✓ |   |   |            | 10% |
|                                     | 26           |   |   | ✓ |   |   | ✓ |   |   |   | ✓          | 30% |
|                                     | 27           |   |   |   |   |   |   |   |   |   | ✓          | 10% |
|                                     | 28           |   |   | ✓ |   | ✓ | ✓ |   | ✓ |   | ✓          | 50% |
|                                     | 29           |   |   |   | ✓ |   |   |   | ✓ | ✓ | ✓          | 40% |
|                                     | 30           |   |   |   | ✓ |   | ✓ | ✓ | ✓ | ✓ | ✓          | 60% |

#### 4.2.1. Summary of the 'narrowing-down'-stage

Subsequent to the second stage, all statements selected by less than 50 % of the participants were rejected. As illustrated in table 4, three statements had been selected by 60 % of the participants and five statements by 50 %. These statements were used for the third stage.

*Table 4: Statements selected by more than 50 % of participants.*

| No. | Statement  | Percentage |
|-----|--|------------|
| 1   | Shared service centers will increase in importance   | 60%        |
| 3   | Globalization and economic system will force multinational companies to reduce costs due to decreasing margins | 60%        |
| 7   | Local networks of any kind will increase in importance   | 50%        |
| 8   | Strategic local sourcing will be the trend of the future   | 50%        |
| 13  | Subsidiaries become some kind of sales office with limited responsibilities and resources                      | 50%        |
| 22  | The courage of leaders to be responsible for decisions is diminishing in subsidiaries                          | 50%        |
| 28  | Subsidiaries will be downgraded in general   | 50%        |
| 30  | Opportunistic behavior of subsidiaries' leaders undermines the subsidiaries' positions                         | 60%        |

### 4.3. The 'ranking'-stage

In this stage, participants were asked to rank the remaining 8 statements according to their perceived likelihood and importance (see table 5 for results).

Interestingly, some participants ranked dissentingly from their selection in the previous stage(s). Only participants 1 and 9 ranked the statements completely according to their selections in the second stage (selected statements top and not-selected statements below). Participant 5 ranked statements 7 and 8, first and second. In the second stage, he did not select these statements at all. Even previously not-selected statement 3 on the fourth rank, has been ranked higher than three of four selected statements from the previous stage. Similarly, participant 2 ranked statement 8 first, participant 3 ranked statement 22 third and participant 7 ranked statement 3 second, and thus higher than previously selected statements.

Then again, few participants ranked statements they selected in the previous stage relatively low. Participant 5 ranked previously selected statements 13, 22 and 28, fifth, seventh and sixth. Participant 3 ranked previously selected statements 13 and 28 sixth and eights. Although selected the most in the previous stage, statement 1 and 13 were in general ranked relatively low and several times individually behind previously unselected statements.

Going back to the results of the first stage, participant 6 ranked statement 6 sixth and thus relatively low even behind a statement he did not select in the previous stage, while this statement was predominantly formulated based on his responses from stage one. The same holds true for participant 3, who ranked statement 28 eights, while this statement was formulated based on his responses from stage one. In general, with the exceptions of participants 3, 4 and 10, statements based on individual responses from stage one were ranked in the center or the lower part of the scale ( $\geq$  rank 4). Those deviations might indicate a changed perception or advanced opinion formation of participants.

Table 5: Ranked statements resulting from stage three.

|              |     | Statements |     |     |     |     |     |     |     |
|--------------|-----|------------|-----|-----|-----|-----|-----|-----|-----|
|              | No. | 1          | 3   | 7   | 8   | 13  | 22  | 28  | 30  |
| Participants | 1   | 2          | 1   | 3   | 4   | 5   | 7   | 6   | 8   |
|              | 2   | 5          | 3   | 2   | 1   | 4   | 6   | 7   | 8   |
|              | 3   | 4          | 2   | 7   | 1   | 6   | 3   | 8   | 5   |
|              | 4   | 6          | 4   | 5   | 3   | 8   | 1   | 7   | 2   |
|              | 5   | 3          | 4   | 1   | 2   | 5   | 7   | 6   | 8   |
|              | 6   | 6          | 3   | 7   | 8   | 1   | 5   | 4   | 2   |
|              | 7   | 7          | 2   | 5   | 1   | 6   | 4   | 8   | 3   |
|              | 8   | 4          | 1   | 8   | 6   | 7   | 2   | 3   | 5   |
|              | 9   | 7          | 1   | 5   | 4   | 6   | 2   | 8   | 3   |
|              | 10  | 7          | 6   | 8   | 3   | 4   | 1   | 5   | 2   |
| $R_i$        |     | 51         | 27  | 51  | 33  | 52  | 38  | 62  | 46  |
| $\bar{R}_i$  |     | 5,1        | 2,7 | 5,1 | 3,3 | 5,2 | 3,8 | 6,2 | 4,6 |

#### 4.3.1. Consensus

Using Kendall's coefficient of concordance, the agreement between participants was measured. Taking equation 1.0 with  $N=8$ ,  $\bar{R}_i$  as computed in table 5 and  $R_i=4.5$ ,  $W$  equals .22 as computed in equation 1.1.

$$W = \frac{(5.1 - 4.5)^2 + (2.7 - 4.5)^2 + (5.1 - 4.5)^2 + (3.3 - 4.5)^2 + (5.2 - 4.5)^2 + (3.8 - 4.5)^2 + (6.2 - 4.5)^2 + (4.6 - 4.5)^2}{8(8^2 - 1)/12}$$

$$W = \frac{9.28}{42} \quad (1.1)$$

$$W = .22$$



The result of  $W=.22$  indicates rather weak agreement among participants, following the interpretation of Schmidt (1997). This conclusion is also accompanied by a low confidence in the resulting ranking of statements (Schmidt, 1997). Controlling for agreement among participants supposedly representing subsidiaries and headquarters resulted in slightly higher, but also weak agreements (.23 for subsidiaries and .29 for headquarters).

#### 4.4. Conclusion

Between the participants' rankings, weak agreement was observed using Kendall's coefficient of concordance. This indicates that there are considerable differences in opinions. Nevertheless, stage three resulted in a list of 8 statements ranked according to their mean as depicted in table 6.

*Table 6: Ranked statements according to mean.*

| No. | Statement  | Mean |
|-----|--|------|
| 3   | Globalization and economic system will force multinational companies to reduce costs due to decreasing margins | 2,70 |
| 8   | Strategic local sourcing will be the trend of the future   | 3,30 |
| 22  | The courage of leaders to be responsible for decisions is diminishing in subsidiaries.                         | 3,80 |
| 30  | Opportunistic behavior of subsidiaries' leaders undermines the subsidiaries' positions                         | 4,60 |
| 1   | Shared service centers will increase in importance   | 5,10 |
| 7   | Local networks of any kind will increase in importance   | 5,10 |
| 13  | Subsidiaries become some kind of sales office with limited responsibilities and resources.                     | 5,20 |
| 28  | Subsidiaries will be downgraded in general   | 6,20 |

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## 5. DISCUSSION

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This study aimed at identifying potential future developments in internal resource dependencies and subsidiaries' negotiation capabilities and their effect on power in decision making in multinational companies between 2015 and 2020. HR experts were invited to a structured, indirect group communication process in order to retrieve predominant opinions about potential future developments. According to the participants' opinions, potential reasons and consequences of changes in decision making in MNC's are manifold and HR professionals provide a unique perspective on these changes. Viewing decision making in MNC's as political game and arguing from a resource dependence perspective, this paper resulted in different potential developments between 2015 and 2020 that may ultimately alter the way these political games are played.

Participating HR experts expect advancing globalization of business and the governing economic system to force MNC'S to reduce costs, especially due to decreasing margins. In their view, this implies that price competition will mainly be based on cost reduction. MNC's therefore might seek synergetic effects and increased cost efficiencies. This might also lead to reduction of amount and size of subsidiaries. According to Prahalad and Doz (1981), the size of a subsidiary directly affects its capability to sustain capable management. This development would thus lead to reduced subsidiary's capabilities.

According to participating HR experts, strategic local sourcing will be the trend of the future. This expected and directly resource-related development will increase the benefits of physical presence in the local market. However, local sourcing does not necessarily require presence in the local market, which might simplify local sourcing but does not exclusively induce it. Nevertheless, if local sourcing becomes more important, the dependency on the subsidiary will increase. The subsidiary's operations are embedded in the local environment and operational procedures (Andersson & Forsgren, 1996) and local sourcing will reinforce the embeddedness and increase the significance of local connections. Similar to, but not as significant as, local networks, local sourcing focusses on advantages deriving from connections in the local environment.

The results suggest that the courage of leaders to be responsible for decisions is

diminishing, especially in subsidiaries. Management capabilities and individual restrictions limit or fosters negotiation capabilities (Dörrenbächer & Geppert, 2006). Organizational culture in MNC's rewards conformity and penalizes deviation and therefore decreases the willingness of leaders to be responsible for decision. Personal prospects force executives from subsidiaries to bow to headquarters decisions. Dörrenbächer and Geppert (2006) and Mintzberg (1985) expected the political games in MNC's to be conflictive, but the results rather indicate avoidance of conflicts. In order to break this cycle, participant 4 suggests that "current pay structures will need to adapt" in order to attract "responsible local decision makers".

Participants expect opportunistic behavior of subsidiaries' executives to undermine the subsidiary' position in negotiations. Correspondingly, Dörrenbächer and Geppert (2006) argue, actors, in this case executives from both headquarters and subsidiaries, might have different goals, values, interests and identities driven by personal career ambitions, group dynamics or different perceptions of responsibility or loyalty. Subsidiaries' executives choose in favor of their personal interests to back down in negotiations, thereby reducing chances for success. According to Dörrenbächer and Gammelgaard (2006), opportunistic behavior is seen as crucial disadvantage in negotiations.

Furthermore, shared service centers are believed to increase in importance for MNC's operations. As a side effect, subsidiaries in low wage markets are expected to gain importance, as shared services (and operations) are believed to be placed there. These subsidiaries might grow with regard to size and allocated responsibilities. The size itself fosters management capabilities and increased responsibilities foster the accumulation of resources. Increasing bundling of support services will thus reduce relative power of many subsidiaries, while increasing the relative power of few subsidiaries in low-wage markets.

Local networks of any kind will increase in importance and provide companies with lower costs, better support and technological input through corporations with suppliers, research institutes, and customers. Local networks are by definition local and access is limited to present companies. As local networks increase in importance, also subsidiaries providing access to those networks, will strengthen their positions with regard to power

in the dependency relationship between headquarters and subsidiary. Reverse, subsidiaries are also depending on their local network. If importance or provided benefits of networks decrease, subsidiaries' power might also decrease. This is consistent with the conclusion of Pfeffer and Salancik (1978), who argue that causes of resource-based advantages in the dependency relationship originate mainly in the local embeddedness of subsidiaries.

Results further indicate that subsidiaries might become sales office with limited responsibilities and resources. Shrinking costs for transportation and communication promote this development. Downgraded to sales offices, subsidiaries main purpose becomes to distribute services and products.

Another expected development, which is closely related to the transformation of subsidiaries to sales offices, is the general downgrading of subsidiaries. Although both developments are placed relatively low (mean ranks 7 and 8), the fact that both developments are closely related and basically only differ in specificity, puts emphasis on the transformation to smaller entities with less control over resources and responsibilities.

As argued by resource dependence theory, resources, as defined as assets, capabilities, organizational processes, firm attributes, information and knowledge, define intra-organizational dependencies and power relations between headquarters and subsidiaries. Clearly allocable developments have been mentioned (e.g. increasing importance of market information or operational knowledge), but were deemed to be relatively unimportant or unlikely to occur. Local sourcing and local networks, however, also have indirect effect on, for instance, operational knowledge or market information. Then again, downgrading of subsidiaries in general, the emergence of shared service centers and reduction of national subsidiaries to sales offices has also direct effect on possession or control of resources as well as the ability to hold qualified executives. Additionally, the pressures from globalization, while certainly fostering developments as downgrading, the emergence of shared service centers and reduction of national subsidiaries, might also have other responses of MNC's as consequences, which can potentially reduce resources and responsibilities of subsidiaries. Salancik and Pfeffer (1974) state in that context "power accrues to those departments that are most

instrumental in bringing in or providing resources which are highly valued by the total organization" (p. 470). Theory links subsidiary's power to the ability to contribute to corporate goals, to provide strategic insights and knowledge concerning the local environment and to create intra-organizational transferable knowledge (Bouquet & Birkinshaw, 2008). Interestingly, knowledge and information related to the local environment seem not to be expected to change or rather the changes are not of significant importance in the near future. Becker-Ritterspach and Dörrenbächer (2011) state in this context that "knowledge assets held by the subsidiaries which are required by the MNC" (p. 537) increase subsidiaries' relative power.

Participants stated, either in their responses to the initial open questions or as additional feedback, that cultural factors are extremely important. They argue that decision making power is (partly) granted by headquarters and that this power depends on the national and corporate culture. The majority of US-headquartered MNC's, for instance, tend to exhibit strict central control, while MNC's headquartered in West European countries tend to encourage subsidiary's involvement in the decision making (participant 4).

Calculating the consensus among participants' opinions resulted in a value of .22, which is defined as weak consensus accompanied by low confidence in the final ranking (Schmidt, 1997). This might be partially explained by differences among participants, MNC's circumstances and by the complexity of the issue itself. Future developments are hard to forecast, especially for niche fields with various influencing developments outside the main field of consideration. Nevertheless, the resulting ranking of potential developments should not be overrated and be handled with caution, due to high variations between individual results.

## 5.1. Limitations and future research

First of all, weak consensus is the most obvious limitation of the present study. Decreasing complexity and ambiguity of the research focus might increase the accuracy of responses and thus eventually the final degree of agreement. The initial open questions proved to be not as self-explanatory as intended. Of the ten participants, 7

required additional - sometimes intense - explanation of meaning and goal of the questions. Those 7 ultimately responded to the questions remarkably precise. By explaining the questions, the participants might unintentionally have been pushed into a certain direction. Having said this, in some cases, it became obvious that participants tried to find the golden thread and expected it to be somewhere in the e-HRM niche due to the introductory text. Consequently, they tried to answer the questions from an e-HRM perspective, which was unintended for question one and two and resulted in off-topic responses. For future research, more simple and explicit initial open questions could prove to reduce ambiguity.

Additionally, the required effort for the first stage proved to be higher than anticipated. It is most likely that participants, while realizing the actual required effort, stopped answering the questions when they perceived the responses as sufficient. This could have resulted in incomplete responses. Furthermore, expecting a similar effort for the second stage, participants may have been triggered to procrastinate. This may have led to limited actual effort. It may therefore be preferable for future studies to outline required effort and expectations to reduce the initial barrier and thereby improve results.

For the purpose of this study, no distinction has been made with regard to kind of multinational company. There might be considerable differences between companies operating in different industries, national economies, under specific ownership-structures, or with different internal structures. Furthermore, resource dependence is assumed to be the determining factor of power. Although, resource dependence might be a strong factor, there are certainly others. Supported by respondents, the kind of subsidiary, whether for instance the local division's center, purely operational or supportive in nature, makes a difference, as well as institutional and cultural aspects. Micro-politics was chosen for its dynamic and interactive characteristics as critical response to predominantly hierarchical approaches. However, micro-politics also emphasizes the headquarters ability to dominate subsidiaries regardless of any other factors. Hence, headquarters may or may not desist from this option or delegation of decisions for non-power-related reasons.

As respondents argued, this might depend on the origin of the multinational company. Cultural, political or legal conditions in the home market may influence the headquarters

decisions. Legal responsibility of managers, thus the degree of personal liability for consequences of decisions, for instance, differs strongly between countries. Further research should therefore focus on differences between MNC's' characteristics and circumstances. It might, for instance, be advantageous to cluster companies according to their characteristics, such as country / region of origin or industry, as experts might have incorporated a certain view inoculated by the MNC. By that, it would be possible to compare results and to identify differences in views.

This conclusion is supported by the work of Perlmutter and Heenan (in Schneider & Barsoux, 2003), who distinguish between ethnocentric, polycentric, regiocentric and geocentric MNC's. They argue that in ethnocentric MNC's the headquarters decides, in polycentric MNC's the headquarters decides and the subsidiary may decide how to realize the headquarters' decision, regiocentric MNC's utilize regional headquarters as mediator in negotiations with regional focus and in geocentric MNC's headquarters and subsidiaries jointly decide. Having said this, they argue that the classification is a chosen characteristic of MNC's, which may lead to differences in opinions. In this sense, industry, cultural differences or strategic choices of MNC's may explain weak agreement among participants as well as the perspective participants are used to (e.g. headquarters' perspective, subsidiaries' perspective). For future research, taking these differences into account might yield more explicit and generalizable results.

Additionally, the method itself generates limitations. Scholars argue that homogeneity of responses is created by the method. It is thus criticized that the method forces a consensus, rather than stimulating a more natural convergence of opinions through reflection and consideration of other opinions (Woudenberg, 1991). Some scholars even argue that the consensus approach may lead to an extenuated best opinion or simple acceptance of the least common denominator (cf. Woudenberg, 1991; Häder, Häder, Ziegler, 1995). Additionally, the theoretical foundation of the method is rather weak. It is commonly used for consensus formation in distinct fields of research and in different variations. Statements about the accuracy and validity are therefore hard to generalize. The assumption that expert opinions are superior, in general and in specific about future developments, also lacks evidence. History has shown that expert opinions can be inaccurate as any other opinion and overreliance on expert opinions may be dangerous,



while creating a deceptive feeling of accuracy (Woudenberg, 1991). Moreover, simplification of statements forces respondents to focus on essential aspects of the issue. This may be necessary, but may also jeopardize the completeness of the picture of a complex problem.

Summarized, as proposal for future research, limitation of the scope could result in more convincing forecasts for specific fields. For instance, limiting the scope to experts from MNC's headquartered in Western Europe and operating in high-tech industries might result in higher consensus and generalizability for this specific area. Furthermore, random sampling would become more feasible by that. For this study, participants were selected by the researcher from his personal network or through second grade introductions. By that, results could be biased by simply selecting participants from a preselected small group of the entire population. It might therefore not represent the population accurately. Additionally, broadening the scope with regard to population to select participants from, for instance, the complete executive or middle management instead of focusing on a single function might broaden the view and stream of opinions. According to Okoli and Pawlowski (2003), the broad view and the wide range of experiments is a major advantage of the Delphi method. Limiting the scope with regard to participants to a certain function thus also limits the potential of the method.

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## 6. CONCLUSION

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Although based on weak consensus between HR experts' opinions, the study determined eight different expected future development that are believed to occur and affect the outcome of the decision making process within MNC's: (1) Globalization and economic system will force multinational companies to reduce costs due to decreasing margins, (2) strategic local sourcing will be the trend of the future, (3) the courage of leaders to be responsible for decisions is diminishing in subsidiaries, (4) opportunistic behavior of subsidiaries' leaders undermines the subsidiaries' positions, (5) shared service centers will increase in importance, (6) local networks of any kind will increase in importance, (7) subsidiaries become some kind of sales office with limited responsibilities and resources and (8) subsidiaries will be downgraded in general. These development, either related to the subsidiaries negotiation capabilities or the intra-organizational power relations, consequently affect the relative bargaining power. From a subsidiary's perspective, two expected developments are believed to have positive impact and six to have negative impact. Based on the results, the situation of subsidiaries is most likely going to change and this change is believed to lead to primarily negative consequences for the subsidiaries voice in corporate decision making. Regarding the example of e-HRM adoption as examined decision making, central control of headquarters is expected to remain constant or even to increase. E-HRM adoption has been chosen for its magnitude and strategic attributes. Results indicated that precisely the strategic attributes prevent subsidiaries to realize any power. Headquarters are expected to maintain central control.

### 6.1. Managerial implications

Leadership and management capabilities of subsidiaries' management play a crucial role in realizing potentials in corporate negotiations. The courage of leaders to be responsible for decisions is diminishing in subsidiaries and opportunistic behavior of subsidiaries' leaders undermines the subsidiaries' positions in negotiations. Noticing this downward development should initiate a rethinking of pay structures and reward systems in order to attract and maintain skilled and responsible leaders. Only by that,

subsidiaries would be able to realize their potential in intra-organizational negotiations.

Additionally, strategic local sourcing and local networks are believed to increase in importance. Subsidiaries, taking the initiative on reinforcing local networks might be able to strengthen or preserve their positions actively.

Several future developments have been illustrate and responsiveness to these developments is increased. Practitioners can use the results as guideline to counteract or reinforce future developments. Eisenhardt and Zbaracki (1992) define politics in organizations as “observable, but often covert, actions by which people enhance their power to influence decision” and “politics emphasizes the tactics of timing and opportunism” (p. 26). By including wiliness, actors that are establishing and using power, while appearing the least political in the process, are believed to be most successful in influencing decisions (Eisenhardt & Zbaracki, 1992). Politics in MNC's provides subsidiaries thus with the means to increase power and influence on decisions.

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