Aligning International Business, Human Resources & Information System Strategies

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Abstract

Past studies indicate that firms need to align their international business and human resource strategies to achieve superior performance. As firms rollout information systems (IS) across their global operations it is also imperative that firms align their IS with their business and human resource strategies. This research study examines the international business-human resource-IS strategy alignment issue and develops a framework to guide managers in aligning IS with their business and human resources strategies.

Keywords: Business Strategy, Human Resources Strategy, Information Systems, Alignment.

Introduction

Globalization of trade and economics has forced firms to seek internationally experienced managers to run their worldwide operations. Researchers indicate that a key ingredient for firms in successfully implementing international business strategies is the adoption of compatible international human resource strategies [3] [7]. As firms seek to match their human resources and business strategies, a crucial issue that has emerged over the past decade is the impact of global information systems (IS) on business strategy-human resources alignment. This research study examines the above issue and develops a framework to guide managers in aligning IS with their business and human resources strategies.

Aligning International Business and Human Resource Strategies

Studies indicate that organizational forces influence a firm’s international business strategy [2]. A firm’s value-chain activities are impacted by two environmental forces – national differentiation and global integration. Firms follow four sequential strategies in the path to the internationalization of their operations – from multinational to international, then to regional, and finally to transnational [2]. Researchers indicate that firms typically follow four international human resources strategies – ethnocentric, polycentric, regiocentric, and global [1] [4]. Studies that examined the alignment between business and human resource strategies indicate that ideal
fit combinations lead to increased performance benefits [3] [7]. Multinational firms typically prefer polycentric strategies; international firms use ethnocentric strategies, regional firms adopt regiocentric strategies, and transnational firms opt for global strategies [3] [7].

Aligning Information System, International Business and Human Resource Strategies

Studies indicate that firms can configure IS to support their business strategies [5] [6]. The choices of configurations include software configurations, technology platforms, and implementation approaches. The software configuration is mainly undertaken at four levels [5] – enterprise, system, business process, customization. At the enterprise level firms can configure their IS according to their business strategies. At the system level core business activities are implemented as modules and rows of sub-modules within each of these activities. The business process level focuses on the customization of user profiles, parameters, and business processes at various organizational levels. The customization level involves custom-designed modifications of the IS. The technology platform involves the use of centralized, decentralized, or hybrid configurations [9]. There are also two broad implementation approaches that firms typically use to deploy their IS – global and phased rollouts [8].

The configurational choices made at each of the three levels – software configuration, technology platform, implementation approach – determines the alignment of the IS with the firm’s international business strategy-human resources strategy fit, and hence firm performance. A multinational-polycentric strategy requires relatively independent software configurations, local databases, and phased rollouts. An international-ethnocentric strategy, on the other hand, needs centralized software configurations, centralized databases, and global rollouts. The software configurations, databases, and rollouts for a regional-regiocentric strategy are similar to a multinational-polycentric strategy but on a larger scale. The transnational-global strategy entails distributed software configurations, hybrid databases, and hybrid rollouts. At each of the three IS configurational levels, firms can drill down to detailed levels and customize their IS to unique and firm-specific human resource needs. This detailed customization; however, should be within the broad gambit of the overall business strategy-human resource strategy-IS configurational fit. Firms that successfully manage the above alignment process can achieve superior performance in the global marketplace.

References


