

HUMAN RESOURCE MANAGEMENT
IN
MULTINATIONAL ENTERPRISES

PETER JOHN KELLY KIDGER

The Graduate School of Management
University of Salford
Salford, UK

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TABLE OF CONTENTS

Table of Contents	i
List of Figures	iv
Acknowledgements	v
Abstract	vi
Chapter 1 An Introduction	
Introduction	1
1.1 The Aim and Scope of the Thesis	2
1.2 Structure and Content of the Thesis	4
1.3 Definitions and Terminology	7
1.4 Background of the Researcher	10
1.5 Summary	11
Chapter 2 The Management of Multinational Enterprises	
Introduction	13
2.1 The Internationalization of Firms	13
2.2 Internationalization as a Development Process	16
2.3 From Internationalization to Globalization	19
2.4 Strategy and Structure in a Global Environment	23
2.5 Parent-Subsidiary Relationships in Multinational Firms	26
2.6 Management in National Context	31
2.7 The Culture Context	33
2.8 National Culture and Organizations	39
2.9 Some Conclusions	44
Chapter 3 Human Resource Management	
Introduction	46
3.1 Current Understandings of Human Resource Management	46
3.2 Best Fit or Best Practice?	48
3.3 Employment Systems	52
3.4 A Strategic View of Human Resources	57
3.5 Competitive Advantage from Human Resources	64
3.6 The Role of the Personnel Function	69
3.7 Some Conclusions	73

Chapter 4 Human Resource Management in the Multinational Enterprise

	Introduction	75
4.1	The Scope of International Human Resource Management	75
4.2	International Human Capital	77
4.3	Foreign Assignments and International Capability	81
4.4	International Human Resource Policies	86
4.5	Organizational Culture in the Multinational Enterprise	93
4.6	The International Role of the Personnel Function	96
4.7	Summary and Conclusions	98

Chapter 5 The Research Design

	Introduction	102
5.1	The Purposes of Management Research	102
5.2	Research Philosophies	105
5.3	Research Strategy and Methods	108
5.4	A Research Agenda	110
5.5	A Theoretical Framework for the Research Study	116
5.6	Research Questions	119
5.7	The Research Strategy	122
5.8	The Data Collection Method	125
5.9	Data Requirements and Criteria for Assessment	127
5.10	The Selection of Cases	130
5.11	Implementing the Research Project	132
5.12	Summary	137

Chapter 6 The Case Studies

	Introduction	138
6.1	The UK Companies	139
	6.1.1 The Newer Multinationals	139
	6.1.2 From Multidomestic to Global	141
	6.1.3 Building a Global Organization	143
	6.1.4 Becoming Transnational	146
6.2	The American Subsidiaries	147
	6.2.1 Four Manufacturers of Industrial Products	147
	6.2.2 Three Manufacturers of Consumer Goods	150
6.3	The Continental Europeans	155
	6.3.1 Two Scandinavian Investors	155
	6.3.2 Moving from Multidomestic	157
	6.3.3 Global Integration and Local Presence	161
6.4	The Japanese Companies	164
6.5	Summary	169

Chapter 7 Analysis of the Research Findings

	Introduction	170
7.1	The Move to Globalization	170
7.2	Organizational Learning	176
7.3	International Management Development	180
7.4	Organizational Culture in the Multinationals	183
7.5	Learning Through Sharing of HR Practice	186
7.6	The Development of International HR Policies	188
7.7	Issues Covered by International Policies	192
7.8	The International Role of the Personnel Function	195
7.9	Convergence of HR Policies and Practice	199
7.10	Summary	205

Chapter 8 Conclusions and Recommendations

	Introduction	207
8.1	Models of Parent-Subsidiary Relationships	207
8.2	Findings Relevant to the Research Questions	212
8.3	Developing International Norms in Human Resource Management	226
8.4	Recommendations for Human Resource Management in MNEs	227
8.5	Implications of the Research	230
8.6	Limitations of the Research	233
8.7	Areas for Future Research	235
8.8	Summary	237
8.9	And Finally...	238

	Bibliography	239
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Appendix 1 Interview Guide

Appendix 2 Tabulated Summary of Results

Appendix 3 Summary Analysis of HR Policies

LIST OF FIGURES AND TABLES

Figure 2.1	Framework of Parent-subsidary Relations in MNEs	28
Figure 3.1	Framework of Employment Systems	53
Figure 5.1	A Theoretical Framework of HRM in Global MNEs	118
Table 3.1	Organization Contingencies Influencing HRM	52
Table 5.1	Features of Two Research Paradigms	107
Table 5.2	Distribution of Cases by Sector and Region	136
Table 7.1	International Coordination of Management Functions	172
Table 7.2	Predominant Driver of Greater Global Integration	173
Table 7.3	Processes Supporting Learning and Development	183
Table 7.4	International HR Policy Areas	194
Table 7.5	Frequency of HR Policies in UK and Elsewhere	201
Table 8.1	Characteristics of Three Types of MNEs	210

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ABSTRACT

The multinational enterprise (MNE) is now a significant part of the world economy both in terms of trade and employment. The performance of an MNE is in part dependent on the capability of its human resource. The knowledge and experience of employees is a source of competitive advantage, but whether this is realised or not may depend on having the right human resource policies. Managers therefore seek to implement best practice, and in multinationals there is the potential for intra-organizational learning across national boundaries. The aim of this thesis is to examine a number of questions arising from the proposition that multinational firms are contributing to the development of international norms of best practice in human resource management as a result of a trend towards greater coordination of management practice in MNEs. It is suggested that multinationals are developing mechanisms to encourage the transfer of knowledge and experience across national boundaries, and this is therefore an important aspect of international human resource management (HRM).

The thesis contains a review of the literature, firstly on the management of multinationals, secondly on the development of a strategic view of human resource management, and thirdly on HRM in the MNE. From this material, a theoretical framework is developed that links together a number of research questions. These formed the basis for the design and execution of a qualitative research project in which information on strategy, structure and management practice was obtained from twenty-four companies. These represented a cross-section of country ownership, including the UK, other European countries, the USA and Japan. The design of the research project is explained, and this is followed by a presentation of the results. These support the proposition that as a consequence of the globalization of markets, multinationals are tending to adopt a more global perspective in which there is greater cross-national integration of operations, coordination of management practice, and the development of internationally orientated management. The analysis discusses the implications of this for international human resource management, and offers a number of recommendations for HRM in the multinational enterprise. Finally some suggestions are made for future research to build on and extend the findings of this project.

CHAPTER 1

AN INTRODUCTION

*We travel not for trafficking alone:
By hotter winds our fiery hearts are fanned:
For lust of knowing what should not be known
We make the Golden Journey to Samarkand*

James Elroy Flecker

Research is a journey towards new knowledge and understanding of the world and of ourselves as part of it. The desire to know is a fundamental part of human existence since we are naturally curious. From birth, human development is a learning process through which we explore and come to terms with our environment. However we soon discover that we are not alone, and in the paradox of human existence both compete with others for scarce resources and cooperate to find and share them. Humankind has to be curious, competitive and cooperative. Individually and as social groups we ensure our survival either by attempts to dominate others, or by trading with them for mutual benefit. From earliest times, curiosity and the search for resources have driven people to leave the security of their home in the roles of explorer, invader and trader. As a result, members of different societies have interacted with one another, and as they did so have exchanged information and ideas, which became part of societal learning. Traders and travellers were important sources of knowledge, both truth and myths. The conquering invaders also contributed to the movement of ideas since as well as being colonisers seeking to exploit the resources of another people, they were often missionaries, spreading both technical knowledge and alternative social values. Even today, powerful nations try to impose their notions of civilisation on others, and equally there are examples of where the people of one nation voluntarily imitate the cultural practices of others because they think of them as in some way superior.

In the modern era, information flows round the world through a variety of media, and the trading caravans that took the Golden Road to Samarkand have been replaced by the somewhat less romantic convoys of long distance lorries. Nevertheless, the provider of goods and services may still be both a seeker and a transmitter of

knowledge. At the end of the twentieth century international trade is dominated by multinational enterprises (MNEs), who sell their products and also employ people across national boundaries. Such organizations could be expected to play a part in the worldwide dissemination of knowledge, through their international networks of subsidiaries, customers and suppliers. The knowledge that is passed on potentially includes both technical know-how and understandings of the practice of management, through which the organization utilises resources to achieve its purposes. Whilst the primary role of the multinational is that of a 'trader', it could be argued that it is often also a 'missionary' bringing in new thinking and ways of doing things to the countries in which it invests.

1.1 The Aim and Scope of the Thesis

This thesis is about the management of people in multinationals, and its principle proposition is that multinationals are potentially important contributors to the development of internationally understood norms of best practice in human resource management. The aim of the research reported in the thesis is to explore the proposition in more detail by examining, through the literature and an empirical study, a number of issues related to it. These include such questions as:

Are multinationals generally moving towards a more global orientation in their strategy and operations?

Are multinationals promoting the development of organizational knowledge as a shared resource?

Are there areas of human resource policy and practice which are similar across the subsidiaries of multinationals, and to what extent is this the result of international coordination or sharing of experience?

What accounts for any differences between multinationals in the degree of integration of human resource policies?

What is the international role of the corporate Personnel function in multinationals?

There are a number of reasons why this is potentially an important area of research. The perspective on almost all aspects of life has become more international in the second half of this century as the world has begun to resemble a global village. In the Britain of 1950 it was the national economy that mattered, holidays were taken in Blackpool or Brighton, international football meant the annual game between England and Scotland and the vast majority of employing companies were firmly domestic. In Britain at the end of the century it is the international economy that matters, holidays abroad are normal, footballers from around the world play in the domestic leagues and multinationals are major private-sector employers whose investment decisions are headline news.

In the business world, it is now recognised that almost all firms are competing in international markets as barriers to the movement of capital and tariff walls have been reduced. The growth of international competition and the opportunities for foreign investment have contributed to the growth in the number and size of multinationals so that it is now claimed that they dominate the world economy (Kobrin 1997; Morgan 1997: 326). This has led to major political concerns about multinational power, and also to a growing academic interest in international business. Much of the research in this area has been concerned with issues of investment and marketing strategy, but of equal concern is the management of people in MNEs. Interest in human resource management in multinational firms has been steadily growing over the last decade, and there have been a number of recent studies of HRM in multinationals (eg Rosenzwaig and Nohria 1994; Torrington 1994; Edwards et al 1996; Monks 1996; Stroh and Caligiuri 1998). This is still however a relatively young field of research and much more work is needed to develop a systematic and comprehensive knowledge of actual practice. The further development of such knowledge would potentially contribute to the construction of better theories about international HRM, to teaching on international management courses and to management decision making in international firms.

An axiom of contemporary human resource management is that people are important to organizational success (Pfeffer 1994), and therefore how the human resource is managed is potentially a critical, strategic issue for management of MNEs. This may embrace a range of policy questions, but one concept that has certainly moved to centre stage is organizational learning since one of the main ways that people become a valuable resource to companies is through the development of their unique and shared firm-specific knowledge (Nelson and Winter 1982; Edmondson and Moingeon 1996; Mueller 1998). Research into the role of the multinational as a learning organization, particularly the extent of intra organizational learning across national boundaries, should make a useful contribution to understanding what is happening and what is possible in this important aspect of organizational behaviour.

In conclusion, then, it is suggested that a new study into human resource management in multinational enterprises will further understanding of a real world situation, which should be of interest to both academics and managers.

1.2 Structure and Content of the Thesis

The thesis follows a conventional structure, by reviewing the literature before discussing the empirical study. This first chapter provides an introduction to the area of research, suggests some reasons why an investigation into human resource management in multinational enterprises should be of value, and presents an initial definition of the research issue.

The next three chapters develop the themes of the thesis by exploring the literature to bring out relevant theory and assess what can be learned from existing studies in the field. Chapter 2 takes one part of the subject area by reviewing the development of the multinational enterprise. The implications of internationalization for structure and management processes are explored, highlighting the problem multinationals face of reconciling global efficiency and local responsiveness, or the balance between integration and differentiation of policies and processes across the country and product units of MNEs. Another important issue discussed in this chapter is whether

management practices are converging across country boundaries, an aspect of the wider debate on the significance of globalization. There is probably little dispute that convergence is occurring in some areas, but in relation to the management of people, national culture and employment laws are seen as major barriers to international commonality. Questions therefore centre on the extent and level of convergence, and particularly on the effects of societal culture. The review covers the differing definitions of culture, and deals with the main research studies into the implications of cultural differences on organizational life.

Chapter 3 deals with the other half of the subject area, namely human resource management. Two main approaches to HRM are identified. One is a contingent view that emphasises the importance of finding the 'best fit' between organizational strategy and human resource policies. The other is the attempt to identify a set of 'best practice' human resource policies that will contribute to improved HR performance in any situation. The research on HR practices and firm performance is reviewed, and this is followed by a discussion of the different employment systems that are found in organizations, which represent different philosophies on how to manage people at work. A major contribution to thinking on HRM has come from the resource-based view of the firm, and the implications of this are discussed in chapter 3. The final area covered in this chapter is the contribution of the Personnel specialist to the strategic utilisation of human resources in organizations.

Having then reviewed the literature on the multinational enterprise and on human resource management, chapter 4 pulls the strands together by considering the implications of the various issues for human resource management in multinational enterprises. It is suggested that there are the same HRM processes of selection, development, communication and reward in both domestic and international firms, but that in multinational organizations, operating in a number of different countries, the issues become more complex as corporate, national and international perspectives are involved. After an introductory discussion, the chapter moves to a consideration of how human capital is developed in MNEs. Since resource-based theory emphasises

learning, there is discussion of the transfer of knowledge, and of the particular role of expatriates in this activity. There is a section on human resource policies in multinationals, dealing with the question of whether policies for the management of people in different subsidiaries are modelled on those of the parent organization, or addressed on a national basis, or based on internationally accepted concepts of best practice in HRM. This is then linked to the work on organizational culture, to consider its possible role as a linking mechanism in MNEs that may give national units a common focus. There is a short review of the international role of the Personnel function before the final section of the chapter summarises the main themes and conclusions.

Chapter 5 describes the research project and discusses the research design. After a discussion of research methodology, the findings of the literature review are used to develop a theoretical framework and a set of research questions for the empirical investigation. This is followed by an explanation of the research design of the project. The strategy adopted was that of the case study and the main research method was semi-structured interviews with senior managers with responsibility for HRM, in twenty-four multinational enterprises with operations in the UK. The companies studied originated in a range of countries including the UK, other European countries, the USA and Japan. Various methodology issues are discussed in this chapter, including the use of this type of interview, the sample size and the limitations of the methodology in relation to an investigation of the underlying proposition. The criteria for the assessment of the research questions are discussed, and the process of data collection is described.

In Chapter 6 which follows, the results of the research are presented, by discussing individual cases within geographic groups. Chapter 7 develops the picture further by drawing lessons from across the sample and discussing their implications for the management of MNEs. The final chapter then returns to the research questions to consider whether they have been answered, and to relate the research findings to the literature. It is concluded that the results of the study support the initial proposition

and provide additional insights into human resource management in multinational enterprises. Some lessons for management are drawn out, and suggestions are made for further research. The thesis concludes with a note on what has been learned through conducting the research investigation.

1.3 Definitions and Terminology

One of the difficulties of studying an aspect of social interaction such as the management of organizations, is the variety of language that is sometimes used. Practitioners can use, modify or invent terms for their activities without always needing to worry about precise and common definition. For the academic study of management on the other hand, definition is usually important as part of the attempt to understand what is happening in organizations by giving it a shape that makes comparison possible. However different scholars may use different terms for what seems to be a similar phenomenon, and, to avoid inventing terms that are not remembered or understood, will sometimes give a particular meaning to words that are in common usage. It seems helpful therefore to make some comment in this introduction on the use of some of the key terms in the literature and in the thesis.

Multinational enterprise (or MNE), multinational company or corporation (MNC), and multinational organization (MNO) are all used in the literature and are generally interchangeable although MNO might be considered a broader term to be used if the intention is to include in the definition not-for-profit bodies such as the International Red Cross. In this thesis MNE, MNC, multinational firm and multinational are used synonymously. The multinational enterprise has been defined by Dunning (1993) as:

an enterprise that engages in foreign direct investment and owns or controls value-adding activities in more than one country

Dunning distinguishes the MNE from an exporter which may trade internationally but is not a foreign investor, and also from the multi-site company which operates in a single country. Two distinctive features of an MNE are that it organizes multiple value-adding activities across national boundaries, and that it internalizes the cross-border markets for intermediate products arising from these activities. Since the focus

of attention in this thesis is on human resources, a possible alternative definition is that

a multinational enterprise carries out value-adding activities and employs people in more than one country.

Transnational is another term found in the literature as an alternative to multinational. It is used by the UN, and is favoured by Dicken (1998: 15) as the generic term because, he argues, 'multinational' implies activities in a substantial number of countries, which is not always the case. However, the term transnational is now widely used with the more specific meaning that was given to it by Bartlett and Ghosal (1992), and that is normally the sense in which it is used in this thesis.

In line with the definitions given above, the multinational or MNE is used as a generic term that can embrace firms following a variety of strategies in regard to the organization of their activities and the relationship between the corporate centre and local subsidiaries. The use of multinational as a general term is stressed because some writers (eg Levitt 1983; Bartlett and Ghosal 1992) have categorised multinationals as enterprises in which activities are managed fairly independently within their national subsidiaries. In this thesis it is proposed to refer to such firms as multidomestic (Harzing and Van Ruysveldt 1995) or polycentric (Evans and Lorange 1989). Porter (1990) distinguished between multidomestic and global industries, and described a firm with a global strategy as one which employs an integrated worldwide approach to the organization of its activities. A global firm is understood as one that has a global strategy and that *integrates* value-adding activities (research, marketing, production or purchasing) across national boundaries.

It is also necessary to distinguish between internationalization and globalization. Internationalization is widely understood as the process in which firms move from domestic into international markets. Globalization is capable of a variety of meanings (Dunning 1997) but generally refers to a process of 'tighter international linkages on a world-wide scale' (De Wit and Meyer 1998: 720). Its origins are in international marketing, but in relation to the management of firms globalization can be defined as

a process in which firms increasingly integrate functions across national boundaries. Integration means the bringing together of the parts into a whole (Collins English Dictionary), and is therefore implying something more than communication between, or coordination of, the different components. Further comment and discussion of this area of terminology is included in chapter 2.

Human resource management or HRM became a common term for the management of people in organizations in the 1980s. As a field of study it can be understood as the processes, policies and practices associated with the acquisition and management of people at work. However as a phenomenon in organizations, HRM is often used for a particular approach to employment management, and this is discussed in the literature review. In this thesis, human resource management should be understood in a broad generic sense except where particular authors who use the term differently are being quoted.

Some of the literature, particularly from the USA, also refers to strategic human resource management or SHRM. This is often used to convey that people should be managed as a strategic resource through HRM processes that are aligned with organizational strategy, but in other cases definitions of SHRM are little different from HRM without the S (Lahteenmaki et al 1998). In this thesis SHRM is used when referring to aspects of HRM that are specifically directed at strategic objectives, or when referring to other work where the term is used.

In larger organizations there is generally a functional unit responsible for aspects of human resource management, development and administration. Until the mid 1980s this was almost universally called the Personnel Department. The academic literature, particularly from America, generally refers now to the HR function, or just to HR. Research in the UK shows that Personnel is still a widely used term, and the professional body of practitioners is called The Institute of Personnel and Development. In this thesis therefore Personnel will be used for the specialist

function, except where quoting others or sometimes in reporting an organization where the alternative of HR is used.

Finally, some comment needs to be made about 'international human resource management'. In general this term is used for the management of people in multinational organizations and particularly those aspects which relate to international operations. It is seen as complementary to the comparative study of management and industrial relations which tends to be centred on country differences, although there is obvious overlap between them. Although it could be argued that international HRM might embrace both in a single field of study, this thesis will follow current convention in using international HRM to refer to management in multinationals and comparative HRM to refer to the study of employment institutions and management practice in different countries.

1.4 Background of the Researcher

All research is affected by the researcher. In management research into events in the real world, interpretation colours the process from selection of the topic, through design and execution of the programme, to presentation of the results. It is therefore germane to the understanding of the research to know something about the background of the researcher, at least as far as it is relevant to the research topic, and the personal motives for researching the topic.

Before appointment at the University of Salford as a lecturer in human resource management, the researcher worked in industry for twenty years, in Personnel and line management roles. Experience was gained in three companies, all of which were multinationals. The first was an American pharmaceutical firm in which all employees in the UK were locals, but where personnel policies in the UK were close to those in the US, since this was believed to represent good practice. The second company was the subsidiary of an American process engineering contractor, where Personnel policies in the UK owed almost nothing to the US parent, but where all top managers and a number of technical managers in the UK were American expatriates,

part of whose role was providing and passing on know-how. The third company was British and privately owned, and over a ten year period it grew from a small UK operation on a single site to an international organization with subsidiaries in Ireland, the USA and South Africa, and some joint ventures with a Japanese partner.

The subsequent role as a University lecturer included responsibility for a postgraduate course which each year is taken by students from around the world. Teaching a multinational group after having worked with people of different nationalities, developed an already half-formed interest in the extent to which there were international norms of human resource management practice that could be applied in a variety of cultures.

There is nothing particularly unusual about this work experience, but it has provided some insight into organization and management practices in MNEs, and into national cultural differences. The problem of experience is that it may predispose one to expect replication, or to judge differences against narrow criteria. In management research, industrial experience can usefully be brought to bear on the interpretation of phenomena, but this needs to be accompanied by an openness of mind that will allow the investigation to broaden horizons and provide new and better understandings of the world.

1.5 Summary

The aim of this chapter has been to provide an introduction to a research project on human resource management in multinational enterprises. Having referred to the rise of the multinational in the international economy, the chapter presented the main proposition that multinationals are contributing to the development of internationally understood norms of best practice in HRM, and discussed various issues and questions that related to the initial proposition. Reasons for conducting research in this area were advanced, to support the view that a new study of HRM in multinationals would make a contribution to knowledge that would be of interest to both the academic and

the business communities. The structure and content of the thesis were outlined, and there was a discussion of the definitions of various terms used in it.

The next chapter will begin the study by reviewing the literature on the development and structure of the multinational enterprise.

CHAPTER 2

THE MANAGEMENT OF MULTINATIONAL ENTERPRISES

In this chapter it is proposed to review understandings of the development and structure of multinational enterprises (MNEs). It is divided into a number of sections, beginning with a discussion on internationalization, or the process by which organizations move from domestic into international markets. A structural issue facing multinationals is the extent to which they integrate or differentiate operations in different countries, and the literature on this is explored. One viewpoint on internationalization stresses the importance of global convergence, and there is a presentation of the case for organizational convergence of the structures and practices of companies competing in the same worldwide markets with common technology. The concept of globalization is introduced and is distinguished from internationalization. Discussion of the impact of globalization is counterbalanced by a discussion of national diversity, with particular attention being paid to the effect on organizations of societal culture. Some conclusions are drawn about the tensions within which multinational enterprises have to be managed.

2.1 The Internationalization of Firms

Nations have always traded, in natural resources, raw materials and finished goods. The geographic limits of such trade are determined by transport technology, and it was the development in Europe of ships capable of circumnavigating the globe that ushered in the era of world trade. Exploration and trade mingled with conquest as the rivalry of national representatives for supply sources and markets, led to wars and the development of colonial empires. Following the industrial revolution, the new manufacturers needed steady and preferably expanding markets for their goods to exploit economies of scale and ensure the growth of profit. If they reached the limits of their domestic markets, the obvious place to go was overseas. Initially this might be as exporters, but success in foreign territories resulted in firms establishing subsidiary operations in different countries, by building their own plant or by acquisition of a local rival.

This evolutionary process in which organizations move from operating exclusively in their own domestic market, to operating in a number of different national markets, is internationalization, which has been broadly defined as ‘the process of increasing involvement in international operations’ (Welsh and Luostarinen 1988). Companies expand in order to utilise more effectively spare capacity (Penrose 1959). They diversify internationally in the search for new profitable markets, as their products reach the maturity phase of the product life cycle (Vernon 1966), or to find outlets for surplus cash, or to keep up with rivals who have internationalised (Sugden 1991), or in defensive reaction to foreign companies entering their domestic markets. International trade developed because of differences between countries in natural resources and the skills of inhabitants to use those resources in artifacts. Similarly firms that are successful in a domestic economy have developed competencies that give them competitive advantage, and these strengths can be applied to foreign markets. Growth also produces economies of scale, which helps to maintain a competitive position in all markets, and economies of scope, or the synergy that comes from using the same internal resources to produce different ranges of products (Ghosal 1987). These factors may be used to seek a monopolistic or dominant position in a world market. Dunning (1993) summarises the motives for multinational activity or foreign direct investment under four headings:

- Resource seekers, wanting to obtain materials, labour or technological capability.
- Market seekers, wanting to widen or protect market positions.
- Efficiency seekers, wanting to gain economies and diversify risk.
- Strategic asset seekers, wanting to acquire assets.

Firms can of course buy or sell in foreign markets without becoming multinational employers. Internalization theory, based on transaction cost theory (Coase 1937, Williamson 1975, 1985), has been used to explain why it may be more profitable for a firm to incorporate foreign operations into the hierarchy of the firm rather than organize transactions through markets, for example by selling or licencing its know-how to local agents (Buckley and Casson 1976). Internalization moves a transaction

from the market for goods and services to that for labour, and will occur when transaction costs in the product market are higher than those in the labour market (Hennart 1991). Establishing a foreign subsidiary has a resource cost, but means the operation is directly under the control of management and on balance this may be preferable to leaving responsibility to agents or trying to enforce the contractual obligations of licensees. The reverse situation is where firms acquire overseas suppliers to ensure availability of required resources. Firms may also locate production abroad to access innovative ideas from different sources, so that the MNE moves from being the technology provider to being an organizer of technological development in different parts of the world (Cantwell 1991). Dunning (1991, 1993) incorporates internalization into his 'eclectic paradigm' which provides a framework for explaining why some companies in a particular country become multinationals while others do not, why companies set up production facilities abroad, and why they do so in particular countries. The paradigm links three conditions which influence these internationalization decisions. They are ownership advantages which are the factors that give firms competitive advantage in a particular market, location advantages which are the beneficial attributes of a geographic area, and finally internalization advantages as discussed above.

The ownership advantages in the eclectic paradigm were originally conceived as the advantages firms derived from their ownership in a particular country (Dunning 1991). The competitive advantages that may be derived from the national location of ownership are used by Porter (1990) to explain why organizations originating in one country may be more successful than those from elsewhere in the same industry. Porter's diamond links four determinants of national comparative and competitive advantage. The first of these is *factor conditions*. This embraces human resources, physical resources, capital resources, information resources and infrastructure. The second determinant *demand conditions* postulates that the size and quality of domestic demand will be significant in shaping cost and quality of products. Similarly *related and supporting industries* are important since they may push companies into having to operate to high international standards. Finally *firm strategy, structure and rivalry*

relates to the way firms may be organized differently in different countries, and if the organizational practices of firms in one country in a particular industry are well fitted to the sources of competitive advantages in that industry, those firms derive a benefit from the national differences.

Porter's theory draws attention to the importance of national resource bases in international competition, and a potential advantage of multinationals is that they may be able to exploit the national resource capabilities of different countries. The home base for the development or marketing or manufacture of different product groups can be located in the most favourable country. According to Ghosal (1987), international firms are also able to exploit differences in input and output markets in different countries, for example by moving activities to locations where cost or other factors are particularly favourable. Input markets include those of labour, with national differences in labour costs and level of skill being important considerations. Multinationals are able to switch both semi-skilled production and certain kinds of professional activities to countries with low labour costs. There are obvious social consequences of this for developed nations where employers bear a significant part of social security costs, and it is a factor that can make inward investment a two-edged sword. Whilst labour quality is as important as labour cost, and labour markets are not the only consideration when deciding work location, the ability to shift investment and resources is an important aspect of multinational capability. Sugden (1991) argues that firms become multinationals in order to dominate labour markets as well as product markets, and it is clear that MNEs use the threat (implied if not actual) of switching production to push through productivity improvements or labour cost reductions.

2.2 Internationalization as a Developmental Process

A widely used conceptualisation of going international has been to describe it as a development process through a series of stages. An exposition of the stages approach is provided by the Uppsala model (Johanson and Wiedersham-Paul 1975) based on the internationalization process followed by four Swedish firms. The typical

progression of a manufacturer starts with exporting from the home country, moves on to setting up local sales and distribution centres, then to local assembly/packaging, and finally to establishing full manufacturing and associated activities in foreign locations. Firms move first into markets that seem closest to them, in relation to their understanding of the market and its environment rather than geographic proximity, and the stepwise movement enables firms to accumulate knowledge through the expansion process. This is in line with the theory that any firm that diversifies will first transfer factors with excess capacity to the closest market it can enter (Montgomery and Wernerfelt 1988).

Variations on the life cycle or stages of internationalization appear in a number of contributions to understanding differences in the strategies, structures and management practices of MNEs. However research (eg Turnbull 1987; Millington and Bayliss 1990) has shown that the evolutionary stages approach is not followed by all companies in all situations, since the demands of their operating environments vary. Whilst it provides a useful 'framework for classification purposes' (Turnbull 1987), none of the assumptions that underline the idea hold good for all firms, so it merely identifies an internationalization pattern for some firms (Bell and Young 1998). Small-medium enterprises that are new entrants to international markets are perhaps the most likely to follow an incremental approach, and Hendry (1994: 20-21) provided a case description that illustrates how this can be a learning experience for a firm that enables it to make a success of an international strategy. The picture is different for established MNEs moving into new markets since the mature MNE already has a bank of experience, and has developed a structure and set of control processes into which new subsidiaries or joint ventures will fit. Hendry drew attention to the importance of network theory, which emphasises relationships between firms in complex supply chains, as an additional concept to help give a full understanding of internationalization in today's world. Bell and Young (1998) suggested that the various theories of internationalization are complementary rather than competing, and they presented an integrative framework that incorporates behavioural theory,

contingency theory and transaction cost theory into the explanation of a firm's international marketing decisions.

Hendry made the point that internationalization means that managers have to recognise the potentially inhibiting influence of domestically orientated mental maps, which may prevent them seeing the potential of foreign markets (1994:15). The attitude of managers to their international operations was the basis of an earlier description of the 'tortuous evolution of the multinational corporation' by Perlmutter (1969). He described three kinds of top management attitude which were labelled as ethnocentric (home-country orientated), polycentric (recognition of importance of country differences) and geocentric (orientation to the whole world). These attitudes can be seen reflected in decisions on organization design, control and staffing. An ethnocentric orientation is associated with the idea that the parent organization knows the best way to manage affairs. This orientation may be appropriate when the product is recognisably associated with the parent country, or if the parent has a superior capability which will give its subsidiaries a competitive advantage. A polycentric orientation is needed if customer differences, or other contextual factors, mean that the parent company way will not necessarily be successful, and tends to emerge as subsidiaries develop and foreign sales become significant contributors to corporate success. However there is a danger that polycentrism will result in a strong ethnocentrism among each group of country managers. A truly international firm is geocentric with a shared worldwide approach in both headquarters and subsidiaries. The latter are neither satellites nor independent nation states, but part of a whole whose focus is on both worldwide and local objectives. This orientation is probably the most appropriate to a company in a global industry, following a global strategy. In some firms there may be a regiocentric orientation, which is essentially the same as geocentric but applied to a part of the world such as Europe.

The stages of international growth were used by Stopford and Wells (1972) as the background to an explanation of the changing structural characteristics of American multinationals. Product diversity and dependency on foreign sales were identified as

the main determinants of structure. In the first post-domestic phase, foreign sales and manufacturing are less important than domestic operations, and responsibility for them was often located in an International Division. As foreign sales increased, firms typically either create an area structure, in which home country operations become part of one regional division, or if product diversity is also high, group subsidiaries into product divisions. Continued growth leads to greater complexity of coordination of both territory and product, to which companies respond by creating a matrix organization in which local managers might report to both an area and a product superior.

2.3 From Internationalization to Globalization

In the past ten to fifteen years, many commentators have felt that profound changes have been taking place in the world that are resulting in the increasing integration across national boundaries of political, economic, social and technological affairs. This process is generally referred to as globalization, a phenomenon whose spirit is captured by Dicken (1998: 3):

We live, it is asserted, in a globalized world in which nation-states are no longer significant actors or meaningful economic units; in which consumer tastes and cultures are homogenized and satisfied through the provision of standardized global products created by global corporations with no allegiance to place or community.

However, as Dicken points out, whilst this notion of a globalized world is pervasive, it is not universally held, and some commentators assert that we are still living in an international rather than a global economy. Dicken himself argues that 'although there are undoubtedly globalizing forces at work we do not have a fully globalized economy'. He views globalization as processes rather than end-state, and distinguishes between the processes of internationalization and the processes of globalization:

- *Internationalization processes involve the simple extension of economic activities across national boundaries. It is, essentially, a quantitative process which leads to a more extensive geographical pattern of economic activity.*

- *Globalization processes are qualitatively different from internationalization processes. They involve not merely the geographic extension of economic activity across national boundaries but also - and more importantly - the functional integration of such internationally dispersed activities.*

Kobrin (1997) is one of the writers who believes that globalization has a substantive meaning, and he argues that 'we are in the midst of a qualitative transformation of the international world economy'. Kobrin bases this on three propositions. The first is that dramatic increases in the scale of technology in many industries have rendered national markets too small to be meaningful economic units. The second is that the growth of transnational strategic alliances represents a change in the organization of international economic transactions from markets and hierarchies to postmodern global networks. Finally, the emerging global economy is integrated through information technology rather than traditional organizational structures.

These arguments for global convergence are in line with the earlier work of Kerr et al (1960), who argued that over time the logics of the industrialisation process, and commonly shared technology, would determine the management processes used by firms in all parts of the world. The movement to industrialisation is driven by the diffusion of science and technology and is broadly independent of national culture and political systems. Industrial production poses particular problems, to which those who first work with new technology will find solutions. Competitive pressures for efficiency lead both to improvements in processes, and to the worldwide adoption of those methods that are deemed the most effective. Technology may also constrain the way work is organized so that the adoption of the technology of the developed world may require the adoption of certain management techniques. In the long run, the logic of technology replaces the differing beliefs and value orientations of societies (Negandhi 1979).

One of the origins of the globalization debate was the premise put forward by Levitt (1983) that technological, social and economic developments have combined to create global marketplaces in which consumer tastes and demands are converging. This was

a controversial argument, and according to other marketing scholars, there is no clear evidence that consumer needs and interests are becoming homogenous worldwide except in a small number of specific markets (Douglas and Wind 1998; Bradley 1999: 13). Nevertheless, the idea of converging international markets remains an important part of the globalization thesis. Whilst product markets vary, there clearly are a number in which product design can be largely the same in all parts of the world, thus providing a basis for cost efficiency through globally integrated production and marketing. For some industrial products, markets are becoming global because the customers are themselves international players who are building supply chains that cross national boundaries. Customers faced with products that are the result of a complicated international supply chain, buy on the basis of value to them not country of origin (Ohmae 1994: 3). The removal of trade barriers is supposedly opening markets, and by increasing competition, also acts as a spur to finding the most efficient ways of working. Many MNEs are part of a common competitive environment.

Globalization is driven by improvements to transport and communications. One reason why consumer preferences might be converging is the access to shared information. Film, television and now the Internet have created a common bank of images and ideas so that people around the world have a greater potential for shared experiences. One of the TV advertisements broadcast in the UK at the time of the 1998 FIFA world cup, showed a sequence of people in different parts of the world, apparently all discussing the same finer points of football. Whilst designed to amuse, the advert had a kernel of truth that this event was a shared global experience. More generally the global information system may act as a marketing tool by creating desire for aspects of the standard of living of the developed western nations. The fall of the communist regimes of Eastern Europe was probably as much about envy of the West's material lifestyle as about democratic political systems.

In a similar way there is a growing bank of information available to the manager as a customer for effective ways of organizing the business. Not only does a common

technology constrain decisions on how to organize activities, but managers in the developing and industrialised nations have access to knowledge of how others do things, and to current notions of best practice. Knowledge is disseminated in a variety of ways including through books, conferences, the Internet, by management students who have studied in foreign countries, by consultants and, of course, by multinationals. At a macro level, there is a consensus amongst governments and bankers from the advanced industrialised nations about the priorities of international economic policy (Elliot 1999), and the views of the International Monetary Fund on the operation of a capitalist economy affect the conditions imposed on nations which take out IMF loans.

De Witt and Meyer (1998), discussed the case for global convergence, and described its effect on MNEs. A growing international similarity in product demand will allow firms to reap global scale economies through standardization. Greater standardization will in turn facilitate the international integration of operations, and encourage the pursuit of further economies through the centralization of production at fewer locations. Globalizing companies seek global suppliers and are thus both a consequence and a cause of global convergence. Firms operating in such global markets realise that they must be able to coordinate their strategy and activities across nations. The demands of standardization, centralization and strategic alignment are best met by a global firm, with a strong centre, rather than a multidomestic firm with fairly autonomous national subsidiaries.

De Witt and Meyer also noted that the term globalization is applied to products, markets, companies, industries and economies, and care needs to be taken about the context in which it is discussed. They make the important point that what may matter to management is whether global convergence is an uncontrollable evolutionary development, or an environmental context which firms can actively influence.

2.4 Strategy and Structure in a Global Environment

Ohmae (1994) has argued that firms have to recognise that they are operating in a new borderless world. He described the development of MNEs as typically going through a series of five stages, but extended the internationalization process by suggesting that beyond a stage 4, where the company has become a full 'insider' in several country/area markets, there is a stage 5 of 'global localization' in which the organization is linked by a set of shared values not by a nationally-based headquarters. Ohmae stressed the need for top management in MNEs to have both a global and a local orientation.

In an influential contribution to this discussion, Bartlett and Ghosal (1992) suggested that firms might follow different strategic paths in international development, which would result in different structural characteristics. Based on a research study of European, American and Japanese companies, they described three alternate strategies that MNEs have followed in the pursuit of success in foreign markets. They related this not to an internationalization progression in a firm but to a historical movement linked to national characteristics and developments in international markets. In the early years of the century, many European firms that began to establish foreign subsidiaries followed a 'multinational' strategy in which subsidiaries managed by trusted expatriates had the autonomy to respond to local market needs, within a decentralised structure. The post second world war period saw many North American firms internationalizing to exploit their technical and managerial know-how. They adopted what Bartlett and Ghosal termed an 'international' strategy in which parent know-how was transferred to subsidiaries who had some freedom to adapt products to local markets, and who were linked in a federal structure. In the final quarter of the century, Japanese and other Asian companies began to invest in other countries on the basis of a 'global' strategy which treated the world as a single market and sought cost advantages through global integration of operations. In the 'global' companies, the structure is centralised and subsidiaries have less autonomy than in the other two types.

The different forms of control used by firms internationalizing at different periods could also be related to the speed and difficulty of international communication at the time; it is clearly easier to develop a centralised structure now than a hundred years ago. In addition to the generalized link to continent of origin, Bartlett and Ghosal also linked their three types to industry sectors. They used their case studies to show that the more successful companies were those that have adopted the strategy that suited the environment, their products and their 'administrative heritage'. The latter refers to the existing organizational capability which is shaped by tangible and intangible historical factors, and can be an asset or, if it blocks needed change, a liability. They went on to argue that whilst in the past a company could prosper by following one of these strategies, now and in the future success may depend on developing global efficiency, local responsiveness and worldwide learning simultaneously. This they described as the 'transnational solution'. The transnational they admit is 'an idealised organization type rather than any specific company', and should be understood as 'a new management mentality'. Whereas the 'global' organization is a centralised hub in which subsidiary units relate to the centre, the 'transnational' organization is an integrated network in which all units interact directly with one another. From their case study research they suggested that major organizations in a range of industries are moving towards this ideal.

Leong and Tan (1993) provided some empirical evidence, from a survey of American executives of multinationals, that MNEs could be categorized on the basis of the Bartlett and Ghosal typology. In particular, the 'multinational' and the 'global' forms could be differentiated from the others. In an analysis of two British MNEs in different industries, Edwards et al (1996) found that both exemplified moves towards transnationality, but one of them was closer to the ideal model. The reasons for the difference were found in their internationalization history and characteristics of their product markets. However the market contexts were changing, and Edwards et al (1996) felt that the transnational solution might be both elusive and unstable. Even if this is accepted, it does seem a reasonable proposition that MNEs need to achieve the goals of global competitiveness, flexibility towards customers and organizational

learning, since this gives them a way to exploit the advantages of being international. In essence the transnational is seeking to leverage key resources and knowledge to exploit better both existing and new markets. However, knowledge transfer might be perceived as a supporting rather than a prime strategy.

It should be noted that some confusion may arise because the particular definitions that Bartlett and Ghosal gave to 'international', and 'multinational' conflicts with their use as general terms for firms operating outside of their home country. Their definition of transnational is different from that of other writers such as Pitelis and Sugden (1991), and Dicken (1998). To lessen confusion, Harzing and Van Ruysseveldt (1995: 31), substitute 'multidomestic' for 'multinational' when using the Bartlett and Ghosal framework. This substitution is consistent with the contrast which Porter (1990) makes between multidomestic and global industries. As already stated, in this thesis a global firm is defined as one in which there is cross-national integration of activities, but the term the 'transnational organization' is generally used to refer to the Bartlett and Ghosal ideal.

Humes (1993) analysed the practices of the 50 leading global companies, and as a result supported the thesis that country of origin has accounted for differences in the organization of MNEs. Humes highlighted structural characteristics that distinguished between (North) American, European and Asian MNEs. American companies favoured the use of the International Division as the location of all foreign operations, stressed control of subsidiaries through structure and formal communication systems and tended to have a product-driven organizational strategy. European companies used more autonomous 'daughter' companies, exercising control through the appointment of long-serving managers to oversee subsidiaries, and initially developing with a geographic emphasis to organizational strategy. Asian companies used trading companies to manage international activities, binding their subsidiaries to the parent by shared corporate values and often dividing global operations along functional lines. Like Bartlett and Ghosal, Humes sees part of the explanation for these differences in the era when foreign operations were being developed. American companies were

also different from most others in the comparative size of their domestic markets which meant that foreign activities were less important to top management. Humes suggested that the growth of multinationals, and the efforts to balance global direction and local responsiveness, has magnified the complexity of managing the three perspectives of product, geography and function. As a result the world's largest companies are reorganising so that 'what were once quite divergent American, European and Asian organizational traditions have undergone converging organizational transitions' (Humes 1993: 4).

2.5 Parent -Subsidiary Relationships in Multinational Firms

In all growing organizations, managers establish structures that provide a basis for the coordination and control of activities, and one of the most significant issues for multinational firms is the relationship between the corporate centre and country-based subsidiaries. Using the terminology of Lawrence and Lorsch (1967), Kamoche (1996) suggests multinationals have to solve 'the IN-DI puzzle' which 'refers to how firms balance the internal/headquarters demands for integration with those of responsiveness at the subsidiary/unit level'. In a simple model of the issue, multinational firms choose either a strategy of local responsiveness with a multidomestic structure which gives a great deal of autonomy to local subsidiaries, or a strategy of global efficiency, with a global structure that provides varying degrees of coordination of policy and operations. The transnational represents a more complex model in which an optimum balance involving both is sought. Kamoche sees the emerging recognition of the importance of diversity as particularly significant since the need for integration in a complex environment is already a familiar theme. He links this argument to the 'fit-flexibility' concept of Milliman et al (1991) who suggested how the need for both fit and flexibility will vary with the stage of internationalization.

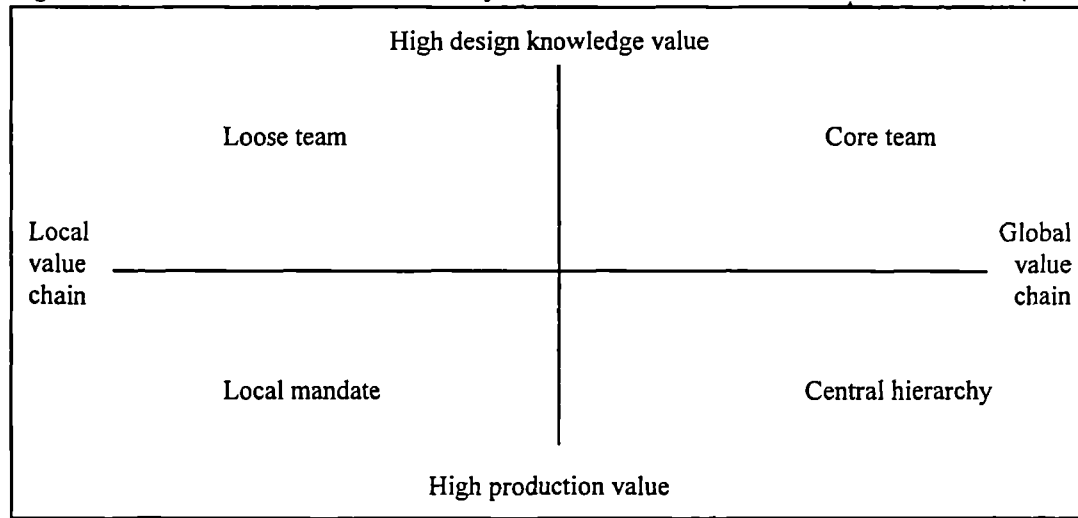
Paauwe and Dewe (1995) labelled the earlier Stopford and Wells model of the structure of MNEs as a first-generation approach, whereas the transnational solution of Bartlett and Ghosal they labelled a second-generation model, developed to suit the complexity of the current international environment. Second-generation models are

those which stress organizational flexibility rather than strategic fit, and are concerned with the management process that will make strategic decisions work. The global or transnational firm has to have a fluid approach that enables it to find the right balance between integration and local responsiveness for each situation. Relationships between the centre and subsidiaries in different countries may therefore vary and similarly the IN-DI puzzle might be resolved differently across different functional areas. So, for example, a firm might differentiate marketing strategy if customer preferences differ from one country market to another, whilst at the same time coordinating the supply chain in order to achieve economies from bulk purchase of materials.

Taggart (1998) argued that there are two dominant views on parent-subsidiary relations in the literature. In one, the MNE head office is seen as the centre of all strategic direction and creativity, and managers in subsidiaries are expected to implement head office requirements. In the other view the MNE is heterarchical rather than hierarchical, and subsidiaries become less dependent on head office, and more interdependent. Taggart built on earlier work by Porter (1986) to develop and empirically test the usefulness of a model for identifying and evaluating strategy at subsidiary level that incorporates the two dimensions of whether there is high or low coordination of activities across the organization, and whether the configuration of activities in the value chain is geographically concentrated or geographically dispersed. Taggart surveyed subsidiaries of foreign-owned manufacturing companies in Britain, and found that the coordination-configuration framework provided a basis for identifying distinctive strategy roles for multinational subsidiaries. A similar discussion of parent-subsidiary relations is found in Casson et al (1998), which also contains a framework based on two dimensions. One is whether the contribution made by a subsidiary unit is to a local or global value chain (similar therefore to the configuration dimension in Taggart). The other is whether the contribution is production only or includes contribution to design (see Fig 2.1).

Fig 2.1 Framework of Parent - subsidiary Relations in MNEs

Casson et al (1998)



The terms in the quadrants are fairly clear, but it may be noted that the 'loose team' includes joint-ventures and alliances.

At the risk of oversimplification, it is suggested that the relationship of a subsidiary to the parent organization may be *dependent*, *independent*, or *interdependent*. The stereotype for the centralised MNE with dependent subsidiaries is control through a top-down strategic plan, the appointment of parent country nationals in all senior management roles and head office originated systems and methods. In the multidomestic MNE, with independent subsidiaries who develop and carry out a local mandate, control is through financial targets, whilst in the more integrated MNE where there is an interdependent relationship between units, control is perhaps through corporate culture and a jointly developed strategic plan. Control is relatively straightforward if the same approach is taken to all subsidiaries. Macdonalds for example are famous for the consistency of the service they supply around the world using both owned and franchised operations, which is achieved by detailed procedures and the training/orientation of people in their central 'university' (Solomon 1996). However, MNEs may have different roles for subsidiaries, or there may be different relationships depending on whether the subsidiary is well established or new. In some cases subsidiaries develop their own power bases within the organization because of their position in local networks of customers and suppliers (Ghosal and Bartlett 1990),

their position in local networks of customers and suppliers (Ghosal and Bartlett 1990), and within the MNE structure subsidiaries may compete for higher internal status and the resource allocation that may go with it.

A feature of Bartlett and Ghosal's transnational is that not only are subsidiaries not all alike, but there may not be a single organizational 'centre' for all activities. Whilst there may be use of integrated planning, agreed targets and corporate-wide policies, the primary integrating mechanism is likely to be the shared understandings of corporate mission and culture. The conception of the transnational is of a network in which decision making occurs in many locations, but, through complex coordinating processes, in an environment of sharing. Integration does not have to mean the centralisation of all key decisions in the home country office. The transnational company requires geographic managers who are accountable for local responsiveness, business managers who are accountable for global efficiency and integration, and functional managers who are accountable for knowledge transfer and learning. This has to be reflected in the structure and reporting relationships. The difficulty is to create an organization in which all three aspects have equal regard. Bartlett and Ghosal referred to creating a matrix in managers' minds, and it is probably right that such an structure has to be based on a shared perspective rather than a complicated organization chart.

Ghosal and Nohria (1989, 1993) examined forms of integration and differentiation in a sample of international companies, and formulated a principle of requisite complexity; which means that the complexity of a company's structure must match the complexity of its environment. They found that MNEs that achieve the appropriate fit perform better than those that do not. One consequence of this view is that the transnational solution is desirable for organizations in a highly complex environment, but it may not be necessary for every international firm. As Ghosal and Nohria (1993) say:

Organizational complexity is costly and difficult to manage, and simplicity, wherever possible, is a virtue.

In another paper, Nohria and Ghosal (1994) specified two ways by which MNEs manage headquarters-subsidary relations. The *differentiated fit* approach is based upon the relationship with each subsidiary matching the subsidiary context, whilst the *shared values* approach is based upon developing shared and highly aligned interests and values. Either method may be effective, but organizations can perform better by implementing both. It may be suggested that the separate use of the two methods could be related to whether the MNE is following a multidomestic or global strategy, with the simultaneous use of both being found in the transnational.

It may be wrong, therefore, to assume that all firms have to move to the final stage of the internationalization process, however defined, or become transnational organizations, in order to be successful. Instead, a contingency approach is required to understand the possible links between strategy, structure and the environment. 'There is more than one route towards organizational survival' (Edwards et al 1996).

What may be argued from the work of Bartlett and Ghosal, and from Humes, is that the different approaches to the internationalization of companies from different continents is historical, and that the structure and practices of MNEs from any country will converge as they seek solutions to what are now the common problems of achieving efficiency, responsiveness and learning in the same context of international competition. As more activities within MNEs become cross-border, the possibility is raised of the creation of the truly global corporation whose country of origin is of limited significance, and who seems to have no national identity or allegiance. The idea of the non-national multinational is often associated with globalization, and is given support by the growth of cross-national mergers and alliances. What is the nationality of ABB or SmithKline Beecham or Daimler-Chrysler, or the media empire that has been built by Rupert Murdoch? However such companies are still in the minority, and generally the evidence shows that 'even the most global of companies remain deeply rooted in the national business systems of their country of origin' (Ferner 1997). This may be a benefit when that country provides resource advantages, as discussed by Porter (1990). It may become a barrier to global success if it results

in nearsighted senior managers who fail to treat customers (and employees, and suppliers) in all parts of the world as equally important, who fail to see - and to think - global first (Ohmae 1994: 18).

2.6 Management in National Context

The location of the home country is one aspect of the context in which multinationals operate, and in this section it is proposed to balance the discussion of global convergence by reviewing the importance of national differences within the world economy. An issue for MNEs is whether integration and cross-unit learning are in practice constrained by the diversity of national cultures and political systems.

Management decisions are made within the constraints and influences of the international and national political, economic, social and technological contexts. The characteristics of the industry sector are also part of the context of particular product businesses. These contextual factors are forces for both convergence and divergence of practice. National differences in such things as employment law or attitude to hierarchical authority would be expected to mean that organizations in one country might be alike whilst being different to those based in other countries. On the other hand the common technology of an industry sector might mean that, for example, oil refineries in different countries would be organized in a similar way. Even if the external environment and the technology are the same, managers of different organizations will not necessarily act in the same way because of differences in organizational strategies, cultures and perceptions of the meaning of external events.

Industries and individual firms operate within a multifaceted societal environment. There are the natural resources which partly determine the possibilities of wealth creation. There is the social context, including the climate of values, beliefs and customs, which will shape people's behaviour towards each other, as well as the terms under which they are prepared to accept employment. Social norms are important to a wide variety of issues such as the role of women in employment, or the openness to accepting new technology. Social developments and values also affect employment

law which is part of the political context, another variable. Although the virtual demise of communism has changed the political landscape, there continue to be clear differences between societies in their form of government, particularly along a dimension which goes from the very open democratic system at one end to autocratic dictatorship at the other. Political decisions govern the extent of monopoly, protection from foreign competition, the stability of the economy and workers' rights. National economic policies affect product and labour markets and firms have to make decisions within their own interpretation of economic trends. Finally, the level of available technology provides opportunities for, or constraints on, management action, both in relation to task processes and the control of labour.

Although the external context can be subdivided into different factors, they are of course interrelated and change in one area affects others. The links between different current and historical aspects of the national context are illustrated by Hutton's (1995) analysis of the UK which relates organizational structures and practices to patterns of ownership and to social values that are also reflected in the education and political systems. Hutton uses national contextual differences to explain differences in economic performance, and argues that sustainable success at the level of the firm may require changes in society. Of course the environment is not completely static, and change is occurring at different rates in relation to any aspect of these contexts.

Countries are not isolated from one another, and few states, if any, have complete economic and political freedom to determine their future destiny without regard to events in the wider world. In the context of globalization, Kobrin (1997) notes that world politics is still largely organized in terms of nation states whilst national markets are becoming less relevant. Nevertheless, not all industries are global, and the decisions of national governments are still of significance to both domestic and foreign investors. Porter (1990) suggested that government action was a potential influence on each of the four factors in his diamond of the competitive advantage of nations. Equally, firms, or their representative bodies, seek to influence their environment by influencing government behaviour. It might be suggested therefore

that in any nation state there is an interchange between the overlapping contexts of the firm itself, government, and society culture.

Since the world is not totally global, even the more global MNEs have to operate in diverse national contexts, employing people from a variety of cultures. As a counterbalance to the case for convergence, it may be argued that the diversity found in human societies will ensure a continuing divergence in both markets and organizations.

2.7 The Culture Context

Whilst the cross-national study of organizations must take account of all aspects of context, most attention in the literature has focused on the impact of national culture. All human behaviour is conceived of as culture-affected, and this therefore includes management practice. It is proposed to review the concept of culture, to examine some of the approaches to understanding and describing culture differences and to assess the impact of such differences on organizations.

Culture is widely used to explain differences between human groups despite the fact that it has no universally agreed definition. There does however appear to be sufficient agreement on the elements of culture to provide some commonality in understanding the concept. Olie (1995) suggests that most writers on the subject agree on four characteristics.

- * Culture is a feature of groups not individuals, and is an expression of the ways of thinking and behaving that are characteristic of a group and help to distinguish it from others.
- * Culture is learned, being passed on from one generation to the next through a process of socialisation.
- * Culture develops over time and is the result of successful adaptation by the group to their particular environment.

- * Culture has different layers or expressions which include artifacts, behaviours, values and beliefs.

The most obvious way to distinguish social groups from one another is by their observable patterns of behaviour. However, the same behaviour can be used to convey different messages. Geertz therefore suggested that the culture concept denotes a historically transmitted pattern of *meaning*, which provides a basis for interpreting experience and guiding action. It is a system of inherited conceptions expressed in symbols (Geertz 1973: 89). Triandis (1972) referred to subjective culture, which is a cultural group's characteristic way of perceiving its social environment, which can be analysed by referring to attitudes, roles and values. Hofstede (1980,1994), who has researched both national and organizational culture, defines culture as 'the collective programming of the mind which distinguishes the members of one group or category of people from another' (1994: 5). He represented culture as four concentric circles. In the outer layer are *symbols*, the words, gestures and objects that carry significance for the group. Below that is the layer of *heroes*, those past, present or mythical members of the society whose actions serve as role models. The third level consists of *rituals*, the social rules and normative patterns of behaviour, and the innermost or deepest level is that of *values*, representing collective beliefs and preferences which are both conscious and subconscious. *Symbols*, *heroes* and *rituals* are subsumed under the term *practices*. These are visible to the observer, but their cultural meaning lies in the ways they are interpreted. This division between culture practices and culture values is similar to the distinction between objective and subjective culture.

A widely quoted framework for understanding culture is that of Schein (1985, 1989) who proposed a culture model in three layers:

- ◆ Artifacts and behaviour.
- ◆ Beliefs and values.
- ◆ Basic assumptions.

Values and basic assumptions are differentiated because the former is debatable while the latter are not. Schein defines culture as 'the assumptions which lie behind the values and which determine the behaviour patterns' or as:

a set of basic assumptions - shared solutions to universal problems of external adaptation (how to survive) and internal integration (how to stay together) - which have evolved over time and are handed down from one generation to the next.

Since these solutions have worked for the group, they are

taught to new members as the correct way to perceive, think about and feel in relation to those problems.

Although Schein developed this definition in the context of organizational culture, it can equally apply to the understanding of national cultures. Schneider and Barsoux (1997) suggest that the three level framework 'serves to integrate different definitions of culture as well as to provide tools for discovering culture'. On the surface are the artifacts and behaviours, including architecture, rituals, dress, formality of address and closeness of physical contact. These can be discovered by observation. However the meaning ascribed to them is not necessarily obvious, and the next level of culture, beliefs and values, has to be investigated through asking questions. The deepest level of taken-for-granted assumptions may need to be inferred through interpretation of behaviour and responses to questions.

The frameworks of both Hofstede and Schein embrace both subjective and objective culture, but their definitions lean towards the former. In contrast, Adler, Dokter and Redding (1986) distinguish between:

(a) the shared ideas which shape and influence social action
and

(b) the action itself as played out in the social system,

but go on to propose that culture should be accepted as being:

an observable aspect of human behaviour, manifest in social interaction and tangible objects like organizations, but resting on symbolic frameworks, mental programmes and conceptual distinctions in people's minds.

It is arguable that this comprehensive definition is preferable to ones that refer solely to mental programmes. Whilst behaviour cannot be fully understood without reference to the meaning given by underlying beliefs and values, it is equally true that cultural differences only become significant as they are manifest in different behaviour patterns and tangible objects. Underlying assumptions are abstractions until realised in social action.

Having examined how culture might be understood, the next step is to consider how societal cultures differ. Behaviour differences between nationals of different countries can result in cultural faux-pas which are often amusing, at least to anyone not involved, and many textbooks contain cross-cultural anecdotes illustrating problems that can arise in business situations when people of different cultures are dealing with one another. Indeed some differences are now so well known that it is easy to imagine that when an American and a Japanese executive meet, it is the former who bows and the latter who goes to shake hands as each tries to show their sensitive understanding of one another's cultural greeting norms. Many international organizations try to avoid inter-cultural breakdowns by briefing managers on what to expect if they are working or negotiating with people from another society. Anecdotes however are not enough, and in order fully to understand cultural effects, it is necessary to investigate the subjective culture, and to try and develop theories that explain patterns of difference.

There have been a number of studies of cultural differences of which the best known are probably those of Hofstede (1980, 1994). Hofstede's original research measured values and beliefs amongst employees of IBM in more than forty countries. Through factor analysis of the results of a questionnaire, four independent dimensions were identified which explained the major part of differences between national groups. Each country was given a score on each dimension, based on responses to particular questions. The dimensions were labelled: *Power Distance*, where a high score indicated high acceptance of unequal distribution of power; *Uncertainty Avoidance*, where a high score indicated a strong desire to reduce uncertainty or ambiguity;

Individualism-Collectivism where a high score indicated an emphasis on individual rather than group achievement; and *Masculinity-Femininity*, where a high score indicated that the society valued assertiveness and achieving results above personal caring and quality of life. Participants from the same country were not uniform in their beliefs, but the scores represented the overall picture for that society. Subsequently Hofstede added a fifth dimension *Long Term Orientation-Short Term Orientation*, where a high score indicated that value was placed on perseverance, recognition of status and thrift.

Hofstede supported his research findings by demonstrating how his culture dimensions related to the common problems of humanity, which have been discussed by anthropologists and cross-cultural psychologists. He postulated causal relationships between cultural values and geography, political structures and heritage, climate and religion. Since culture is deep-rooted in society, Hofstede felt it was a stable phenomenon that would only change slowly, if at all.

Cray and Mallory (1998) described Hofstede's work as the 'key exemplar' of the culture-bound approach to comparative research, and discussed the praise and criticism which have been directed at the methodology and results. The concentration of the original data on employees of one multinational is perhaps the biggest problem. Whilst it meant that factors such as task, technology and corporate culture were controlled, leaving only the difference of nationality, a group of IBM employees are not necessarily a representative sample of the population as a whole. East European countries and many less developed nations were not included in the original survey because IBM did not have employees everywhere. Other criticisms have been made of the methodology, including the construction of the dimensions and the issue that the scales measure only national and not individual differences. Limited replications of the research seem to support Hofstede's dimensions, although a common conclusion is that their applicability is affected by the presence of other levels of culture. Overall, despite doubts about the original method and data, the dimensions

seem to appeal both to managers and researchers as a useful way of making sense of national cultural differences.

Schneider and Barsoux (1997: 30-42) describe and illustrate what they regard as the core issues where assumptions differ between cultures, building a synthesis of cultural dimensions based on the ideas of the anthropologists Kluckhohn and Strodtbeck and a number of management writers (Adler, Hall, Hofstede, Schein, Trompenaars). The key issues on which societies differ are:

- whether to control or live in harmony with nature;
- whether more importance is placed on *doing* or *being*;
- how truth is established;
- whether human nature is essentially good or evil;
- the nature of human relationships;
- the use of space and language;
- understanding of time.

These may be reduced to three dimensions, namely relationship with nature, relationships with people and relationship with time. Differences in our beliefs about these relationships lead to the differences in social behaviour which can be so baffling to the outsider. To quote an example from Schneider and Barsoux (p.44), an assumption that time is linear and limited is expressed in the belief that 'time is money' and leads to people hurrying about, looking busy.

Researchers into cultural differences have usually used the nation state as a convenient way of categorising people, whilst recognising that natural social groupings do not always follow political boundaries. Moving up from the level of the state, countries can be clustered into regional or other groups where cultural norms are relatively close (Ronen 1986). Moving in the other direction, countries have subcultures based upon geography, class, occupation and sometimes religion.

It should be noted that the literature on culture also reveals a number of difficulties about the concept and descriptions of it. The lack of a tight definition can result in

culture being treated as a kind of residual black box that explains any differences between people or institutions in different countries (Hickson and Pugh 1995: 14-17). Culture has been related to other contextual aspects of societies such as political systems and religion, but the direction of causality is not always clear. The complexity of cross-cultural studies has been likened to the fable of the blind men describing an elephant (Roberts 1970). Berry (1969) used terminology from linguistics to contrast an 'etic' view that there are universal dimensions of culture that make comparison possible, with an 'emic' view that culture is particular to a society and can only be understood in its own terms. The latter philosophy would rule out cross-cultural comparisons. Even if the etic view is accepted, one of the recognised problems in researching societal culture is the difficulty of devising research instruments that are not to some degree affected by the cultural assumptions of the researcher. In a review of the problems of researching international HRM, Clark (1994) argued that such research needed a polycentric approach that incorporated the diversity of understandings of HRM that there is between cultures.

2.8 National Culture and Organizations

Since in most cases organizations are formed within a particular country, their ways of working are likely to be strongly influenced by the culture of that country (Hofstede 1980, 1985; Laurent 1983; Schneider 1988; Trompenaars 1993; Tayeb 1996). Schneider and Barsoux (1997) summarised many of the studies in their discussion of culture and management practice, which examined relationships between cultural dimensions and organization (including structure, planning, communication and decision-making), strategy and human resource management. Societal culture could, for example, influence:

- whether work tends to be organized in teams or on an individual basis.
- whether job selection is through standard tests or informal interviews.
- whether people are judged on their work achievements or their personal characteristics.
- whether development opportunities are offered to the many or the few.

- whether performance or service is more frequently rewarded.

There is indeed virtually no aspect of management that is completely culture-free, and although the relationship is complex, there is certainly sufficient evidence that cultural differences are a significant cause of divergence in management practices around the world. Hickson and Pugh (1995) used Hofstede's work, with some input from other writers, to propose that the manifestations of five elements of culture are important to organizational management, namely:

- managing authority,
- managing relationships,
- managing oneself,
- managing uncertainty,
- managing time.

However, work organizations are themselves social groups, who develop their own culture that differentiates them from others. The impact of the societal culture is mediated by various other factors so that firms within the same country are not all alike in their patterns of behaviour or shared values. Schein's three layer model of culture, described earlier, was developed in order to describe organizational culture. Schein suggested that culture develops through a learning process as the organization deals successfully with potentially traumatic events, but also argued that the Founder, or a similar key top executive, often has an important role in shaping corporate culture (Schein 1984). Schein (1985) also discussed whether an established culture could be changed by management action, and concluded that change is difficult but can be achieved, especially with the right leadership. This is a controversial issue, and whilst some studies argue that organizational culture can be managed, and others that it might be manipulated in certain circumstances, many researchers believe that it is not a variable that is subject to conscious management action (Ogbonna and Harris 1998). The result of culture change programmes is often behavioural compliance rather than anything deeper (Sathe 1983, Ogbonna 1992). There is certainly general agreement that as one goes down the Schein culture framework, change becomes more difficult. Artifacts and behaviour are easier and quicker to change than beliefs and values,

whilst basic assumptions once developed are seen as extremely slow and difficult to change.

In large organizations with a diversity of staff, 'corporate culture', the term used by some management writers, may represent only the espoused values and expectations of the dominant management group (Linstead and Grafton Small 1992). Within the organization there may be further subcultures in functional departments, or related to occupation, or in the classic 'them and us' division between the shop floor and management. Many managerial commentators have given insufficient attention to subcultures whose strength is a significant factor in employee acceptance of change (Harris and Ogbonna 1998). The questions of how organizational culture develops and how easily it can be managed, are important to the concept that 'transnationals' might use culture as an integrating mechanism, and it is discussed further in chapter 4.

Both national and organizational culture have been seen as important contributors to organizational success. The initial development of the industrial revolution in northern Europe and the USA can be attributed to the cultural values of the Protestant work ethic. More recently, the success of Japanese manufacturers in the late 1970s was explained by Ouchi (1981) in terms of organizational characteristics that stemmed from national culture. It would seem fairly obvious that the dominant management group who shape the organization's values and ways of working will themselves be influenced by the norms of their national culture. Contextual factors, such as the legal and informal social rules which affect the organization's functioning, will also be influenced by national culture, as will be the values of the various stakeholders who interact with the organization (Lammers and Hickson 1979). Of course if other organizational members have values that differ from those of the dominant group, the potential for subcultures is created.

The complexity of the relationship between national and organizational culture increases as the culture concept is applied to multinationals operating in a number of

countries. The MNE starts as a firm located in one country, so that its own culture will almost certainly be influenced by the norms of the home country. As it creates subsidiaries in other countries, it employs nationals of those countries who bring new culture patterns to add to that of the organization's home country. If the MNE purchases foreign companies, particularly those that are well established, there is the additional difficulty of merging organizational cultures, that have been formed in the context of different country cultures. IBM might serve as an interesting example of culture mix. It is an American company, which has been identified as possessing a strong corporate culture (Peters and Waterman 1982). However aspects of this culture have been perceived as not being typical of US firms, but of stemming from the Quaker belief system of Thomas Watson Jr., its most influential chief executive. Hofstede found significant differences in the values of IBM employees in different countries, indicating that the employees retained their national cultural differences, and yet he could write that 'there is something American about IBM the world over'. It seems that in well-integrated multinationals with a strong organizational culture, employees are both similar and different (Hofstede 1985).

The existence of cultural differences between nations is evident, but scholars have differed in the importance ascribed to national culture as a long-term influence on management practices. Cray and Mallory (1998) have provided a useful review of research in this area, summarising studies that took different perspectives on the issue. A culture-free view associated with the Aston Group, is that differences in the structure and management of organizations will be the result not of national characteristics but of such internal factors as size, task technology, competencies and strategy. If there are country-based deviations, the explanation is that some organizations in some cultures are still catching up with those who have solved the problems posed by size, technology and the industrial environment. Generally therefore, any country differences in management practice can be ascribed to lags in technology and economic development, and over time, national cultural differences are likely to be of diminishing importance.

Hanaoka (1986) hypothesised that there is an inverse relationship between degree of cultural influence and management level of sophistication and excellence. He suggested that in the more sophisticated companies there is an international drive towards convergency for 'good management', and argued that there had been convergence of the management characteristics of large firms in the USA and Japan, despite the well-known national cultural differences. In a later paper comparing restructuring in Japan and the US, Mroczkowski and Hanaoka (1997) suggested that companies from the two countries could learn lessons from the best practice of each other, and although they may move at different speeds, long-term employment practices in the two countries may converge. There is evidence that it is the large international companies that are most likely to follow what is regarded as good practice in HRM (Kidger 1991; Lahteenmaki et al 1998), and a study of internal benchmarking in a subsidiary of ABB, a large and well-known multinational, concluded that national culture was not a barrier to the successful adoption of practice within MNEs when they operate in homogenous product markets (Martin and Beaumont 1998).

Child (1981) suggested that the apparently sharp contrast between the culture-free and culture-bound approaches disappears if it is accepted, firstly that structural designs are not rigidly determined by contextual factors, and secondly that culture is itself a contextual contingency. Cultural effects are likely to be most important in organizational processes that relate to management style and conduct, and less important in the formal structure and overall strategy. In a similar vein Adler et al (1986) thought that organizational structures will become similar while people's behaviour will continue to show culturally based dissimilarities. Bearing in mind that it is difficult, if not impossible, for management research to be culture-free, it seems sensible to accept the conclusion of Cray and Mallory (1998) that culture has 'a significant impact on the understanding of management and behaviour within organizations'.

2.9 Some Conclusions

Multinational firms are complex organizations that cross national boundaries, and have often diversified into a number of different product markets. In the process of growth, they may share common experiences but will not have identical histories. Each firm is the unique result of management decisions on the utilisation of bundles of different resources, made within a specific context.

Multinationals are having to operate in a changing and turbulent world environment. The international economy where fairly discrete geographically defined markets were linked by trade and cross-border investment, is said to have changed into a global economy which is characterised by a greater integration of economic activity across national boundaries. Whilst there are international multidomestic industries with a diversity of national markets, many MNEs are now in global industries which have developed as a result of the globalization forces that are at work in the world economy. In global industries in particular, the pursuit of global scale economies is encouraging the integration of activities across national boundaries.

The perceived changes in the world environment have resulted in a shift of emphasis in the study of multinational enterprises. The initial concern was with the process of internationalization, with explaining why firm internationalized, and what impact growth in foreign markets had on the structure and control of organizations. More recently, the interest has been on the causes and consequences of globalization, and with the organizational problems of the global firms. The pressures of international competition have led firms to integrate operations across national boundaries so as to achieve economic efficiency leading to lower costs. However, although it is argued that there has been some globalization of markets, customer needs are not totally homogenous, and so many multinationals are trying to be both globally efficient and yet keep close to the customer. This is a common problem for multinationals from all parts of the world, and a possible solution that has received a great deal of attention is the 'transnational'. This complex and subtle organizational form not only combines

global efficiency and local flexibility, but to them adds worldwide innovation through knowledge sharing and learning.

There are two particular tensions which have been identified as key issues in the management of multinational organizations. The first is the balance that is struck between integration and differentiation in the relationship between corporate headquarters and local subsidiaries. This is a point of tension because there is no single right answer that should apply to all companies, or even to one company for all time. However there is, at least in theory, an optimum balance that is contingent upon the external environment, the strategy for achieving competitive advantage and the managerial capability of the organization. Globalization seems to move the balance towards integration.

The second tension is between the forces of convergence and divergence of management practice. An aspect of globalization is the argument that firms operating in the same global markets will organize themselves on similar lines, irrespective of their national origins, a process that is aided by the availability of a worldwide bank of knowledge of good management practice. Against that, each country subsidiary of an MNE is affected by its national context, and indeed country characteristics can provide competitive benefits. Managers in multinationals need to understand where they will benefit from commonality and where they will derive benefit from national diversity.

The strategy, structure and organizational culture of an MNE are all aspects of the context within which decisions are made on the utilization of resources. In the next chapter it is proposed to look at the management of the human resource, and to develop the theme that people are a major source of competitive advantage to the organization that employs them.

CHAPTER 3

HUMAN RESOURCE MANAGEMENT

In this chapter it is proposed to review developments in human resource management from the early 1980s to the present time, and in particular to examine the links that are now being made between HRM, organizational strategy and economic theory through the resource-based view of the firm. The first section deals with the scope and meaning of human resource management, and the second with the resource-based view and related ideas that have contributed to current understandings of human assets as a source of competitive advantage. The third section discusses the role of the Personnel function with particular reference to developing HR strategy within the organization, and a final section summarises and draws some conclusions.

3.1 Current Understandings of Human Resource Management

In a general sense human resource management (HRM) can be defined as the policies and processes which are designed to obtain and utilise people in order to achieve the purposes of an organization. However the present day use of the term was initiated in the early 1980s by academics in the USA wishing to signal and advocate a changed perception in the way organizations should approach the management of personnel. Central to their thinking was that human resources were a significant source of competitive success, with the implication that senior managers of organizations needed to take a more strategic view of people management than had been the case in the great majority of companies. What might be called the HRM movement, spread to other countries including the UK, where it became a dominant topic of academic and practitioner debate.

The fundamental premise of human resource management is that people are the key to competitive advantage. As originally formulated, the proposition was that access to technology and finance was generally available to anyone, and it was only people who were a firm-specific resource that could enable companies to differentiate themselves from competitors. In the words of Pfeffer (1994:6)

People and how we manage them are becoming more important because many other sources of competitive success are less powerful than they once were.

The question for management is how to maximise the human resource contribution. In developing answers to that question, two distinct strands have emerged from the writing and research on human resource management. One approach has emphasised the importance of the integration of people management and organizational strategy, a concept that is illustrated by an oft used quotation from an early work on HRM.

The critical managerial task is to align the formal structure and the HR systems so that they can drive the strategic objectives of the organization.

(Fombrun et al 1984)

The other approach to HRM has emphasised the importance of policies that will build workforce commitment. This comes out in a quotation from another early American discussion of HRM, cited by Legge (1995: 64):

The new HRM model is composed of policies that promote mutuality - mutual goals, mutual influence, mutual respect, mutual rewards, mutual responsibility. The theory is that policies of mutuality will elicit commitment which in turn will yield both better economic performance and greater human development

(Walton 1985b)

The same emphasis is in a definition of HRM offered by a leading British authority on the topic:

Human resource management is a distinctive approach to employment management which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce using an integrated array of cultural, structural and personnel techniques.

(Storey 1995: 5)

Storey (1989: 8) and Legge (1995) highlighted the difference between these two strands by drawing a contrast between 'hard' and 'soft' models of HRM. *Hard HRM*, is an instrumental approach to people as a resource to be managed, in the same way that physical resources are managed, to fit strategic objectives. *Soft HRM* on the other hand, conveys the idea of potentially resourceful humans who are different from

physical resources and should be regarded as an asset to be developed through a long-term relationship of mutual commitment (Legge 1995: 66). Legge sees this difference as part of the ambiguity of HRM, although she accepts that 'hard' and 'soft' HRM are not incompatible. The 'soft' version of HRM offers a particular approach to achieving business success, whilst the 'hard' version allows for different approaches that match business strategy. However, a problem with this terminology, is that the phrase 'hard' HRM may also seem to convey that it is a particular approach, and one that is the opposite of soft. Thus Sisson, having quoted the 'hard/soft' distinction from Storey (1989), goes on to give it a different twist in a comment that 'The rhetoric may be the people-centred approach of the 'soft' version: the reality is the cost reduction approach of the 'hard' version (Sisson 1994: 15).

3.2 Best Fit or Best Practice?

It may therefore be clearer to distinguish between a 'best fit' and a 'best practice' approach to HRM (Becker and Gerhart 1996; Purcell 1996). 'Best fit', or 'strategic fit', takes the contingent view that human resource policies should be internally consistent and aligned with organizational strategy or purposes, with the obvious implication that HR policies ought to vary with organizational context. In multi-divisional companies where business units follow different strategies, HR policies may vary within the organization in order to fit the needs of each business unit (Purcell 1995). In contrast, 'best practice' is more universal, and proposes that there is a particular set of HR practices which if adopted together will improve productivity and performance in any context. As already indicated, these best practices are generally linked to workforce commitment, and they can be traced back to the conceptual outline of HRM contained in the Harvard map created by Beer et al (1984). This postulated that the objectives of HR policies were commitment (of employees to the organization), competence (of the workforce), congruence (between organizational and employee objectives) and cost effectiveness (of HR practices). The realisation of the four Cs would produce benefit to the organization, to individuals and to society. Walton (1985a), one of the Harvard writers, took this further by describing and contrasting a control strategy (essentially the scientific management paradigm that had

dominated management thinking this century) with a newly emerging commitment strategy. This new strategy rested upon using different practices in the selection, development, reward and involvement of employees in order to show the employer's commitment to them, as assets rather than costs, and to secure their commitment to organizational goals. Guest (1989), in his model of HRM, saw workforce commitment, flexibility and quality as some of the outcomes of HR policies, which in turn would result in high work performance and low levels of absence and turnover.

To avoid confusion between human resource management as a generic term for people management and its use for a specific approach based on the Harvard framework, Wood (1995) proposed that the latter should be referred to as the high commitment system. Wood suggested that this consisted of certain HR practices designed to enhance commitment, namely:

- recruitment that attracts and selects committed and flexible people
- internal labour markets with training, promotion and job security
- methods of direct communication and involvement.

From a research study of manufacturing plants in the UK, Wood concluded that when the human resource is 'taken very seriously', management is more likely to pursue the high commitment model, which was also strongly associated with the strategic integration of personnel management. Wood also argued that managers did not seem to be treating high commitment management as only relevant to certain contextual situations, so that this system seemed to be universally applicable.

In the US, Huselid (1995) argued that there was a set of linked HR practices which were the key to high employee performance and therefore to organizational success. The set of practices were:

- Careful recruitment and selection.
- Emphasis on training and learning.
- Performance appraisal with links to contingent pay.
- Employee participation in performance improvement.
- Extensive communication.

It will be noted that Huselid's 'high performance' set is very similar to Wood's 'high commitment' practices. In his research Huselid created an index to measure the presence of these features, and across a large sample of US companies, showed a high correlation between the bundle of practices and good financial performance. Other research in the US has reached similar conclusions, although the makeup of the bundle of contributing HR processes has varied between researchers (Becker and Gerhart 1996). More recently, research as part of the Sheffield effectiveness programme in the UK concluded that HR practices that produce high levels of job satisfaction and commitment among staff are more significant contributors to company profitability and productivity than R&D, quality, new technology or competitive strategy (West and Patterson 1998). The Sheffield research found that training, job design that provided autonomy, and a climate of employee relations that created a sense of community, were all important to the achievement of high performance.

The first findings of the 1998 Workplace Employee Relations Survey (WERS 98) showed that a number of the practices that are associated with a high commitment/performance system are now fairly widespread in the UK, and that there are definite groupings (or bundles) of practices (Cully et al 1998). Training, team working, supervisory training in employee relations, and problem-solving groups were, for example, all associated with one another. However, other, different groupings also emerged from statistical analysis of the WERS data. In addition, the reported high incidence of such practices as 'most employees work in formally designated teams', found in 65% of workplaces, actually covered considerable variation in application, which the authors related to such factors as sector, employment size and type of union presence (ib: 10).

It appears that even when there is an apparent agreement on best practice, it is at a level of generality that allows for variation, which is consistent with a seeking for best fit. Other research on HR practices can be used to support a contingency perspective. A study by Cappelli and Crocker-Hefter (1996) which compared several same-sector pairs of US companies showed that both of the pair could be successful even when

they had different HR policies. Arthur's (1994) study of HRM in US mini steel mills, found a relationship between business strategies and HR systems. Pfeffer (1994) argued that the results of Arthur's study did not negate the case that a high commitment system would result in better performance whatever the business strategy, but Purcell (1996) thought the findings were supportive of the best fit concept. Boxall (1996), in a review of some of the evidence, concluded that the research into HR practices has not been sufficiently detailed for an accurate assessment of the results of strategic choice to be made. Even where large scale surveys show correlations of HR practices and financial performance, the direction of causality is unsure.

It would indeed be surprising to find that context could be completely ignored since so many models of HRM, including the Harvard map, make reference to the constraints of the external or outer context, mediated further by the organizational context (Neghandi 1983; Beer et al 1984; Fombrun et al 1984; Hendry and Pettigrew 1990; Brewster and Hegewisch 1994: 6). Contextual models imply that the policy developer needs to ensure appropriateness to the environment so whilst at some levels there can be recognition of 'best practice', the experience of others has to be adapted to fit a different situation. A tabulation of some of the HRM models with the organization contingencies contained in the model will highlight the factors to which HRM may be linked (see table 3.1).

Strategy is the only heading common to all four, which perhaps emphasises its importance. However the other contingent variables will also influence HR policies, and more empirical work is needed to establish firm causal links between context, policies/practices and performance.

In an overview of the theories and research on the impact of human resource management on firm performance, Becker and Gerhart (1996) suggest that the best practice and contingency hypotheses are not necessarily incompatible since they often

Table 3.1 Organization Contingencies Influencing HRM

MODEL	ORGANIZATION CONTINGENCIES
Beer et al (1984)	Workforce characteristics, strategy, management philosophy, unions, task technology.
Fombrun et al (1984)	Strategy, structure.
Hendry & Pettigrew (1990)	Culture, structure, leadership, task-technology, outputs, strategy.
Brewster & Hegewisch (1994)	Size, structure, culture, corporate strategy.

operate at different levels. They distinguish between *Guiding principles*, *Policy alternatives* and *Practice process*. As an example they quote as a possible guiding principle that 'employee performance is valued', which could be supported by different policies and practices to fit aspects of the internal and external context. They also argue that a lot more work is needed to clarify the exact nature of the relationship between the HR system and firm performance. At the moment, the most that can be concluded from the HRM/firm performance research is that there is now some empirical evidence that firm performance is influenced by the set of HRM practices firms have in place (Huselid et al 1997).

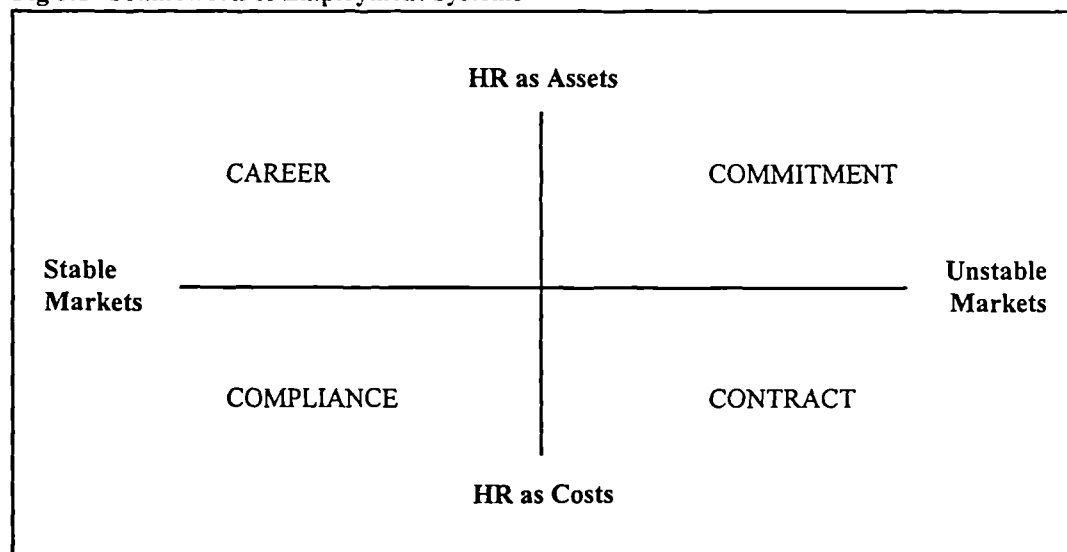
3.3 Employment Systems

Both a 'best fit' and a 'best practice' view of human resource management, imply that there are choices that management have to make about the exact nature of the employment relationship. Lawrence (1985), described the commitment system as one of five possible *employment systems*, and Hendry (1995: 227) suggested using the concept of employment systems to explain differences in human resource practices between organizations. The high commitment or soft version of HRM can be regarded as a particular employment system that can be compared with others that have developed at different times, as organizations responded to changes in the

economic and technological contexts. In terms of the recent past and present, a framework of four employment systems can be created which differ on two dimensions that are important influences on the nature of the employment relationship. The first dimension relates to the external context and is the extent to which the uncertainties of the environment require flexibility in human resource capacity and capability, perhaps dependent on the extent to which suppliers or customers define the product/service on offer. The second dimension relates to the internal context and is the extent to which the organization perceives its human resources as an asset for development rather than a cost to be minimised, which may be linked rather crudely to whether the strategic focus is quality or cost leadership.

The framework is shown in Fig 3.1.

Fig 3.1 Framework of Employment Systems



If the external context is relatively stable, employee roles that relate to that context are also likely to be relatively stable over time. Where employees are seen as a cost to be minimised, the employment model is the *compliance system*. It is the mode of the mass production factory working to scientific management principles, and is also found today in the growing number of call centres. As far as possible work is standardised, training is role briefing rather than personal development and control is

exercised through supervision and systems. Employees are expected to comply with and not to question work routines. They are however quite likely to be well treated, in order to ensure retention and compliance with the systems.

Where the environment is relatively stable and the nature of the work leads to employees being regarded more as an investment, the employment basis is the *career system* of the traditional bureaucracy. Control is through procedures and professional standards, individuals have some autonomy, and expect opportunities for personal development through a hierarchy, initially within a recognised function. The *career system* generally means an internal labour market, careers that are managed by the organization and pay that follows the career curve. Although the career system would be associated particularly with technical and professional work, it might also be an appropriate term for the employment of skilled workers in some large companies. The less predictable environment in which many firms now operate, coupled with the rise of empowerment and delayering, has led to claims that this system is in decline but rumours of the death of careers in the bureaucratic hierarchy are probably premature (Guest 1998: 46).

These two models were the main employment patterns for organisations until they began to respond to the pressures of increased competition and market uncertainty. As markets have become less predictable, firms have developed employment relationships that facilitate flexible responses to customer demand, or in the private sector, to the uncertainties of government funding. Greater uncertainty, competition and more demanding customers are the environmental factors seen as giving birth to human resource management. Where management accept the soft or developmental philosophy of HRM, they will utilise what is called here the *commitment system*, following the original use of the term by Walton (1985a). Under this system there is an investment in carefully selected employees to create multi-skilled teams committed to the organisation, contributing to the continuous improvement of performance and sharing the benefit of any improvement. For professional and managerial staff it means wider, less defined and more flexible roles, also with more

emphasis on teamwork, and the expectation that they will take responsibility for their personal development. Whilst the career system tended to develop people in functional roles, the emphasis of development in the commitment system is on transferable skills.

In responding to an unpredictable environment the alternative employment model is the *contract system*. Employment is short-term or outsourced so that employee development and employment risk are shifted to the individual, the agency or the subcontractor. As an employment system, it does not necessarily recruit people on a contract of employment, but uses market-based relationships. Although the system may sometimes be used to obtain high calibre people, as consultants or short-term managers, the major motivation for its utilisation is to control cost. The use of atypical employment arrangements represents a different way to design HR policies and practices that ensure the organization's human capital is contributing to the achievement of its objectives, and it can be argued that the competitive environment of the 1990s is already changing the emphasis in employment from commitment based on trust to management through contract (Guest 1998). However the contract system is also a form of employment which was common in the nineteenth century, which enables Guest to suggest that this trend is a move 'back to the future' (or should that be 'forward to the past?'). The four quadrant diagram could encompass Guest's idea that movements from one employment system to another may be cyclical rather than linear.

These labels are not watertight (for example a certain amount of commitment is expected and given in any employment situation, which is why Wood referred to *high* commitment), but are intended to convey an emphasis in the employment relationship which is as much about expectations and perceptions as it is about explicit terms. The compliance and contract systems utilise what Williamson and Ouchi refer to as 'hard contracting', where the parties remain relatively autonomous, whilst the career and commitment systems represent the option of 'soft contracting' where there is assumed to be a closer identity of interests between the parties (Williamson and Ouchi 1983, Tyson 1995). Compliance and contract

systems resource from external labour markets while career and commitment systems build internal labour markets. An important point about the typology is that the different systems can be found in the same organization. The compliance system might be used for the 'shop floor' (which may be blue or white collar workers) and the career or commitment system for managerial and professional staff. Even where employment terms are harmonized, there may still be differences in expectation that denote a different employment system. In some companies what is regarded as core activities are done by a workforce employed under a commitment system, who may be supported by temporary workers or subcontractors employed under a contract system. Although the idea of workforce segmentation is well known, it is not always taken sufficient account of in surveys of HR practice (Boxall 1996).

It is clear from the evidence that whilst some companies have been adopting the elements of the commitment system, others have not. From the 'best practice' perspective, a high commitment system is likely to help firms following different strategies including cost minimization (Pfeffer 1994: 64), and alternative policies therefore represent management failure which needs to be corrected if the firm is to enjoy long-term success. From a contingency standpoint, the commitment system may seem appropriate to firms seeking competitive advantage from innovation and high quality, but not necessarily for those striving to achieve lowest cost (Arthur 1994; Guest 1995). In an example of a contingency argument, Flood et al (1995) suggested that firms could be successful by following either an HR strategy of building the 'quality organization' (effectively the commitment system) or a strategy to create the 'virtual organization' (a version of the contract system). Even a compliance system may be right for some firms, especially in a form of capitalism that encourages short-term shareholder gain. In some situations arguments for *best* practice have to be made on ethical grounds rather than because of impact on performance. What research suggests, but has still to confirm, is that there may be some general principles of human resource management that are conducive to good performance, but which can and should be applied in different ways.

In summary, the overall aim of human resource management, at least in a commercial company, is to ensure that the organization is able to achieve competitive advantage over others through the unique competence of its human capital. Since industries and organizations differ, HRM may usefully be seen not as one particular approach to employment management, but as a collection of choices between employment systems, each of which might be an appropriate fit to an organization's internal and external contexts. Choices also have to be made about policies and practices in key areas like resourcing, development, reward, work organization and employee participation, and in each of these areas there are examples of best practice which could be expected to contribute to the successful management of the human resource. People contributing to the organization may not be employed under the same system, and in multidivisional companies, HRM policies may vary between strategic business units. Policies should fit the context, but the right mix of HR policies can improve productivity and thus company performance.

3.4 A Strategic View of Human Resources

Both the 'best practice' and 'best fit' views of HRM are agreed that how people are managed is critical to achieving strategic objectives. The 'best practice' argument is that a high commitment system is the way to secure long-term sustainable performance from people, whereas the 'best fit' perspective is that the alignment of organizational strategy and HR policy choices may result in employment systems that are different but equally successful in the appropriate context. The idea that HRM should have a strategic focus has prompted scholars to explore how organizational strategy and HRM practices should be linked. Back in the mid 1980s, strategy formation was generally seen as a process of determining where to locate the firm in its market environment, and initial thinking about the strategy-HRM link was to see the development of HR policies etc. as conditional upon corporate strategy (eg Schuler and Jackson 1987; Schuler 1992). However during the 1990s more emphasis was placed on strategy formation as an emergent process, and upon developing strategies based upon the internal resources of the firm. On that more balanced view of strategy

development, the relationship between strategy and HRM is better conceived of as interactive rather than reactive (Hendry and Pettigrew 1990). Strategy should not be seen as 'a ready-formed output to which HRM can be easily moulded' (Sparrow and Hiltrop 1994: 16) and indeed strategy is itself affected by changes to structure or culture. Judgements about the firm's human resources are important inputs to strategy making, and the basis for considering that HRM is strategic is that a number of HR issues such as the composition of the top management team, the state of employee relations, the development of management and the management of change, are themselves of strategic importance (Boxall 1994; Tyson 1995). The early 'matching models' of strategic HRM are open to criticism for oversimplifying strategy formation and for adopting an implicitly unitarist perspective on employment relations (Boxall 1996). Current thinking on strategic fit sees a more complex relationship.

Discussion of strategic HRM has been enhanced more recently by the emergence of the resource-based view of the firm, which holds that the organization's physical and human resources are a source of competitive advantage to the extent that they add value to the business, are rare, inimitable and difficult to substitute with other resources (Barney 1991). The development of this theory has encouraged HRM writers to explore just how a firm's human capital can provide strategic value to the organization (Kamoche 1994; Wright et al 1994; Boxall 1996; Flood et al 1996). In this section it is proposed to outline some of the key ideas from the resource perspective literature, since many of them are relevant to an understanding of strategic and HR management in multinational firms.

Strategy can be conceived of as an entity, or as an organization process - the pattern of decisions that define the purpose, objectives and character of the company (Andrews 1971). According to Andrews, the strategy process consists of two important, interrelated parts, namely *formulation* and *implementation*. In formulating strategy, a company should identify opportunities and threats in its environment, and attach an estimate of risk to the discernible alternatives. The company should then appraise its strengths and weaknesses, and an economic strategy for the company will be one which matches opportunity and corporate

capability at an acceptable level of risk. The choice of strategy will also be constrained by the mission or purpose of the company. In multidivisional firms it is normal to distinguish between corporate strategy, which is concerned with overall purposes and which businesses the organization should be in, and business strategy which is concerned with how the individual business units compete in their own markets.

During the 1980s the literature on organizational strategy was dominated by consideration of how the firm positioned itself in its markets, using an array of analytical techniques that aided rational decision making. The product life cycle could be used to assess the potential opportunity of products over time; Porter's (1980) generic strategies provided a basis for determining how to compete in the market; and portfolio analysis helped the diversified firm to identify appropriate policies for business units operating in different market conditions. An initial tendency in this period to view strategy formulation as a rational planning process, was countered by the argument that in many organizations strategy emerged and developed incrementally, and was formed through a more political decision making process (Mintzberg and Waters 1994; Quinn 1994; Purcell and Ahlstrand 1994).

Wernerfelt (1984), in an article entitled 'A Resource-Based View of the Firm', suggested that as well as specifying a firm's activities in various product markets in order to determine what resources it needed, it was equally useful to reverse the process and specify a resource profile for a firm in order to determine the optimal product-market activities. This article can reasonably be regarded as the start point for what has developed into 'perhaps the dominant contemporary approach to strategy' (Fosse 1997: 7). At the centre of the resource-based approach to strategy formulation, is the question of how and when a firm's resources or capabilities provide sustainable competitive advantage. The resource-based perspective has built on the theory of the growth of the firm advanced by Penrose (1995). Penrose argued that the classical economic theory of the firm explained size but not growth, and in looking at the latter she emphasised the importance of the firm's physical and human resources. A firm could be described as an administrative organization and

a collection of productive resources, which are managed to provide services which contribute to productive activities. If there is a surplus of resource capacity, this provides an incentive for the firm to grow by using that capacity. Penrose also identified limits to growth, namely product markets, uncertainty and, crucially, managerial ability.

Wernerfelt's resource-based view was to look at firms 'in terms of their resources rather than in terms of their products'. A resource could be anything that was a strength or weakness of a firm, and was defined as 'those (tangible and intangible) assets which are tied semi-permanently to the firm.' Wernerfelt suggested that a firm would want to create a situation in which its own resource position becomes in effect an entry barrier that prevents or delays competitors from catching up with it in a product market, giving it at the least 'first mover advantages'. Firms could grow through exploiting existing resources or developing new ones. In an important contribution to the theory, Barney (1991) developed and explored the concepts of firm resources and sustained competitive advantage. Strategically relevant resources include all assets, capabilities, processes, attributes and knowledge that are controlled by the firm and which enable it 'to conceive of and implement strategies that improve its efficiency and effectiveness'. They could conveniently be classified as *physical capital resources*, *human capital resources* and *organizational capital resources*. The latter included communication, coordinating and controlling processes. Barney pointed out that the resource-based view of competitive advantage rested on two assumptions that differed from those of environmental models of competitive advantage, namely that resources within the firms in an industry could be heterogeneous, and that resources may not be perfectly mobile across firms. These assumptions were the basis for seeing resources as a source of sustained competitive advantage, which arises when a firm is implementing a value creating strategy which is not being adopted by current or potential competitors, and when those competitors are unable to duplicate the benefits of the strategy.

To have the potential of sustained competitive advantage, a resource needs four attributes. Firstly it must be *valuable* in the sense that it enables the firm to exploit

a strategic opportunity or counter an external threat, something that may be recognised through SWOT analysis. However, if a number of competitors possess the same resource, then however valuable it will not give any one of them an advantage. The resource must therefore be *rare* among a firm's competitors. In addition, resources will only yield sustained or long term competitive advantage if other firms cannot replicate them or their effect in some way (Dierickx and Cool 1989). A resource must be *imperfectly imitable*, and it must be *non-substitutable* so that competitors cannot use strategically equivalent substitutes to gain the same advantage. Three reasons alone or in combination can be used to explain why a resource may be difficult to imitate. Firstly the resource may be the result of the firm's history, including unique events that cannot subsequently happen to others. Indeed some factors such as systems or relationships may only become valuable through the accumulation of experience in the particular firm. Secondly there may be causal ambiguity about the link between having the resource and achieving the advantage. It may be difficult sometimes for people within the firm, let alone those outside, to understand exactly why they are being successful. If the resource-outcome link is unclear, then even if a competitor poaches staff from the firm, it will not be able to imitate the path to success. Finally, the resource may be imperfectly imitable because of social complexity which is beyond the ability of competitors to manage. Firms with the same physical resources may not achieve the same levels of performance because of differences in their ability to manage and exploit complex social resources. Substitutability is also an important issue, since a resource will not provide a long term advantage if competitors are able to use a similar resource or even different resources to achieve the same strategic end.

A consequence of the resource-based view is that managers must be competent in the analysis and understanding of a firm's resource endowments, in order to determine which resources are potentially strategic. It has to be understood that although managers acquire individual assets from outside, *sustained* competitive advantage cannot be bought in the marketplace, but has to be found 'in the rare, imperfectly imitable, and non-substitutable resources already controlled by a firm' (Barney 1991: 117). Valuable and rare resources may yield an above normal level

of return or economic rent. When it is impossible for others to replicate the effect of the resource, the rent may be long-lived (Foss 1997: 9).

Peteraf (1993) summarised the resource-based view in a model which sets out four cornerstones of competitive advantage. The first of these is *resource heterogeneity*, which results in variation in the efficiency of firms and their ability to secure rents. Secondly, to sustain these rents, heterogeneity must be preserved, so there must be *ex post limits to competition*, that is barriers that limit competition against a firm that has secured a superior position in the market. The third condition is *imperfect mobility*, which keeps the competitive resource in the firm. The final condition is *ex ante limits to competition*, that is limited competition in the first place to secure the superior resource position. Without the last condition, the cost of gaining the superior resource position may offset the rents. This model, Peteraf argues, explains longstanding differences in firm profitability that cannot be attributed to differences in industry conditions.

Prahalad and Hamel (1990) in a discussion of the roots of competitive advantage, drew on a comparison of mainly US and Japanese companies to argue that in a changing competitive environment, firms needed to think of themselves as a portfolio of competencies rather than a portfolio of business products. In the long run, success would come to companies able to build the core competencies that would create new and unexpected products. Core competencies they described as 'the collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams of technology'. Essentially, it is the knowledge base of the firm that may provide both the basis and the direction for the growth of the firm. Knowledge assets are, as the analyses of Barney and Peteraf make clear, not the only sources of competitive advantage (Foss 1997: 9), but it could be argued that they may be the most important since human know-how is necessary to exploit any other resource. Under Barney's definition, core competence is one type of resource, but the term competence or capability may describe the feature of human resources that is actually utilised by the firm, what Penrose referred to as the services obtained from the resource (1995: 25).

Teece et al (1997) argue that the distinctive competences of a firm are unlikely to be found on the balance sheet since they are resources that cannot easily be assembled through the marketplace. Typically, competences and capabilities have to be built rather than bought. They include the organizational and managerial processes of *integration*, *learning* so as to develop individual and organizational skills, and *transformation*. Individuals may add value through their personal capabilities, and this gives organizations an incentive to develop them. However, from a resource-based perspective, of more importance is the shared and cumulative stock of knowledge that is encoded in organizational routines that facilitate its transfer around a group. Routines may be considered as the organization's memory since in general organizations remember by doing, and part of the concept of organizational routines is the idea of tacit knowledge (Nelson and Winter 1982). This refers to the common phenomenon that when people exercise a skill they do some things unconsciously which they are unable to explain, and this can equally apply to the performance of group processes. Knowledge in an organization is, then, more than the know-how and skills of individuals since it includes the results of shared experiences which are incorporated in organizational documents, routines, processes, practices and norms (Davenport and Prusak 1998). Individual learning has to be transferred to organization teams to become a long term advantage. Individual capability is generally an imperfect source of competitive advantage since people have the freedom to quit, although management behaviour and human resource policies can lessen this imperfection (Sparrow and Marchington 1998: 132). Organizational knowledge, therefore, is more strategic to the firm than individual knowledge since it is less mobile, more tacit and less susceptible to loss of rent to employees (Nanda 1996).

The resource-based view has been criticised for confusion in the use of terminology (Nanda 1996), for paying insufficient attention to the market conditions that make resources valuable (Porter 1991) and for assuming too readily that individual capabilities are 'amenable to top management's cultivation and control' (Scarbrough 1998). Nevertheless it is accepted as an important bridge between strategic and

organizational theory, and it has certainly been used in the development of the concept of strategic HRM.

3.5 Competitive Advantage From Human Resources

Wright et al (1994) set out to show that human resources meet Barney's four criteria and therefore qualify as a potential source of competitive advantage. Individuals differ in the type and level of the knowledge, skills and abilities they possess, with the result that higher levels of human competence will be both valuable and rare. Human competence is only an advantage to the firm as it is utilised in required behaviours, and so human capital is imperfectly imitable not so much in the difficulty of recruiting people with similar abilities but in the difficulty of reproducing the culture, practices and relationships which teams of people have developed over time. Patterns of human resource behaviour and interaction are the result of unique history, and are likely to be a source of both causal ambiguity and social complexity. These three factors mean that although people are mobile between firms, albeit at a transaction cost, the actual human resource advantages are difficult to imitate. In addition, if human capital value comes from the interaction of organizational members, any efficiency rents will accrue to the firm and not the individuals. Finally, in relation to the criteria of non-substitutability, it can be argued that although some human skills can be duplicated by technology, that technology is likely to be imitable and not itself a source of sustainable advantage. If an attribute of human resources is a source of sustained competitive advantage, it can only be substituted by another resource that meets the standard four criteria.

Wright et al distinguished between the human resources themselves, that is the individuals whose knowledge, skills and abilities comprise the human capital, and the company's human resource practices. They argued that HR practices are easily imitated and/or substituted so that whilst the introduction of an innovative practice may provide first mover advantage, it is unlikely to provide a sustainable advantage. Therefore 'the *source* of sustained competitive advantage lies in the human resources themselves, not the practices used to attract, utilize and retain them' (Wright et al

1994: 317). The importance of the HR practices is that they contribute to the development of the human capital pool and to the shaping of required behaviours. They are therefore the *means* to ensure the full and effective utilisation of the capabilities of the people. 'Sustained competitive advantage is achieved only by the interaction between the human capital pool and the HR practices' (ib: 320).

The distinction between HR capital and HR practices is useful, but Wright et al may be overstating the imitability of the latter. Although knowledge of HR practices may be widespread, the knowledge of how to implement them in a particular context may not be (Boxall 1996). For example, two firms may introduce absence control procedures which are the same because they are based on the same ACAS guidelines. However the outcome in terms of lower absence may vary because of the employee relations climate or the willingness of middle managers to accept new responsibilities. In that sense the resource is not just the HR practice but the practice-in-context, which is the result of a historical path, and may well be socially complex and causally ambiguous, thus rendering it inimitable. Theoretically then, HR policies, processes and practices can themselves be considered a source of sustainable competitive advantage, as well as being the means to shape the human capital pool to that end. In practice the two are bound to be linked. Boxall (1996: 66-67) distinguishes between 'human capital advantage' and 'human process advantage', and suggests that 'human resource advantage' might be conceived of as the product of the two - 'Advantage, as it were, can be traced to better people employed in organizations with better process'. Boxall however takes the debate further by suggesting that a theory of strategic HRM must incorporate an adequate theory of employment relations. He criticises much of the HRM literature for its unitarist conception of the firm, and proposes instead that there is a need to incorporate employee interests into a pluralist conception of the firm, in a way that recognises that different stakeholders have both complementary and competing objectives. Reflecting on the decline of the 'mutual commitment' model, Boxall notes that even firms who have fostered team working and employee involvement have done so without the reciprocal promise of employment security, which he interprets as showing that the short term anxiety for survival is hindering a real

acceptance of resource-based thinking. He concludes that mainstream employers in the Anglo-American world of the last decade have managed human resources so as to underpin survival without regard for long-term advantage.

This is perhaps not surprising. Not only is the Anglo-American version of capitalism geared to immediate financial success, but it is generally much easier to cut costs than to build human resource advantages that are difficult to copy. Firms may be limited in their ability to adopt a resource-based theory by their own managerial competence, and by managers pursuing a goal of profit satisfaction rather than profit maximisation. In some cases first mover advantage may be the most that can be achieved, whilst for others an acceptable strategy is to compete on efficiency rather than innovation. It is not surprising then that there are the different employment systems discussed in the previous section, each of which could be a rational match to the organizational situation from the perspective of managers acting in the interests of themselves and dominant shareholders.

Although the resource-based perspective concentrates on the analysis of internal resources, it is clear that the value of resources in a firm is derived from the advantages they give that firm in its markets (Porter 1991). This may reinforce the importance of context and, in the HRM debate, strategic fit. The lists of best practices in practitioner-orientated books such as Pfeffer (1994) are offered as universal remedies and are intended to be widely disseminated. If such publications are successful, and most firms adopt the same practices, they may cease to be a source of sustained competitive advantage, although they may become a common platform for bringing about minimum levels of efficiency that everyone must reach just to survive in the industry. However in reality, there will still be differences in outcome both because of the HR capital variations and because, as already argued, the potential advantage from HR processes may or may not be realised. The firm needs as a further resource, the ability to see how 'best practice' ideas can achieve a 'best fit' into the potentially unique sets of interacting social processes that constitute the organizational context.

Does it follow, then, that successful innovation has to come from within rather than be imported from outside? That might be going too far, but a consequence of taking a resource-based perspective is to emphasise the importance of exploiting firm-specific assets. It may be useful to use external benchmarking to know what others are achieving, but in order to differentiate not to copy. If the real competence of an organization resides in knowledge and routines, then the resource-based perspective links naturally to the concept of a learning organization, that is an entity that uses problem situations as a springboard for transforming change. Argyris (1982, 1996) links learning to action, referring to single loop learning which occurs when behaviour is altered as a result of something going wrong, and double loop learning which occurs when actions follow a change to underlying values. Organizational learning needs to move from a basic level, which is concerned with established ways of doing things, to a higher level, concerned with insight that may challenge existing frameworks and promote change (Torrington and Hall 1998: 308).

Edmondson and Moingeon (1996) distinguish between 'learning how' and 'learning why'. 'Learning how' is engagement in 'processes designed to transfer and/or improve existing skills and routines' (ib: 27). It incorporates being able to take account of contingencies and learning by being attentive to feedback so as to detect and correct error. This can be a strategic capability, according to Edmondson and Moingeon, if an organization becomes expert at implementing new processes quickly, and in a variety of situations. 'Learning why' is where organizational members are 'enquiring into causality using diagnostic skills' with the objective of discerning 'underlying logic or causal factors'. Whilst learning how may be a strategic capability where cost, quality and productivity are the determinants of market success, learning why becomes a strategic capability where the capacity to diagnose problem causes in a variety of situations is important, especially when the context or success criteria are unclear. This may be applied to cultural and other change programmes, and to the promotion of innovation. Edmondson and Moingeon suggest that learning why tends to be seen as more important, but they argue that both types of learning can be a source of competitive advantage, and are so interdependent that both are necessary.

Mueller (1998) set out an evolutionary approach to strategic HRM which is consistent with the view that strategy formation is incremental and emergent rather than the result of rational planning. The development of strategic human resources happens as a slow, evolutionary process that requires patience. It can be facilitated by appropriate attitudes and staff development activities, but also relies on more informal processes that foster patterns of cooperation. Mueller questions over-reliance on formalised policies and rules, but suggests that there needs to be a dynamic interplay between HRM policies and forms of spontaneous cooperation. Strategic value is seen as emerging from 'ongoing skill formation activities, incidental or informal learning, forms of spontaneous cooperation, the tacit knowledge that accumulates as the side-effect of intentional corporate behaviour' (ib: 164). Scarbrough (1998) argues that knowledge in a firm emerges from patterns of social relations and dynamic practice. It can only be fully appropriated by the firm with employee consent, thus giving importance to the employment relationship, or perhaps to the climate of employee relations.

The resource-based view has moved discussion of strategic human resource management forward by providing a sound theoretical basis to the assertion that people are an important source of organizational success. In general the emphasis on organizational knowledge and learning would seem to encourage a developmental approach to human capital, but the resource-based view is not a theoretical argument for a universalist approach to human resource management. This is partly because the perspective stems from the idea that firms are heterogeneous, and so differences in practices may be the basis of competitive success. It is also because in some firms, there are only some employees who could provide a source of sustained competitive advantage. In those firms it may be strategically rational to use different employment systems for different groups (Purcell 1996). At an extreme, the use of very exploitative employment may fit the strategy, which is why the case for good treatment of workers has to be argued ethically rather than solely from business need. Nevertheless, it can certainly be contended that if human resources are to be a source of long-term advantage to an organization, this is more likely if there

is some sense of community that stems from a genuine commitment of the employer to satisfy the interests of the employees.

3.6 The Role of the Personnel Function

The promise of human resource management is that human capital can be a source of sustainable competitive advantage if its capability is built through adopting the right set of human resource management processes. On that basis human resource policy decisions and implementation are potentially of strategic importance. Organizations that are complex enough to allocate responsibilities for management functions to different people are likely to have a department responsible for some or all of the processes of recruitment, training and employee relations. Until the advent of the HRM concept, this was normally the personnel function. However a feature of the human resource management agenda was that since people were such a key factor in achieving success, HR decisions have to be the province of line managers, and the CEO in particular (Beer et al 1984). HRM was too important to leave to Personnel (Guest 1989), especially if the Personnel Department was a low status service to line managers. It was however always difficult to see the difference between the espoused models of personnel management and HRM (Armstrong 1987; Legge 1989) and the main consequence of implying that human resource management was something special was to encourage the function to use the title Human Resources Department rather than Personnel. In this section it is intended to take a positive view of the Personnel function and discuss how it can make a strategic contribution to the business.

The activities of Personnel, for example as listed by the Personnel Lead Body, 'are fragmented and not necessarily concentrated on one area at a time' (Tyson 1995: 160). In some organizations the personnel executive is confined to an operational/service role. In others it is expected that there will be a strategic contribution, although at the top level this is often the result of personal rather than functional standing (Kelly and Gennard 1996; Hall and Torrington 1998). Arguably, if human resources are to be developed as organizational assets, it needs someone within senior management to act

as the particular champion of that cause. Whilst this could be the CEO or a line executive, there is obviously a case in larger complex organizations for the Personnel or HR Director, someone at the strategic management level in the organization who understands both the business and HR good practice. At the same time, it is now received wisdom that responsibility for dealing with the day to day operational issues of managing individuals and groups lies with line managers, who act as internal clients for specialised Personnel services which may be delivered by external providers as well as the in-house department. In this market environment, Personnel needs to be efficient at its administrative tasks, as well as being able to work with line colleagues in developing policies aligned with strategic and operational needs (Ulrich 1996; Torrington 1998).

In its position paper *People Make the Difference*, The Institute of Personnel and Development (IPD) (1995) suggested that in order to add value to organizations, personnel professionals need to:

- Understand and share the objectives and business methodology of their managerial colleagues.
- Import best practice from outside the organization.
- Build and measure strategic capability through the development of the capacity of people.
- Define and promote the values of the organization.

The IPD also notes that personnel professionals need to work as facilitators with line managers with whom they share responsibility for HR policies and processes.

This IPD model is clearly consistent with the resource-based view and provides a useful general statement of the Personnel contribution. It can be extended by looking at some more specific activities and processes that other writers have identified as strategically important. Boxall (1994), for example, argued that the choice of the chief executive and other top team members should be treated as 'the most strategic decisions of all'. The same idea is developed by Flood et al (1996) who devote a chapter of their text on HRM to the issue, and much of the literature on managing

change stresses the importance of what is sometimes called transformation leadership. Tyson (1995: 97) found that in a sample of thirty organizations, all regarded management quality as a potential source of competitive advantage, thus making management development one of three HR policy areas that were main contributors to business strategies. Management development was linked to business development, and to shaping the company's future. It may be noted that Legge (1989, 1995) identified as one of the differences between personnel management and human resource management that HRM incorporated management of the top team. Whilst developing the capacity of all of the firm's human resources is important, it can be suggested that a particular role for the top Personnel executive is working with colleagues to ensure the development of management capability starting at the very top.

The significance of the employment relations climate has been discussed earlier, and employee relations is the second main HR policy area identified by Tyson as a main contributor to business strategy. A common view in his survey companies was that there needed to be an employee relations stance that created a relationship with the workforce that was supportive of business objectives, a proposition that is in line with the creation of a sense of community which West and Patterson (1998) argue is important to success. In another position paper the IPD (1997) also emphasised the importance of this aspect of the Personnel role, suggesting that performance improvement through a willing contribution from employees is 'unlikely to be forthcoming except in the context of a positive employment relationship' (ib: 4). The IPD advocates employee voice, partnership and employee representation, including an acceptance of trade unions when this is the wish of employees. Boxall (1994) proposed the building of a process for monitoring what employees think of working for the company and acting on the findings, an aspect of employee 'voice' which is one of the issues on Sparrow and Marchington's (1998) HRM agenda.

An aspect of high commitment HRM is to recognise employees as sources of important contributions to performance improvement. Ulrich (1996) proposes that

one of the roles the Personnel/HR function should adopt is that of employee champion, ensuring that employees are encouraged to contribute and that there is a right balance between the demands the organization makes and the resources that enable them to meet the demands. This is one aspect of a multiple role that Ulrich proposes for HR professionals, which also includes managing transformation and change. Looking to the future, Ulrich suggests that HR professionals will need to contribute to the creation of leaders, the transfer of knowledge and the accomplishment of change.

Contributing to the management of change, through organizational development (OD), was the third strategic HR policy area identified by Tyson (1995). The perception that Personnel should have a role as a change manager, whatever the focus of the change, is perhaps a recognition that process rather than content is often the key to a successful change programme. OD was often supported by management development, and both these processes are characteristic of learning organizations which are responsive to a changing environment. Tyson sees change management as an area where Personnel can apply business skills, mingled with specialist knowledge, to strategic activity that has a direct relevance to business objectives (ib: 160).

There seems to be a lot of common ground in the ideas that have emerged in the last few years about the role that a Personnel executive could be playing in companies. In summary, the Personnel function can make a strategic contribution in at least four ways. The first, is to identify the set of HR policies and practices that are appropriate to the organizational context and mission and will create a sense of community amongst employees. The second is to contribute to developing the capability of top management. A third area is developing effective personnel information systems that ensure strategic decisions can be based on accurate insight into the human resource capability of the organization. Finally there is the development of change processes that enable all managers to handle organizational change so that it is a vehicle of learning that takes the organization forward.

3.7 Some Conclusions

Human resource management consists of the policies, processes and practices by which an organization obtains and utilises people to meet its objectives. The proposition underlying HRM is that the management of people is of critical importance to organizational success, but there is still considerable debate about whether that is true for all organizations, and about what HR practices will result in success. Two different approaches to HRM have been developed. One, the best practice approach, argues that there is a distinctive and potentially universal set of policies and practices that, if used together, will achieve high levels of work performance from a competent and committed workforce. The other, the 'best fit' approach, uses HRM as a more generic term, and is based on the premise that the important thing is to develop a set of internally consistent HR practices that are aligned with the strategy and other features of the organization. One way of reconciling the two positions is to recognise that there might be some general principles that have wide application in people management, but may be implemented through different ways that are contingent upon the situation.

There are certainly differences in the employment conditions and management approaches used by different firms, and a framework of different employment systems was proposed, based upon the two dimensions of the relative stability of the market environment, and perceptions of human resources as assets or costs. The resulting four systems were labelled *commitment*, *compliance*, *career*, and *contract* systems. Within firms it might be strategically sensible to segment labour and treat different groups of employees differently.

The resource-based view of the firm has reinforced the importance of strategic HRM through the argument that intangible resources such as human know-how are a potential source of sustainable competitive advantage. Management needs to identify how its human capital is or could be a source of strategic advantage, and what policies and processes are necessary to ensure the advantage is realised. In some cases not all of a firm's employees will be a source of strategic capability, which may partly

explain why different employment systems are used for different groups. Since sustainable advantage only comes from resources that are valuable, rare, inimitable and non-substitutable, it may in practice be difficult to achieve, although innovators will gain the advantages that come from being the first mover. Organizational learning is important to the resource-based view since sustainable advantage is most likely to come from organizational knowledge that resides in firm-specific routines that are difficult for others to copy. In a very competitive environment, successful firms will need to use the learning process for exploration of innovative ideas rather than maintenance of the status quo. This whole area may provide the Personnel function with a strategically important role in managing the development of human capability and the process of organizational change. However some organizations are presumably content to strive for efficiency by using processes that are well known, and to make ordinary rather than superior profits. Their priorities, employment practices and perceptions of the role of Personnel are likely to be different to those of firms striving to differentiate themselves from competitors.

This chapter has explored the meaning of human resource management, and more specifically has considered how the human resource can become a source of strategic advantage in competing organizations. The issues that have been discussed are relevant to multinational organizations, with the added complication of the cross-national dimension. Discussion about best practice in HRM has to consider the impact of national culture and other differences on its application. If considering best fit, the outcome will presumably be different for firms with a multidomestic or a global strategy/structure. National contextual differences are also of significance in relation to the development of capabilities that will be a source of competitive advantage. The next chapter will therefore look more specifically at HRM in the multinational enterprise.

CHAPTER 4

HUMAN RESOURCE MANAGEMENT IN THE MULTINATIONAL ENTERPRISE

Having now reviewed both the development of the multinational enterprise and the development of the concept that human resources are a source of competitive advantage to organizations, this chapter will draw together these two strands of interest by discussing HRM in MNEs, which is what most textbooks on the subject refer to as international human resource management. After an initial section which discusses how international HRM differs from HRM in a domestic company, it is proposed to explore the HR implications of internationalization. The issues considered are the development of human capital, the use of international assignments, the scope and determination of international human resource policies, organizational culture in MNEs, and the international role of the Personnel function. The final part of the chapter summarises conclusions that can be drawn from the literature review.

4.1 The Scope of International Human Resource Management

The processes of human resource management in a domestic and a multinational organization are essentially the same in that all employers of labour have to obtain, utilise and reward the people who will perform the work activities. What is different about HRM in a multinational is the complexity which is the result of the multiplicity of countries in which the MNE operates. Dowling et al (1994: 3) illustrate this by reproducing a model originally developed by Morgan (1986) which defines international HRM as the interplay among three dimensions:

- the three broad *HR functions* of procurement, allocation and utilization;
- the three *country categories* of the host country where a subsidiary may be located, the home country where the MNE is headquartered and other countries that may be a source of labour;
- the three *types of employees*, namely host-country nationals (HNCs), home or parent-country nationals (PCNs) and third-country nationals (TCNs).

As a result of operating within different countries and employing people of different nationalities, MNEs typically have some 'international' HR activities that are not found in purely domestic companies, such as recruiting in other national labour

markets, accommodating different employment practices, and managing the terms and conditions of expatriates (Hendry 1994: 14).

It would be very easy to equate international human resource management solely with the selection, training, appraisal and reward of expatriates since this has formed the substance of many textbooks on the subject (eg Dowling et al 1994, Torrington 1994, Harzing and Van Ruysseveldt 1995). This reflected what until recently was the priority in international firms, especially the US multinationals with their reputed concern over the cost of expatriate failure. However more recently scholars have begun to explore what may be regarded as more strategic aspects of HRM in multinationals, and this is the main concern of this chapter.

The resource-based view of the firm argues that firms need to identify their valuable and difficult to imitate resource assets since these provide sustainable competitive advantage. Of the types of assets that may be possessed, tangible assets are only of short-term benefit since they are relatively easy to duplicate. Intangible assets, including patented ideas, brand names and service reputation, are a more important source of advantage, and capabilities are even more important because of the difficulty of imitation. To these firm-specific assets, a multinational firm may add the country-specific resources of all the locations in which it is operating. A full understanding of competitive success in a global environment must take account of firm-specific resources, country-specific resources and strategies for balancing global efficiencies with local responsiveness (Fahy 1998).

Multidivisional and multinational firms face the problem that the features of a resource that make it inimitable by a competitor may also make it difficult to transfer to another business unit or country subsidiary. Nevertheless, if there is a human resource advantage in one part of the MNE, whether the parent company or elsewhere, the organization may want to leverage the advantage by imitating it in some if not all other centres of operation. This would be especially likely in MNEs following a global strategy. In the next section, this issue will be considered in relation to creating

human capital advantage through learning and building organizational know-how, and the section following will discuss the contribution of expatriates to this process through the transfer of knowledge and experience.

4.2 International Human Capital

All organizational resources have some value to the organization since if they do not they will not be acquired in the first place, or their use will be terminated. The strategically important resources are those that add unique and inimitable value, and these include human capabilities that are based on either skill or social interaction. Individuals can be helped to develop their knowledge and skills, but this only adds value to the organization as it is applied to the appropriate work activities. High strategic value tends to come from tacit knowledge and team experience which are generally socially complex, and located in the particular context of the firm. The multinational firm will need to build employee skills in all its units, but may also want to recognise and diffuse human resource capabilities across units. However, as has been said, the difficulty of duplication makes transfer problematic. In a few instances, it may be possible for an individual or team to be an international resource, moving from one unit to another, for example when commissioning new systems or equipment. Generally however, the diffusion of a resource advantage to other parts of the organization involves the transfer of know-how, often across national and cultural boundaries. Bartlett and Ghosal (1992) placed innovation and learning alongside local responsiveness and global efficiency as characteristics of the 'transnational' organization.

Knowledge diffusion in an MNE will be affected by three factors. These are recognition of the type of learning that is required, the international structure, and the societal and sectoral contexts.

Reference was made in chapter 3 to Edmondson and Moingeon's (1996) distinction between 'learning how' and 'learning why'. They argue that learning how can be a strategic capability through developing competence at implementing new processes

quickly in a variety of situations. This has a fairly obvious application for an MNE, both in the passing on of the operation of successful organizational routines to staff in new subsidiaries, and in how well improvements to routines are transmitted to all parts of the organization. As changes occur in technological or administrative processes, it may be necessary to initiate a programme of learning in the different country units. In a small firm, organizational knowledge is often held informally by groups who pass the know-how on to newcomers. In large firms, and especially MNEs, the learning process is more complex. If strategically important knowledge is often tacit, then the capability of encoding it so that it can be transferred to different groups is also important. The extra difficulty for the MNE is of course the impact of cultural differences that may affect interpretations of actions and the learning process itself.

This is where learning how has to intertwine with learning why. The transfer of organizational routines to other countries may only succeed if they are adapted, which usually requires diagnostic understanding of underlying logic. Learning why is also important to building the kind of learning competence that is seen as a feature of the transnational organization. One way of building such organizational capability is by the use of cross-cultural teams to manage problem diagnosis and change implementation. An additional benefit of using groups of mixed nationality for development work is that between them they may be more likely to challenge existing norms, so that double loop learning (Argyris 1996) occurs, leading to the establishment of conceptually new ways of doing things. This is one way that cultural diversity may itself be a beneficial resource.

Some of the knowledge transmitted throughout an MNE might be said to have the purpose of 'learning about'. This refers to the information and corporate messages contained in house journals and CEO statements, designed in the main to foster a sense of common identity and maintain morale through a stream of good news about the organization. It reminds people in country units that they are part of a worldwide enterprise. This kind of corporate communication may be considered strategic in as

far as it contributes to building the sense of belonging which may help create a committed workforce (Martin and Nichols 1986).

The second factor that is likely to affect knowledge diffusion in the MNE is the international structure, particularly where this reflects corporate management's attitude to subsidiaries. Some of the literature on this was considered in chapter 2, and the typology contained in the framework reproduced from Casson et al (1998) can be used to illustrate how the different relationships between parent and subsidiaries may affect knowledge flows. If the subsidiary is part of the core team, contributing for example to product design within a global value chain, there is an interdependent relationship in which one would expect that knowledge transfer will be both learning how and learning why, and be two-way. If the subsidiary is subject to central hierarchy, knowledge transfer is likely to be learning how in relation to the functions found in the subsidiary, but would tend to be one-way. If the subsidiary has a local mandate, knowledge transfer would be limited in either direction, but there would be learning how related to parent control mechanisms, for example financial reporting. Learning why may occur in the subsidiary, but it is unlikely to benefit the whole organization given the relatively independent nature of relationships. In a situation where the subsidiary designs or modifies products for the local supply chain, which includes some joint-ventures and alliances, there is likely to be some diffusion of knowledge from both learning how and learning why, but because of market and product differences, this may be less than in the core team relationship.

Context is the third factor that will affect learning since both the national and sectoral cultures may encourage or discourage the quest for understanding or improvement. Education standards in society are bound to set boundaries on learning within organizations within the society. Clark and Mueller (1996) suggested that learning takes place at four levels: the organization; the inter-firm network; the sector; and finally the nation. As a consequence of Porter's (1990) work on the competitive advantage of nations, they believe that theories of learning in organizations have to take greater account of context. One possible outcome of this may be the recognition

of a subsidiary unit as a 'centre of excellence' in a particular field of knowledge or activity, on the basis of the societal learning context.

Individuals and groups learn through doing, but organizational learning requires the passing on of knowledge so that the wheel is not constantly being reinvented. Martin and Beaumont (1998) summarised a number of methods that MNEs might use to transmit what is regarded as best practice in relation to their activities. They are:

- mission statements, vision statements and communications from the CEO;
- the process of building corporate charters;
- management education;
- project-orientated management;
- transfer of personnel between units and countries;
- use of 'ideas champions';
- management conferences;
- internal benchmarking.

Martin and Beaumont looked at the use of one of these, internal benchmarking, as a means of transferring knowledge and diffusing 'best practice' across a multinational organization. The research was conducted in a UK subsidiary of ABB, which has an espoused corporate policy to transfer best practice from one subsidiary to another and yet at the same time promotes local responsiveness by avoiding one-best-way approaches. It is therefore apparently conforming to the concept of being both global and local. The main conclusion from the investigation is that practices are transferable given the right conditions, such as that the units are in the same product market, and internal learning is possible despite the possibly negative aspects of such Taylorist techniques as benchmarking.

Benchmarking at ABB is a useful example of learning through comparisons. Benchmarking is a form of corporate control, since even if the comparative data is offered purely 'for information', there is an implication that all units should be catching up with the best. Such league table approaches run the risk that they will

demotivate rather than act as a spur to improvement, and, as Martin and Beaumont comment, poor performing plants, which should have the greatest incentive to adopt better practices, may well lack the ability to do so, because of the very situational factors that have created the poor performance. Corporate management have to ensure that comparisons are like with like, and that units that need to change have the resources that enable them to change. They also have to decide whether local management is empowered to solve the performance problem by deciding the ends and means of a change programme, or whether the corporate approach is more directive. This in itself may depend on the management style in both head office and subsidiary, which are in turn influenced by national cultural values.

Snell et al (1998) researched the use of international project teams in multinationals. They found that they were used for a variety of purposes that could be summarised under the headings of achieving global efficiency, ensuring local responsiveness and organizational learning. They looked at the HR issues of selection, training and reward of international teams, which they see as having an important role in integrated MNEs. With modern means of communication, teams may or may not be physically in the same place, which increases the membership possibilities. The use of international teams is potentially an important way of developing an international culture, and giving more people experience of a multi-cultural working environment.

4.3 Foreign Assignments and International Capability

The transfer of personnel between units is included in Martin and Beaumont's list of communication methods, and in this section it is proposed to look at the use of expatriates in multinationals, and whether international experience can be a strategic capability.

Expatriates are assigned to subsidiaries to introduce corporate practices and ensure they are followed, to communicate cultural values and to provide managerial or technical expertise. A foreign assignment may also be offered as part of an individual's career development. Assignments vary from short fact finding or problem

solving visits to assignments that last several years, and individuals at a number of hierarchy levels may gain some experience of working overseas. Expatriates are used for communication and control, two processes that are frequently intertwined since almost all human communication is intended to influence the behaviour of others. The exact purpose and nature of foreign assignments will vary depending on the relationship between the parent company and subsidiaries.

Adler and Ghadar (1990, as cited and discussed in Harzing and Van Ruysveldt 1995) related the development of international HRM to a four-phase organizational life cycle which was based on the most common experience of North American firms in the post World War II period, although the authors noted both that the order of phases has varied with the age and national origin of companies and that firms may skip specific phases in particular industry markets. The central idea is that firms should find the best fit between their environment, strategy and human resource policies. The following summarises some of the suggested links between the phases of internationalization and HRM.

- I Domestic - foreign markets served by exporting unchanged products.
No really international HRM. Occasional visits to provide expert advice to local agents.
- II International (or multidomestic in Adler 1997) - products developed to fit local needs.
Expatriates fill general management and technically important posts in subsidiaries, and are selected on basis of technical competence and cultural adaptability. Locals occupy roles where understanding local conditions is important. International HRM is concerned with expatriate management.
- III Multinational - worldwide coordination used to achieve economies of scale.
Selection focuses on best person for international management roles. Aim is to develop a management corps who share organizational values, to help achieve integration. Management development is the spearhead of international HRM.
- IV Global - high quality at least cost through global integration and local responsiveness.
Cultural diversity apparent in markets and the organization, and this has to be recognised as opportunity not problem. International HRM focuses on creating an environment of continuous learning throughout the organization.

This analysis retains the traditional focus of international HRM and does not directly consider issues of integration of practice. However it presents an understanding of international HRM which is contingent on strategy, and shows how as organizations move from multidomestic to global, the focus of HRM shifts from the management of expatriates to the development of international management, and then to the creation of a learning environment. Phase IV is equivalent to the transnational solution of Bartlett and Ghosal.

The Adler and Ghadar model moves straight from a multidomestic phase where expatriates fill general management posts, to a stage where an international cadre is being developed. This does not seem to allow for a polycentric multidomestic organization structure where general management roles in subsidiaries are filled by locals. It is useful therefore to match the use of expatriates to Perlmutter's typology (Paauwe and Dewe 1995: 84; Hendry 1994: 79). In ethnocentric MNEs, parent country nationals (PCN) are appointed to senior posts in subsidiaries because they are known and trusted. Through both managerial and technical assignments and visits, PCNs make sure things are done as they are in the home country. An ethnocentric approach would be expected when dealing with newly acquired subsidiaries, and in terms of learning, the flow of knowledge is one way. If the orientation is polycentric, senior posts will tend to be filled by host country nationals (HCN), although some expatriates may still be used to help transfer technical expertise and for personal development. A geocentric orientation would be needed for Adler and Ghosal's phases III and IV, both to accept the increasing use of TCNs (third country nationals), and to encourage multi flows of knowledge.

Scullion (1996) discussed the pros and cons of different staffing policies, and noted for example that it may be difficult to recruit local managers of high ability if they feel they will not have the opportunity to undertake the top roles in the company. Scullion gave an account of a UK MNE with an espoused policy of HCN management which in practice still had many PCNs in place. The reasons for this included difficulty of finding suitable people in some countries, the need to put PCNs into some newly acquired subsidiaries in order to establish corporate systems, and the use of

assignments for personal development. So, whilst a multinational may have a general policy of developing local managers, specific appointments are likely to reflect head office perceptions of the needs of the particular situation.

As individuals undertake trips to overseas subsidiaries, they build up a bank of knowledge about working in different situations with people from different cultures. This is rarely the primary purpose of the assignment, but it represents a stock of knowledge that could be developed and used to the benefit of the organization. This point is developed by Kamoche (1997), who argues that international assignments should be seen as learning opportunities which are crucial to the creation and utilization of an international stock of expertise. Kamoche starts with the customary uses of expatriate assignments to control subsidiaries, to transfer knowledge from parent to subsidiary, to give people international experience and to socialize managers 'in order to elicit their commitment to corporate values and culture' (ib: 215). He goes on to argue that there is scope for organizational learning if the knowledge acquired by individuals through international assignments can be diffused across the whole organization. The actual accumulation of knowledge is the first stage in a learning process that becomes valuable as the know-how is used to improve the organization's effectiveness. An expatriate assignment offers the opportunity to acquire knowledge, and repatriation or reassignment to another location provides the opportunity to transfer that knowledge. However the history of expatriate management suggests that in many instances this does not happen either because the assignment is in some sense a failure, or because no attempt is made to integrate international experience into the firm's planning and development. Research in the USA has found that the vast majority of expatriates do not feel that the knowledge and experience they have gained through foreign assignments is valued by their firms (Black et al 1999).

Kamoche suggests that firms fail to benefit from the experience of expatriates because they have no conceptual, coherent vision of the potential value of international experience. He suggests developing mechanisms for knowledge transfer, including:

- creation of global teams and networks of experts;

- maintaining effective databases that can be drawn from by people at different sites;
- evaluation of individual assignments to ensure that valuable knowledge is built into organizational routines and taught to others.

These mechanisms would create a climate in which individual experience can become 'embedded in the organizational stock of knowledge which can then be applied to new...problems'. However, the institution of learning mechanisms is no guarantee that learning will occur since there are a variety of individual and institutional barriers that may impede it. A number of social and relationship issues will need to be addressed to turn the concept of knowledge creation and learning through international assignments into a reality.

Examples of organizations trying to develop international management competence are provided by case studies of Zeneca Pharmaceuticals and Shell in Torrington (1994). Zeneca (Carr 1994) is a UK multinational that recognised the need to create a coordinated worldwide approach to management learning based upon a common set of principles. This was part of a change programme designed to give subsidiaries more operational freedom and yet at the same time to integrate local companies into an international team. Much time and effort were put into establishing worldwide understanding of corporate values and strategic objectives, and changes were made to structures and systems to create more of a sense of partnership between head office and subsidiaries. Many more employees were provided with training aimed at understanding of cultural differences and more use was made of international project teams, short-term assignments and extended business visits to broaden international experience. International team involvement in particular was seen as a way of providing worthwhile international experience whilst contributing to the improvement of business performance. In Carr's judgement, Zeneca had steadily evolved from an international to a transnational organization. Shell (Haydock and South 1994) is one of the largest firms in the world, and had been formed at a time when available communication systems meant that local businesses had a high degree of autonomy. Alongside this decentralisation has been a recognition of the need to share technology

and utilise global experience. Information sharing is therefore seen as important both operationally and strategically. IT and human networks are used to promote open communication, and the human networks are reinforced by bringing people together on a regular basis to attend a variety of conferences and workshops. Learning and OD specialists from Personnel provide support to this activity. A formally published set of business principles provide an underpinning to the promotion of a common set of values through the flow of people around the world. A number of Group policies support the international management development and the movement of staff, and all senior managers attend workshops that challenge them to think globally. HR policies in Shell are primarily the responsibility of operating companies, but there is a central HR function that identifies and works on Group-wide issues.

The summary of what is happening in these two MNEs illustrates the movement of international HRM from expatriate management to international management, and the recognition of the importance of global mind-sets and shared know-how. The activity is however directed at the management and professional levels of staff. Kamoche (1997) is critical of a tendency for IHRM to focus on a small cadre of high-flyer managers, and suggests there has to be a wide understanding of the sources and recipients of knowledge transfer (ib: 215). International know-how has to become available to everyone if it is to contribute to building the firm's human capital as a source of competitive advantage. International development activities at both Zeneca and Shell are not narrowly concentrated, but they are directed at professional staff. Through them, appropriate learning has to be diffused to other employees, and MNEs need to work through how that is achieved. One answer may be by establishing international policy guidelines, and in the next section the development of international human resource policies will be considered.

4.4 International Human Resource Policies

There are various ways that HR policies and practices might directly and indirectly contribute to human resource advantage, and so HR practices themselves are an area of organizational knowledge that may be transferred across national boundaries. The

issues of the convergence/divergence of management practice between countries and the balance between integration and differentiation of management practice within multinationals were discussed earlier and are obviously relevant to the question of transferring HR policies. The cultural and legal barriers to common policies are evident, so if there is integration of policies, why does it occur and is it restricted to certain aspects of employment, or to particular groups of employees?

Evans and Lorange (1989) suggested that policy on HRM integration might be shaped by the interplay of two dimensions, namely the logic of the product-market and the logic of the socio-cultural environment. They identified two strategies; one is the global approach, in which corporate culture is strong and HRM will be relatively standardised, and the other the polycentric approach in which responsibility for HRM is devolved to subsidiaries. Whilst both strategies have advantages, the former is particularly appropriate when the logic of the product-market also points to global integration. The discussion in Casson et al (1998) linking the state of parent-affiliate relations to whether the subsidiary is contributing to a global or local value chain, could be used to make a similar point. A potential problem that may need resolving arises if the logic of the product-market is integration but the logic of the socio-cultural environment is differentiation, perhaps because of strong national cultural differences.

Schuler et al (1993) saw integration/differentiation as a fundamental issue, and referred to tension between the need for interunit linkages and the need for each unit to operate effectively in its local environment. They specified influences on the strategic international human resource system (SIHRM) such as industry characteristics, country characteristics, company structure, HQ orientation and experience of managing international operations.

The standardisation of HR policy was examined in a survey by Rozenzweig and Nohria (1994) of the human resource management practices in 249 US subsidiaries of non-US multinationals. Rozenzweig and Nohria argued that although an MNE could have the same relationship with all subsidiaries, this is not necessarily the case.

In the larger MNEs there may be different orientations towards different functions and towards different subsidiaries, so that they are in reality 'a nexus of differentiated practices'. The practices of some subsidiaries of a multinational may resemble the parent organization, whilst in others they are closer to local norms. Rosenzweig and Nohria discussed the competing pressures for internal consistency and differentiation so as to resemble local practices, and hypothesised that in general the HR practices of subsidiaries will more closely resemble those of local competitors than those of the parent in its home country. In the survey it was found that the balance between what was referred to as 'the pressure for internal consistency or the pressure for local isomorphism' depended on such factors as how far affiliates are embedded in local practice, the HR flows between parent and subsidiaries, the culture, characteristics and country of origin of the parent and the nature of the industry. Generally Rosenzweig and Nohria found that, as they expected, adherence to local practices was the dominant influence, although those HRM practices that have to do with executives, and arriving at critical management decisions, were relatively more likely to resemble the parent's practices. They also found a closer resemblance to the parent in subsidiaries which were greenfield operations, those with a significant presence of expatriate managers, and those with frequent and close communication between parent and subsidiaries' managers. The researchers were careful to state that their findings were not necessarily generalizable to subsidiaries in other countries.

Monks (1996) investigated the extent to which MNEs adopt a global or local approach in their management of human resources through research interviews in nine multinationals in Ireland. The main conclusion was that the majority of the firms in the study adopted a local approach to HRM, and corporate control, if it existed, was maintained by monitoring the financial implications of staffing decisions. However, Monks suggested that the HR practices in a subsidiary have to be seen in the context of the strategies of the parent and other national units. She noted that subsidiaries may be competing with each other, so that 'interunit rivalries' may be more important than the 'interunit linkages' proposed by Schuler et al (1993). The Irish subsidiaries appeared to develop HR practices that supported their own

strategy for achieving competitive advantage, and surviving within the MNE organization, and the country of origin of those practices was generally of little significance.

In a study of foreign-owned companies in the UK (Guest and Hoque 1996) it was also found that the national origin of the parent company had little impact on HR practice in local subsidiaries. What may be concluded from these various studies is that MNEs in foreign countries which are part of the developed world, do not automatically promote the stereotype features of their home country, but may rather allow local managers to find the best synthesis of home country, host country and international practice. Corporate decisions on the extent and form of control to exercise over subsidiaries are influenced, as has already been seen, by a number of factors.

Taylor, Beechler and Napier (1996) constructed a detailed theoretical model of the determinants of SIHRM systems in multinational companies. They drew on resource-based theory to argue that HRM competence as a source of competitive advantage can arise firstly from the resources of the parent company's home country, secondly from the resources of the parent company itself and thirdly from the resources of subsidiaries in particular countries. The elements of competence may be context specific or context generalizable, and this will determine its usefulness across country boundaries.

Taylor et al proposed that the SIHRM system had outcome variables at three levels. The first of these is parent company level where the outcome is the SIHRM Orientation, described as adaptive, exportive or integrative. In an *adaptive* orientation, differentiation is emphasised, local practices are adopted and there is virtually no transfer of HRM ideas between countries, whilst in an *exportive* orientation top management attempts to replicate the parent company's HRM system in foreign affiliates. In an *integrative* orientation the MNE will attempt to use the best approaches from any source to create a worldwide system, so transfers of practices can go in any direction, and innovation will come from global dialogue. The choice of

orientation is determined firstly by whether the international strategy is multidomestic or global, and secondly by the extent to which management believe that parent HR competence is generalizable to other national contexts.

At the level of the subsidiary, or affiliate in their terminology, the outcome is the degree of similarity of an affiliate's HRM system to the parent's HRM system. In addition to SIHRM orientation, this will be affected by four other influences. The first is the relative strategic importance of the affiliate, and the second is whether the method of the affiliate's establishment was by greenfield operation or acquisition as a shared partnership. The other two influences on similarity of HRM systems are the parent-affiliate's cultural distance and the parent-affiliate's legal distance, with the premise that the greater the cultural and legal distances between their countries, the less the similarity between HR practices in parent and affiliate.

The third and final level in the framework is that of employee groups. Taylor et al argue that the degree of similarity of HRM system vis-a-vis a particular group of employees will be influenced by the preceding elements of the model, and in addition by the employee group's criticality. They suggest that some employee groups will be more critical to performance than others and that the highest degree of similarity between parent HRM system and affiliate's HRM system will occur with such critical groups. It is easy to see that the top management team in subsidiaries may be considered a critical resource, but this could also apply to shop-floor workers, for example where the organization of production work is based on the needs of JIT or TQM. It may be necessary to decide which are the competences which conform to the criteria for delivering sustainable competitive advantage so that appropriate financial and managerial supports are provided for their development.

The SIHRM framework developed by Taylor et al is comprehensive and recognises the complexity of the relationship between parent company and subsidiaries, and it provides an example of a multilayered framework which Clark and Mueller (1996) argue for in management studies. It is consistent with the view that headquarters

relationships with its subsidiaries are not all the same, and that the patterns of relationships are more important than the formal organization chart (Ghosal and Nohria 1993). It incorporates both a resource-based and a contingency perspective, arguing that resources may be context specific or context generalizable. In this model, the HRM competence of the parent firm is seen as critical to the successful transfer of HR policies, making such competence an advantageous resource. Top management also has a crucial role in determining whether the firm possesses an HRM competence and whether it will provide advantage if used in different locations. Although the authors' discussion refers to subsidiaries as a possible source of generalizable competitive advantage, the design of the model starts with the parent organization. If the resources of subsidiaries are to be recognised as possible corporate resources, it means that head office managers have to think geocentrically, and have in place mechanisms to encourage and evaluate innovation from anywhere in the company.

A further point that might affect the similarity of policy is the type of policy or policy area. 'Policy' is being used as a portmanteau term, whereas there are perhaps three overlapping but distinct kinds of HR policy. Firstly there are policies that are applications of management principles or values in relation to staff. Where principles are recognised, it is very likely that corporate head office would expect to see them applied generally across the organization. Secondly there are policies that relate to the HRM processes of recruitment, training, reward and communication. Policies here reflect perceptions of good practice in HRM, and since these vary between countries this would be an area for negotiation even if the corporate Personnel function wanted to see 'best practice' applied in subsidiaries. Thirdly, there are policies that relate to the terms of employment. These are the most likely to be affected by local circumstances and therefore to be differentiated between subsidiaries.

The review of this literature has shown that there are potentially a number of variables that may determine whether a human resource policy or practice is local or international within an MNE. As the Taylor et al model indicates, there is likely to be some kind of ordering of the variables. Management orientation and strategy would,

for example, initially determine whether consideration would be given to developing common policies, whilst other factors would determine the areas of policy where there was integration. The resource-based perspective would arguably strengthen the case for integration, but on a selective basis that related to the contribution of the policy to competitive advantage. Awareness of differences of country culture and employment legislation might be expected to influence how policy recommendations are presented, and to mean that international human resource policies are more likely to be at the level of principle rather than detailed application.

It has been established that within an MNE there may be different orientations towards different functions and towards different subsidiaries. In other words, the practices of some subsidiaries of a multinational may resemble the parent organization, whilst in others they are closer to local norms. If a multinational with a multidomestic strategy acquires a competently managed subsidiary, the initial relationship may be independent rather than dependent. Where the product sector logic points to a global strategy, the relationship may be dependent or interdependent, but is unlikely to be independent, except perhaps for a joint venture.

A more prescriptive approach to international HRM has been offered by Teagarden and Von Glinow (1997). They argued that many HR practices are culturally specific and cannot be meaningfully generalized. However they suggested that there are HRM design philosophies that are universals and can be generalized across cultures. They identified three such HRM design philosophies, but concentrated on two of them which they believed lead to high levels of desirable performance outcomes. The first of these is the 'control' design philosophy, similar to the compliance employment system discussed in chapter 3, which they suggested is used successfully by MNEs pursuing cost-driven strategies. This is contrasted with a 'developmental' design philosophy, which turns out to be similar to the high commitment system, which is used to achieve flexibility, quality, innovation etc. as mandates of differentiation strategies. There are obvious echoes of Arthur (1994) in the linkage to strategy, but the authors go on to state their belief that 'a firm's ability to develop and diffuse a

Developmental design philosophy or human resource culture is the essence of best human resource practice in the global economy'. The developmental design is claimed to give MNEs the ability to implement global strategy whilst being sensitive to host countries and their cultures. An important element of it is the use of training and development to socialize employees in order to create a common identity and inculcate organization values, and this gives HRM a key role in the main integration mechanism.

4.5 Organizational Culture in the Multinational Enterprise

In chapter 2 it was established that all social groups, including national societies and work organizations develop a unique culture over time. The multinational is therefore operating within a number of different national culture contexts, which, as suggested in the Taylor et al framework, will influence and constrain HR decisions. Given the cultural differences that there will be in multinational companies, it may be considered that 'a close-knit company culture will provide a good counterbalance' to the diverging pull of national cultures (Paauwe and Dewe 1995: 72). If there is some sharing of values and norms, it will make the operation of other coordination processes much easier. One of the ways that an MNE can manage the head office-subsidary relationship is by developing shared and highly aligned interests and values through processes of socialization (Nohria and Ghosal 1994). Culture is a recognised form of organizational control (Child 1984: 163) and has been described as the glue that holds the organization together (Guest 1989; Ohmae 1994). It has been argued that the development of a worldwide organizational culture may be achieved by parent company managers who 'accept the desired values and can socialize other people to them' (Black et al 1999: 191).

American writers in the 1980s began to explore the idea that a reasonably homogenous organizational culture that fitted the firm's strategy was a likely contributor to excellence (Deal and Kennedy 1982, Peters and Waterman 1982). Whilst the culture of an organization may have developed over a period of time, it was postulated that the culture could be modified to ensure it was appropriate to the organization's needs

and environment, and could be managed through the processes of recruitment, induction, appraisal and reward (Sathe 1983; Hunt 1984). This view has not gone unchallenged, so that although the management of culture has been considered by some to be an important element of human resource management (Storey 1995: 7-8), others question whether culture management is possible (Ogbonna and Harris 1998). One of the problems in dealing with the issue is the divergence of views on what constitutes culture, and therefore exactly what management should do to promote an appropriate culture in the firm.

It is common for management writers to follow Peters and Waterman and equate organizational culture with shared values. A different view advanced by Hofstede (1994) on the basis of research carried out in Holland and Denmark, is to define organizational culture in relation to perceptions of work practices. Hofstede argues that national and organizational cultures come from different sources. National culture is distinguishable by values, the mental programming of the mind, which we learn early in life so that by adulthood they are fairly fixed in our thinking. Organizational culture by contrast is better distinguished by the work practices which relate to how the organization functions, and which individuals learn later in life. Hofstede provides some empirical justification for this thesis from his research, although arguably the data base is not large enough for the conclusions to be totally accepted without further evidence. It would be widely accepted that work practices are easier to change than cultural values, but the extent to which organizational practices are free of national culture influence is debatable.

Trompenaars (1993) published a different set of dimensions on which national cultures differ. He used two of them, equality v. hierarchy (which could be equated to Hofstede's Power Distance) and task v. person orientation (perhaps similar to Hofstede's Masculinity-Femininity dimension), to create a window diagram of four types of organizational culture which were thus linked to country cultures. His picturesque titles for the four types are the family, the rocket, the Eiffel tower and the incubator.

This typology seems to parallel the Harrison/ Handy model (Handy 1985), ie:

<i>Trompenaars</i>	<i>Handy</i>
the family	the power culture, symbolised by a spider's web
the Eiffel Tower	the role culture, symbolised by a Greek temple
the rocket	the task culture, symbolised by a net
the incubator	the person culture, symbolised by a star cluster

Whilst Trompenaars links his types to particular countries, Handy's framework had no particular country links. Thus it appears that the images which are used to differentiate organizations in different country cultures, can equally be used to describe different organizations in the same country. The relationship between the two is complex, and country culture characteristics are stereotypes that describe average, or typical, but not universal phenomena.

Laurent (1986) suggested that international human resource management has to solve 'a multi-dimensional puzzle located at the crossroad of national and organizational cultures'. He questioned the depth of organizational compared with societal behaviour norms, and argued that organizations have a greater capacity to change than individuals or societies since their culture is less deep-rooted. Employees in subsidiaries may adjust their behaviour to head office requirements at a superficial level while deeper rooted societal values remain intact, and affect the meaning they give to their actions (Laurent 1986, 1989). It may be added that in this regard the multinational is no different from a domestic company, since however carefully an organization tries to manage its culture, the extent to which the latter is incorporated by all employees is always problematic. People are both conformist and adaptive and will act out the role that is required of them. When people join an organization there is a process of adjustment which maintains a coherent organizational culture but does not necessarily mean a complete unification of beliefs and assumptions. UK research confirms that in a typical organization, the degree of acceptance of management promoted values is likely to vary along a scale from wholesale acceptance to opposition (Harris and Ogbonna 1998).

Although earlier writers on corporate culture saw value in a strong unifying culture, there is the danger that it becomes a culture of uniformity and reference to the past, blocking out divergencies that may provide better ways for the future. It has also been argued that the notion of creating corporate culture through a top-down process of change management is itself a culturally bound concept, fitting particularly an American view of the world (Adler and Jelinek 1986). A pluralist view of organizations allows for the accommodation of multiple value systems, cultural diversity and differing interests (Horwitz 1990). Corporate parent company management may develop and communicate mission statements and use the processes of selection, development and reward to promote desirable behaviour, but this is unlikely to mean that corporate culture will override national culture. Despite the hype of strong culture, it is arguable that multinationals would benefit from being a cultural mosaic rather than a melting pot (Schneider 1988), in which parent companies are open to learn from their culturally different subsidiaries (Laurent 1989).

4.6 The International Role of the Personnel Function

Discussion of international HRM would not be complete without some consideration of the role of the Personnel function, and more specifically the senior Personnel executive in parent organizations with international responsibilities. Basically the personnel processes are the same as in a domestic company, that is companies need to select, appraise, develop, involve and reward people who have the capabilities appropriate to their present and future needs. However, in line with the issues discussed in this chapter, an international Personnel function manager would potentially have the responsibility for organizational learning, knowledge transfer and the development of best practice in HRM throughout the organization.

Stroh and Caligiuri (1998) assessed the contribution of the global human resource function to the overall effectiveness of the multinational organization. Using Becker and Gerhart's (1996) distinction between guiding principles and specific policies/practices, they attempted to identify which guiding principles would provide MNEs with an effective global HR function, and which HR factors would relate to the

financial effectiveness of the multinationals. Interviews were conducted of global HR directors, other line managers and CEOs working in sixty US-based multinational firms, which were all considered to be at a mature stage of global development. From the data collected, ten factors were isolated as important to the effectiveness of global HR operations. The first five would have a direct impact on the success of the organization:

- 1 Position HR function as strategic partner in global business.
- 2 Develop global leadership through developmental cross-cultural assignments.
- 3 Foster a global mindset in all employees through training and development.
- 4 Implement formal systems that improve worldwide communication.
- 5 Design and implement an international HR information system.

The second five factors relate to the HR function itself and their impact would be more indirect:

- 6 Ensure flexibility in all HR programmes and processes.
- 7 Exchange information with international HR counterparts.
- 8 Be able to express relative contribution of HR programmes to the bottom line.
- 9 Have ability to market HR services globally as source of strategic advantage.
- 10 Encourage relinquishing of domestic HR power to worldwide HR structure.

Financial performance data was used to divide the participating firms into high- and low-performing organizations. The most successful companies had global HR functions that were judged to perform better in the three areas of factors (2), (1) and (6). In the organizations that were the better financial performers, it was also found that their CEOs rated the effectiveness of global HR more highly than in the lower performers. The study also found that successful companies tend to share similar guiding principles, which may be implemented by different policies and practices that are aligned with the organizational context. This is consistent with the Becker and Gerhart (1996) view on the reconciliation of best practice and best fit. The first five

principles are also in line with the account, given above, of international HRM in Zeneca and Shell, and overall the list of ten provides an interesting agenda for the corporate Personnel function of an MNE.

4.7 Summary and Conclusions

In chapter 2 it was seen that the focus of research into MNEs has extended from the causes and consequences of internationalization to the impact of globalization. Although the significance of globalization remains an area of debate, there is a clear view in the strategy and marketing literature that there are global industries which can best be served by globally integrated firms (De Witt and Meyer 1998: 722). This shift of emphasis is reflected in the study of international HRM. Earlier writings were mainly concerned with the management of expatriates, but more recently scholars have begun to look at other aspects of management that are particularly relevant to firms adopting a global strategy.

Two conceptual themes provide a background to current discussion of the management of people in MNEs. The first is globalization itself and the challenge of organizing multinational enterprises so as to be successful in a highly competitive international context. The transnational organization of Bartlett and Ghosal (1992) is representative of the widely advocated view that MNEs need to be both global and local. The simultaneous pursuit of global competitiveness, local responsiveness and innovation through learning, has implications for HRM, for example that it encourages the development of an international management cadre, and the sharing of HRM best practice.

The second conceptual theme is the resource-based view of the firm, which has provided a theoretical basis for the main premise of HRM that people are a source of competitive advantage to the firms that employ them. Arising out of this has been an emphasis on learning in organizations, which provides a link to the learning strand of the transnational solution. International HRM scholars have been prompted to consider how human resource capability and human resource management processes

can create sustainable competitive advantage from internationally shared organizational know-how.

Boxall (1996) proposed that human resource advantage is the product of human capital advantage and human process advantage. In this chapter, this formulation was the basis for reviewing international human resource management in terms of the building of human capital and the development of processes on a cross-national basis. In general it is firm-specific know-how that is likely to be the main human capital resource that will provide sustainable advantage, and if MNEs want to promote organizational learning, they need to find effective ways to transfer knowledge across national boundaries. A number of mechanisms exist for this, although in the end attitude may be more important than procedures. One important source of organizational learning in MNEs is repatriates, but it appears that this has not been as potent as it might have been due to the poor management of expatriate assignments. In this area, and others such as management development, training and communications, effective human resource policies and practices are needed to ensure that accumulated know-how is utilized to the advantage of the company.

The international coordination of aspects of HRM may occur in any multinational, but the impact of globalization is to predict that there will be a greater degree of cross-national integration in companies with a global rather than a multidomestic strategy. In polycentric multinationals there may be some standardization of HR processes, but these are likely to be limited and ad hoc, since in general subsidiaries are managed independently within financial targets. As a result, standards of practice might vary significantly between country subsidiaries. However, for firms in global industries, it can be argued that the objectives of global efficiency and organizational learning are likely to be served by breaking down national barriers and sharing in the development of effective management practice. The literature reviewed in this chapter suggests that a number of factors shape decisions on the balance between integration and differentiation of HR policies, and clearly cultural and legal barriers prevent total uniformity even if that is desirable. Earlier research shows that in general decisions

on HR practice are strongly influenced by the local situation. However, one of the effects of globalization is likely to be an increased need for interunit linkages and subsequently more uniformity of practice. At the very least, there should be cross-national sharing, so that the global MNE can exploit its ability to look for sources of competitive advantage in all its subsidiaries as well as in the parent organization.

Two further aspects of international HRM were considered, both of which are relevant to the discussion on the impact of globalization. The first was corporate culture, which has been seen as a useful integrating mechanism in multinationals, and particularly in global firms. There are however problems with the use of culture as a control mechanism. Empirical studies in this area suggest that it is not as easy to manipulate organizational culture as some of the prescriptive literature has claimed. In addition, the theoretical case for a strong corporate culture in a multinational is weakened by the possibility that too much standardization may be a barrier to innovation. The continuing need to be locally responsive is likely to be assisted by national diversity rather than global uniformity, even if such a thing is possible. Management need to retain the dynamism of that diversity, but also need to build a commitment to shared values and practices that will be sufficient to provide a cross-national sense of coherence within the organization.

Finally, globalization could suggest new challenges for the Personnel function, in the development of global managers, the development of cross-national learning, and the development of a global but flexible approach to HR practice.

Overall, the stress in much of the literature on organizational learning provides support for the proposition that multinationals are likely to contribute to the development of international norms of human resource management, although the conflicting pressures of global convergence and international diversity mean that this is a complex issue. Whilst there is some evidence on the promulgation and sharing of best practice across national boundaries, it is fairly limited, and there is scope for

further investigation in order to clarify and extend the body of knowledge on this aspect of human resource management in multinational enterprises.

CHAPTER 5

THE RESEARCH DESIGN

The essence of research is investigation to produce explanation. This sounds a beguilingly simple concept, but in reality it involves a complex interplay of philosophy, theory, skill, knowledge, dedication and good fortune. The aim of this chapter is to present and justify the design of an empirical research project into human resource management in multinationals. In order to do this, the first part of the chapter reviews the nature of management research and the choices open to researchers in pursuing particular lines of enquiry. This provides the background for discussion of the research design, which begins by developing, from the literature review in the previous chapters, a research agenda in international HRM. A theoretical model for the research is presented, which is used as a framework for the development of a set of research questions which the subsequent investigation was designed to answer. The strategy of the study is explained, with the intention of showing how it was expected to meet the research objectives and answer the research questions so as to make a useful contribution to knowledge. The proposed approach is a multiple case study design, using semi-structured interviews as the main data collection method. There is discussion of the criteria for assessment of the findings and the composition of the set of cases, and attention is drawn to various practical issues that acted as constraints on what could be attempted and achieved. The implementation of the project is described, in order to make clear the process of data collection and interpretation.

5.1 The Purposes of Management Research

The term 'management' has the two meanings of a group of people and the activities in which they are engaged. In the latter sense, management may be regarded as all those decisions and actions that are directed at obtaining and utilizing the resources that are needed to enable the organization to achieve explicit and implicit objectives. The study of management is multidisciplinary since it draws on the insights of economics, psychology and sociology and applies these to explain organizational phenomena. The purpose of management research is to contribute to the improvement

of management by investigating issues that have a practical application to managers' problems, and by providing better understandings of management processes (Easterby-Smith et al 1991; Remenyi et al 1998). As there are a variety of organizational situations in which someone sets out to find answers to questions, Phillips and Pugh (1994) make a distinction between intelligence-gathering, which is to answer 'what' questions, and research which uses analysis and reflection to answer 'why' questions.

Since research is undertaken in order to solve problems or explain puzzling occurrences, it requires the use of a problem-solving process, in which information is collected and analysed in order to resolve an issue (Sekaran 1992; Gill and Johnson 1997). The starting point is to define the problem, which is to identify an issue that is perplexing because it is insufficiently understood. A researcher may begin with a question, or may just have an idea of the area of investigation, which then has to be refined down to one or more research questions.

Once a decision has been made to investigate a particular matter, there are a number of choices which shape the research design. Three issues in particular need to be considered, namely:

- the research *purpose*;
- the research *philosophy*;
- the research *method*.

An initial distinction that relates to the purpose is whether the research is theoretical or empirical, that is whether it is to create theory or to test theory. Theorists ponder their subject from the depth of an armchair, and construct new theories by the application of intelligence, logic and experience, to the problem. Empiricists on the other hand use experimentation and observation to generate evidence by which theory may be developed or verified. However, although these approaches are different, as Remenyi et al (1998) comment, they are also intertwined. Theory is not developed in a vacuum, so the theorist is using evidence, whilst all empirical studies should be rooted in theory. In fact both theory and evidence are essential to our understanding

of the world. Theory is essential to move from description of phenomena to explanation, and to provide a basis for generalisation. Evidence is essential to validate theory so that it can be used as a basis for building new understandings. In general, the theoretical contributions that appear in management journals are intended as agendas for subsequent empirical research by the theory's authors or others.

A threefold classification of the purposes of research, commonly used by social scientists, is found in Robson (1993), namely:

- *Exploratory* - to find out what is happening.
- *Descriptive* - to provide an accurate profile of persons, events or situations.
- *Explanatory* - to seek an explanation of a situation or problem, usually in the form of causal relationships.

A particular project may have more than one of these purposes, and indeed the distinction between them does not seem to be completely clear-cut. Both *exploratory* and *descriptive* research, assuming they are not merely information gathering, will be intended to provide data that can be used to generate or test out theory, and thus contribute to explanation. These terms could therefore be thought of as expressing a main emphasis in the purpose of the enquiry.

Another classic distinction that relates to research purposes is that between pure and applied research, which Easterby-Smith et al (1991) suggested are distinguished primarily by their outcomes. Pure research leads to theoretical developments which may or may not have direct practical applications whilst applied research is intended to solve specific organizational problems. Phillips and Pugh (1994) find this traditional categorization unhelpful for the real world of management research and have proposed instead a threefold classification. *Exploratory research* is the investigation of problems/issues about which little is known. *Testing-out research* is applying an existing theory to new situations in order to improve its generalisations. Finally *problem-solving research* is bringing a variety of theories and methods to bear on the resolution of a real-world problem. This typography is a helpful alternative to the more common one described in the previous paragraph.

In general terms all research is about increasing knowledge, but each project will have a variety of more specific objectives, including those purposes that relate to the researcher's own motives for doing the work. In considering the purpose of an investigation, Mason (1996) thinks it important that researchers ask questions about all aspects of the study including its socio-political context. Clarity of purpose is seen as helpful when determining the research methodology.

5.2 Research Philosophies

There are two main orientations or philosophies of research, which are regarded as underlying the approach that is taken to the collection and interpretation of data. The first is positivism, which is the paradigm of traditional natural science. Its premise is that the external world is an objective reality that should be understood by observation, since in the words of Comte: 'there can be no real knowledge but that which is based on observed facts' (quoted by Easterby-Smith et al 1991: 22). The observer of those facts is independent of what is observed, is objective and neutral, allowing the facts to provide causal explanations leading to generalizable truths. The scientific method, based on positivism, is a process of establishing a hypothesis which can be verified, or falsified, by evidence from an experiment or some other empirical research. In the social sciences, a positivist might use laboratory experiments to test hypotheses, but the main positivist methodology for examining real world problems is the survey of sample populations that are sufficiently large to support generalisations of human behaviour.

The alternative orientation is phenomenology (Easterby-Smith et al 1991; Remenyi et al 1998), or, more broadly, a range of approaches labelled interpretive (Gill and Johnson 1997; Robson 1993) or interpretivist (Silverman 1985; Mason 1996). The essential difference between phenomenology and positivism is the recognition in the former of the subjective. In the phenomenological paradigm, reality is socially constructed, the observer is part of and affects what is observed, and there is a more specific recognition that research, like all human activity, is driven by a variety of value-laden interests. Whilst positivism searches for causes, phenomenology is more

concerned with meaning, and the design of a study can evolve as the researcher reacts to the material that is uncovered. Whereas positivism follows a process of deduction which starts with a theory from which hypotheses are derived, interpretivist approaches also use a process of induction in which theory is constructed from the results of empirical investigation. The starting point may be an area of study or statement of the phenomena to be investigated, and what may emerge is a grounded theory, that is one that is inductively derived from the study of the phenomena it represents (Strauss and Corbin 1990). Research is more than mechanical fact-gathering, and the understanding that emerges is a product of the interaction between the researcher and the phenomenon under investigation (Turner 1981). Research methods include small scale samples and case studies since the intention is to provide qualitative richness of description. Whilst research studies can be repeated in order to build up data which may validate and support conclusions, it is not necessary that they be replicable to the same degree of rigour that is demanded by the classic scientific method. Easterby-Smith et al provide a useful comparison of the two philosophies, which is reproduced in table 5.1.

For much of this century, the research tradition in social science and in managerial research has followed a positivist orientation. However the textbooks on management research have been intent on redressing the balance, out of a belief that a phenomenological approach is needed to understand the complexities of behaviour and decision making at work (Easterby-Smith et al 1991; Gill and Johnson 1997; Remenyi et al 1998). Instead of seeing the two as mutually exclusive, there is an argument for a plurality of orientations and methods, and contemporary understandings of the reality of scientific research suggest that even in the natural sciences it is more interpretive than allowed for in the classical model. In practice, positivism and phenomenology 'are not totally different in their impact on research and in the generalisability of their findings' (Remenyi et al 1998: 35). Whatever form of research is used, there is always an element of interpretation, and researchers have to justify their findings if they are to be accepted by their peers or other stakeholders. It is helpful to be aware of the philosophical differences between the two approaches,

Table 5.1 Features of Two Research Paradigms

Easterby-Smith et al 1991: 27

	<i>Positivist paradigm</i>	<i>Phenomenological paradigm</i>
<i>Basic beliefs:</i>	<p>The world is external and objective</p> <p>Observer is independent</p> <p>Science is value-free</p>	<p>The world is socially constructed and subjective</p> <p>Observer is part of what observed</p> <p>Science is driven by human interests</p>
<i>Researcher should:</i>	<p>focus on facts</p> <p>look for causality and fundamental laws</p> <p>reduce phenomena to simplest elements</p> <p>formulate hypotheses and then test them</p>	<p>focus on meanings</p> <p>try to understand what is happening</p> <p>look at the totality of the situation</p> <p>develop ideas through induction from data</p>
<i>Preferred methods include:</i>	<p>operationalising concepts so that they can be measured</p> <p>taking large samples</p>	<p>using multiple methods to establish different views of phenomena</p> <p>small samples investigated in depth over time</p>

and most research is likely to have an orientation towards one or the other. However, by accepting that positivism and phenomenology are related rather than separate, the way is open to choosing research methods from a larger set of tools, even within one research project. Findings that are supported by a variety of different approaches are likely to be accepted as stronger.

It may also be argued that the distinction between deduction and induction is not clear cut in the practical development of theory. The concept of discovering grounded theory by induction requires that the researcher has no preconceived ideas. At an extreme, this seems to require research to start in a vacuum, which is practically

impossible and arguably not sensible. What is advocated by proponents of this approach is that there should not be too much reading of the literature before the study, and that there should be an interplay of literature research and field data analysis (Strauss and Corbin 1990). On the other side, theory deduced for testing by research may be modified by the results of the investigation. The distinction between deductive and inductive methods of theory generation is useful conceptually, but in practice research strategies may combine them (Mason 1996).

5.3 Research Strategy and Methods

Robson (1993) distinguishes between research strategy and research tactics or methods of investigation. He discusses the characteristics of three main strategies, *experiments*, *surveys*, and *case studies*, which can be used singly or in combination. Each strategy has its strengths and weaknesses, and strategy selection is essentially based upon what is most appropriate in order to answer the research questions and meet the research purposes. It is also necessary to decide on the method for collecting the information that is required to test the hypothesis or answer the questions.

Easterby-Smith et al (1991) discuss ways of gathering and interpreting data under the headings of quantitative methods and qualitative methods. They point out that the distinction between the two is not clear cut, and some research tools can be used for either. However, one characteristic of a quantitative method is that the collection of data is separated from its analysis, with the latter normally involving statistical techniques. Qualitative research is more varied, may involve an intermingling of data generation and interpretation, and is associated with an interpretivist research philosophy. Remenyi et al (1998) relate fourteen research methods or tactics to the two philosophical orientations, and conclude that although some methods are more suited to one type of research, most can be used in either positivistic or phenomenological research. Remenyi et al also draw attention to the distinction between a longitudinal study in which the same phenomena are studied over a period of time, and cross-sectional studies which are snapshots of a particular moment. Longitudinal research usually focuses on a small sample, possibly only one

organization, but it enables change to be observed, and can provide insights that do not emerge from the more common cross-sectional studies.

The unit of analysis is one of the key issues in designing management research. It relates to the research purpose and orientation and affects decisions on method. The level of analysis can be individuals, work groups or occupations, single organizations, industry sectors, organizations in one country, or organizations worldwide. Depending on the purpose, the unit of analysis may range from a single situation providing the setting for a case study investigation, to a large sample providing data that can be statistically analysed to explain variance and causal relationships. Other issues that have to be resolved are whether the researcher is independent or involved, whether the research is to generate or test theory, whether the design is experimental or through fieldwork and whether the intention is to verify or falsify a hypothesis (Easterby-Smith et al 1991).

The last point relates to the acceptance by others of the outcome of research. Researchers need to be concerned with validity, reliability and possibly generalisability. In the positivist paradigm, validity concerns whether a research instrument measures what it claims to measure, reliability concerns whether there will be consistency of results when the same measurement instrument is used on different occasions, and generalisability concerns whether the results are applicable to other situations. Easterby-Smith et al note a certain reluctance to apply these concepts to phenomenological research since to do so might imply acceptance of a positivist viewpoint. However they suggest the ideas of validity and reliability can provide a useful discipline. Robson (1993) believes there is a strong case for reports of qualitative studies to provide sufficient information on procedure to facilitate replication, and Mason (1996) stresses the importance of ensuring that qualitative research is systematically and rigorously conducted.

One accepted way of validating the trustworthiness of data collected by qualitative methods is to use triangulation (Robson 1993). This is the process of obtaining

information on the same question or issue either by two or more methods, or from several informants. If the sources agree, the acceptability of the result is increased. However, Mason (1996), whilst advocating multiple methods in research design, is cautious about relying too much on triangulation to corroborate data that is likely to vary because it is the result of interpretation. Instead, she thinks that qualitative researchers have to explain fully how and why they reached their conclusions, in order to convince others of their validity. Whatever approach is taken, the overall aim must be that the results of the research are credible and stand up to external scrutiny.

In summary, the techniques and approaches used for management research are those of the social sciences. Whilst laboratory experiments can be used for investigating some aspects of individual and group behaviour, most management research takes place in the real world. Researchers face a number of choices in designing a research project, and by being open to the possibilities of the full range of quantitative and qualitative methods, can select an approach that is best suited to the purpose of the investigation and their own capabilities.

5.4 A Research Agenda

The following sets out the research process for the project which is being presented in this thesis.

- 1 Initially define research problem or issue.
- 2 Collect and review data from literature.
- 3 Establish theoretical framework and research questions.
- 5 Decide research strategy and data collection method(s).
- 6 Collect and analyse research data.
- 7 Present findings and recommendations.

The initial issue for research which was outlined in section 1.1, was that multinationals are potentially important contributors to the development of internationally understood norms of best practice in human resource management. The first stage in investigating this issue was to conduct a review of the relevant

literature on the development of multinational enterprises, on human resource management, and on HRM practices in multinationals. In this section a number of issues are identified from the literature which are relevant to the research proposition, and are where further research might build on or add to the existing work.

The first issue of importance is the effect that globalization is said to be having on the organization of multinational enterprises. It emerges from the literature that multinational enterprises use different organizational structures and control mechanisms to govern relationships between the parent company and subsidiaries. However, it is suggested that multinationals of different national origins and in different sectors, are now all facing an increasingly competitive and fast changing international environment, in which they are under pressure to raise quality standards, reduce costs and respond flexibly to customer requirements. As a result, many multinational firms are restructuring to create integrated global organizations, within which they can achieve global efficiency and yet be locally responsive to customers, a duality described by Ohmae (1994) as global localization.

Bartlett and Ghosal (1991) suggested that to be successful in the future, MNEs would have to pursue simultaneously global efficiency, local responsiveness and worldwide learning, which they called the transnational solution. They described the transnational organization as having the structure of an integrated network in which power is diffused, and this is in contrast to what they called the 'global organization' which operates as a centralised hub in which power is hierarchical. Edwards et al (1996) have discussed the conditions that may permit transnationality to emerge, illustrating some of the issues through two case studies. Their case studies showed the complexity of parent-subsidiary relationships and they discussed why there were differences between multinationals pursuing similar strategies of international expansion. They concluded that more research is needed to understand 'the different routes towards globalization which are currently being pursued and the implications for human resource policy and practice'. This suggests that research should investigate a variety of company situations in order to explore the causes of

similarities and differences. One of the two cases described by Edwards et al was closer to the transnational organization model than the other, which raises the question of which is more typical of UK firms.

The impact of globalization is still regarded as a controversial area, and further research into the international strategies and structures of MNEs in a variety of industries would confirm the generalizability of the theories that have been offered, and continue to bring fresh insights into how multinationals are responding to the changing environment.

One attempt to present a model of the impact of globalization on human resource management was made by Adler and Ghadar (1990). They suggested that as firms moved from a multidomestic to a global orientation, the emphasis in international human resource management changed from the management of expatriate assignments to the development of international managers who share organizational values, and then to the creation of an environment of continuous learning. The accounts in the Edwards et al case studies, and those cited earlier from Torrington (1994), are consistent with this theory. Kamoche (1997) explored how a process of systematic learning could enhance organizational effectiveness in an international context, and raised a number of issues for research into knowledge creation and learning in multinational firms. The recent literature on strategic human resource management has also stressed the value of organizational learning, and knowledge-transfer is one of the characteristics of the transnational organization.

This is therefore an important area where new research can build on what has gone before. In relation to the development of international management, there are questions on the mechanics of the process, but perhaps the more interesting issue for study is the extent to which they are directed at sharing organizational values, for example by consciously developing an international perspective in all managers. Organizational learning is a wider issue, involving technical as well as managerial matters, and linked to processes of problem solving. Here also, further research could

provide evidence of whether this has the importance in firms that the theorists suggest it should, and how cross-national learning is being fostered. As more firms are studied, it will become clearer whether the exemplar case studies that have been published are the norm or the exception. Further research might also clarify the extent to which 'hierarchical' and 'network' global firms follow different approaches to learning.

A key issue in terms of the initial research proposition is the importance and transferability of human resource management practices. It was argued from the literature on the resource-based view, that organizations can achieve competitive advantage from human resources through the right combination of human resource capabilities and human resource practices. The model of strategic HRM developed by Taylor et al (1996), is relevant to this issue since it concerns the determinants of the degree of similarity between the HR systems of MNE parent organizations and subsidiaries. Their propositions could usefully be tested by further investigation, which might examine whether MNEs systematically assess human resource advantages that might be available in different locations, what managers in MNEs say are the reasons why particular policies are similar or different, and the extent to which head offices differentiate their treatment of different subsidiaries and different employee groups.

Other authors have addressed the issue of the extent to which HR policies and practices in MNEs are integrated or differentiated. The findings of several studies (Rosenzweig and Nohria 1994; Guest and Hoque 1996; Monks 1996) suggest that the tendency is to adopt a local rather than a centralised approach. Nevertheless the accounts do show that there is some inter-unit sharing, and the greater integration of operations brought about by globalization might be expected to increase pressures for similarities in HR policies. It would be expected that there would be differences between multidomestic and global firms in the extent of policy integration, and an area for study could be the effect that changing to a global strategy has on HR policies development. Research could establish more clearly the circumstances under which

global HR policies are developed, and whether they are generally at the level of principle, with scope for national variation in the application of policy. A complementary issue is *how* policies are developed, for example whether they originate in corporate offices or are the result of transnational sharing, and whether there is always sufficient trust across national boundaries to support the sharing of best practice. National culture and employment laws are part of the forces of national diversity, and it would be useful to have more understanding of the extent to which those who are developing common approaches find these national factors are a barrier. Taylor et al thought that degree of closeness of culture and legal system would be a factor, but overcoming differences may equally be a matter of the commitment of organizational members to finding common ground. These are the kind of questions that further research might help to resolve.

The international aspects of HRM which have been raised, impact on the role of the Personnel specialist in the multinational. Stroh and Caliguiri (1998) presented some evidence of what the strategic role might be in the corporate office, and the case study of Zeneca by Carr (1994) illustrated the international role in a company that was considered as transnational. Monks' case studies of MNEs in Ireland showed that Personnel managers in subsidiaries could influence corporate as well as local policy. Generally however, there has been little research specifically directed at the impact of globalization on the Personnel function.

As has been seen, the literature on both globalization and HRM highlight the importance of learning and innovation in creating sustainable competitive advantage in multinationals. If this process of cross-national learning is becoming a reality, then this provides a good basis for arguing that MNEs are contributing to the worldwide trading of ideas and experiences and hence to the development of international norms of management practice. However this question does not appear to have been directly addressed in earlier research, and might therefore be part of a new investigation of HRM in multinational enterprises. The literature review on human resource management explored the question of whether there is a set of HR practices that are

universally promoters of high performance, and some writers have suggested that the commitment system of HRM could be regarded as generalizable across industries and cultures. The distinction made by Becker and Gerhart (1996) between *guiding principles*, *policy alternatives* and *practice process* may be significant here since it creates a framework in which both global convergence and national differences are possible. Research into the similarities and differences of HR policies in the subsidiaries of MNEs would increase understanding of international HRM, and be complementary to the more extensive country comparisons literature.

The review of the literature has shown that there is a growing body of theory and research in international human resource management. However, it is arguable that the amount of empirical research is still limited, and, like much management research, is dominated by North American studies. If that view is accepted, it would suggest that there is a place for further testing of existing theories as well as exploration in new directions. In order to have a more complete understanding of *international* HRM, there is a need to generate a wide variety of data that is representative of different industries and different countries. It can also be argued that, since the context of international management is continually changing, there is an equal need for regular reinvestigation of previous findings, so that understandings of what is happening in multinational enterprises is kept up-to-date.

The field of international HRM may be likened to a large oil painting which is in the course of development. An outline has been sketched on the canvas, which is being gradually coloured in, sometimes with revisions as the artist has fresh insights into the subject matter of the work. At this stage there is a fairly full outline, and there has been some experimentation with colour, but much more detailed work is needed to provide the full picture. Tentative theories need to be tested and new ones developed, and there is scope for duplication in other situations of investigations that have been confined to one country or industry. A reliable picture will only begin to emerge as studies are done of multinationals from different countries, in different industries, at different stages of internationalization, and pursuing different strategies.

5.5 A Theoretical Framework for the Research Study

As a result of the literature review, it is felt that the initial research proposition should be expanded to include a number of other issues that relate to the impact of globalization on human resource management in MNEs. It is intended in this section to build a theoretical framework that suggests a causal chain from the changing competitive environment of MNEs through to the development of international understandings of HRM best practice. The framework is shown in Fig 5.1.

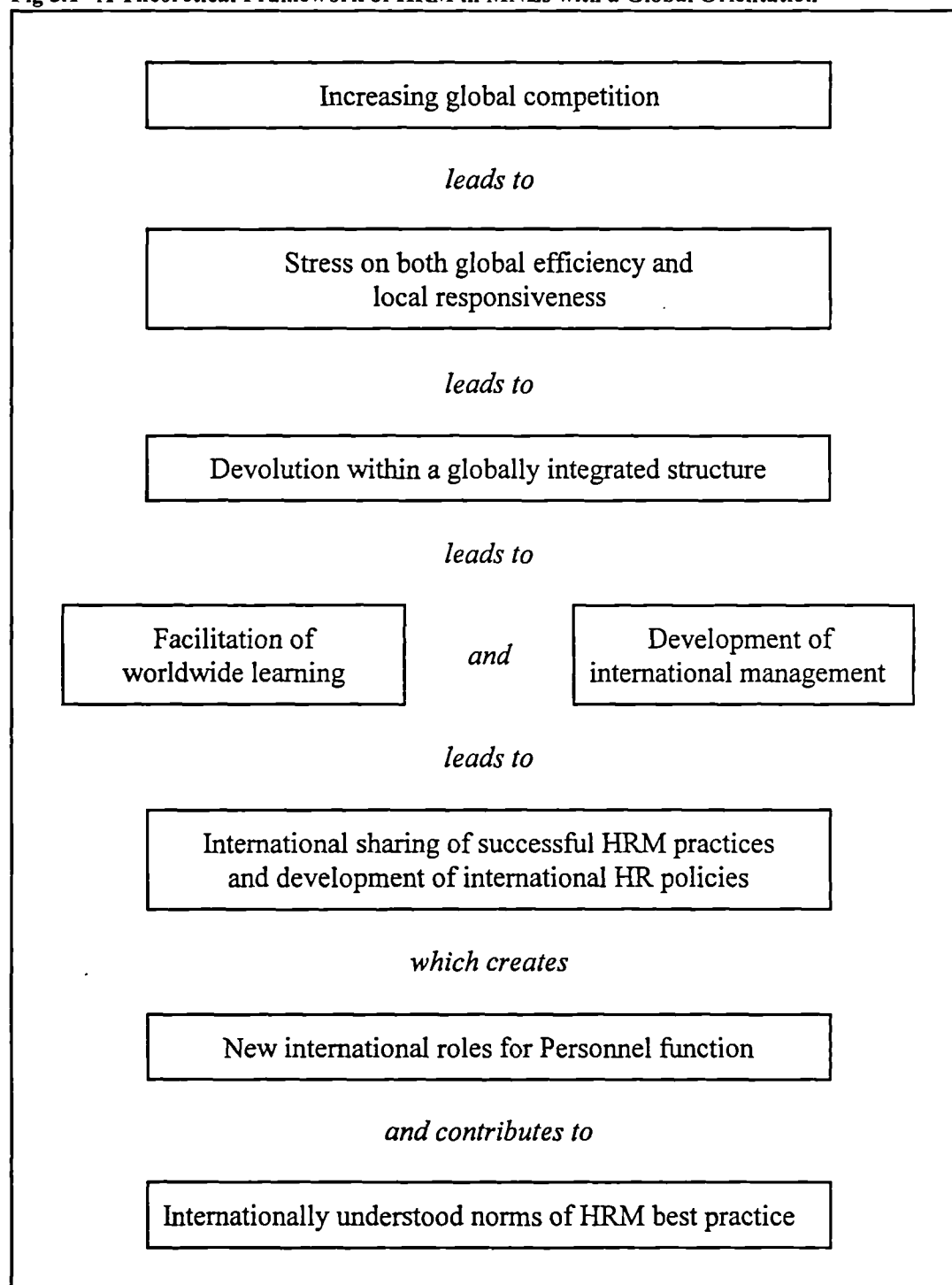
The starting point of the causal chain is the changing competitive environment. The argument from the literature is that as a result of changes to the world economy, multinational enterprises face increasing global competition which they are meeting by looking for improvements in both efficiency and quality. Changes in transport and communications have enabled firms to integrate activities across national boundaries in pursuit of global efficiency, whilst at the same time other changes in technology are enabling them to be operationally flexible in their response to customers. To be successful, it has been argued, MNEs have to learn to be both globally efficient and locally responsive. A consequence of this will be the creation of complex organizational structures, which combine global integration and devolution to business and country units who are close to the customers.

The pursuit of efficiency and the need to sustain worldwide capability is likely to lead to a stronger emphasis on sharing of successful practice, particularly new and innovative ideas, as part of the process of facilitating worldwide organizational learning. Globally integrated structures are also likely to require an international approach to manager selection and development, which will help create and sustain global mindsets, and foster shared responsibility for the success of the whole enterprise. The aim would be the development of international management, that is people in all units with a shared understanding of organizational values and practices. A natural response to global competition is to take a worldwide approach to identifying and securing management capability.

Personnel managers from head offices and subsidiaries exchanging information and views on best practice, and in the creation of international HR policies in areas which are regarded as important for the achievement of corporate objectives. Internally this should provide international roles for the Personnel function in global firms that would not be needed in multidomestic firms. However, the sharing of ideas within MNEs with a global strategy, is also likely to have a wider impact. The Personnel practitioners interact with their national environment as well as with one another, and this becomes part of the process whereby multinationals contribute to the development of internationally understood norms of best practice.

Globalization, then, is likely to result in a convergence of human resource management both through the development of international policies and the sharing of successful practice in multinational enterprises. However, employment policies have to take account of the differences of national context, particularly in relation to societal culture and employment law, so there will inevitably be a global/local balance to be found. This may mean distinguishing between global principle and local practice, or may mean that similarity is more likely in some policy areas than others, or in relation to some groups of staff rather than others.

Fig 5.1 A Theoretical Framework of HRM in MNEs with a Global Orientation



5.6 Research Questions

The theoretical framework shows the causal links in the argument which has been drawn from the literature on multinational enterprises. The next stage in developing a research design is to establish the research questions which will provide the basis for determining the data to be collected.

The central issue for investigation is the development of common norms of HR practice in multinational enterprises, and it is postulated that this is more likely to occur in firms with a global rather than a multidomestic strategy. The starting point is therefore to confirm whether as a result of the competitive environment, both established and new multinationals are tending to adopt or move towards a global rather than a multidomestic strategy.

Question 1

Are MNEs responding to an increasingly competitive environment by adopting a more global orientation in their strategy and operations?

If management in MNEs are pursuing both global efficiency and local responsiveness, this should be reflected in structural forms that assign responsibility for both, and ensure that customers' needs are met. This issue has been discussed in the literature (Bartlett and Ghosal 1991; Humes 1993), and it would be useful to establish whether there is a convergence of structural forms, by exploring how global integration and local responsiveness are being reconciled in global firms.

Question 2

Are MNEs with a global strategy structuring their operations to achieve cross-national integration and local responsiveness, and how is this being done?

A global strategy and a more globally integrated structure are expected to lead to a strong focus on cross-national organizational learning, and the literature has identified a number of measures that can be used to support that objective. It will be useful to build our understanding of how the processes of knowledge transfer are working, to see if there are differences between different types of MNE, and as a result to see the extent to which the transnational ideal of a sharing network is being adopted.

Question 3

Are MNEs promoting diffusion of knowledge and consistency of practice across national boundaries, and how is this being done?

It has been argued that in a complex global-local structure, the shared values of a corporate culture will be a main mechanism of coordination and control (Ohmae 1994). Movement from multidomestic to global may also promote the development of an international management group who share organizational values (Adler and Ghadar 1990), which is likely to mean more TCNs in senior positions, although developing a global perspective among all managers need not mean large numbers on lengthy expatriate assignments (Edwards et al 1996). One of the issues of interest is whether MNEs generally see the need to develop an international culture.

Question 4

Are MNEs building international management groups with shared values, and how is this being done?

If global firms are leveraging organizational know-how, and especially innovative ways of solving what may be common problems in different units, is this restricted to product and technological issues, or does it also apply to management practice, including HRM? If so, is the way that information is exchanged different in different kinds of MNEs, and is there a greater sharing of information on successful practice in global firms than in multidomestic firms?

Question 5

Are MNEs identifying and promoting successful human resource management practice within the organization, and how is this being done?

The integration of operations across national borders, the need to encourage intra organizational learning, the coordination of international appointments, and greater sharing of successful practices, could all lead to the development of international HR policies, that are common across units. Given the constraints of country differences, this might be expected to be at the level of principle or design philosophy (Teagarden and Von Glinow 1997) rather than detailed practice, and to cover those aspects of employment that are most relevant to corporate strategy and philosophy. The literature suggests that HR policies are generally related to local rather than global

norms. Nevertheless there have always been some exported policies, and it would be consistent with globalization if more MNEs worked on developing integrated policies. The issues to understand are whether international policies are being developed, the criteria that determine which policies are international, and the processes used to develop international policies.

Question 6

Are MNEs developing international HRM policies and how is this being done?

These developments in international human resource management in global companies are likely to have an impact on the role of the corporate functional manager, both in relation to HR strategy, and the need for efficient management of the international HR processes. Both Carr (1994) and Stroh and Caliguiri (1998) provide checklists of actions that could be taken by a head office Personnel function to enhance the effectiveness of the function world-wide. The discussions in the literature on the management of the transnational (Bartlett and Ghosal 1991; Humes 1993) suggests that global MNEs will have a corporate functional manager for Personnel with a responsibility for the quality of its overall contribution.

Question 7

How is globalization affecting the role of the corporate Personnel function?

The final link in the theoretical framework is that the greater communication and sharing of ideas in global MNEs will over time contribute to the development of internationally understood norms of HR practice. However, it is possible that irrespective of whether the intention in an MNE is to develop integrative policies, there may be similarities in the employment systems of the subsidiaries of an MNE because of the characteristics of the industry technology, or as a result of more general global trends towards convergence of thinking on what constitutes best management practice. Some HRM scholars believe that high commitment HRM has a universal applicability.

Question 8

Is there any evidence of internationally converging norms of good practice in human resource management?

The research questions relate to the theoretical framework, but are not limited to testing the causal links. Instead they are directed at understanding how the processes which the framework suggests will occur, are actually working. These research questions may be regarded as the opening or main questions which would have to be supplemented by others in order fully to explore the eight issues. They do not cover every point raised in section 5.1, but are intended to provide a framework for a coherent investigation into human resource management in the context of a globalizing world. In general, the expectation is that there will be differences between global and multidomestic firms, and the research design would need to include sufficient variety of types of MNE to see if that underlying belief is justified.

Having developed this framework, the next stage of the research process is to decide the research strategy and data collection method(s) to be used to answer the research questions.

5.7 The Research Strategy

Research design is a matter of determining how to collect the information needed to answer the research questions. This requires consideration of the type and possible sources of the information, to help decide the most appropriate strategy and method(s). In this project, it was necessary to collect data on issues of strategy, policy and management practice in multinational enterprises. Some information might be available in published documents, but it would be limited, and the researcher would have no influence on what was included. The best approach was likely to be obtaining information directly from senior managers in a sample of MNEs, through a procedure that would enable the data collected to be related to the research questions. The research strategy was therefore initially seen as a choice between a quantitative survey of a large sample of MNEs, and a qualitative investigation of a smaller number of organizations.

The initial literature review had revealed a number of theoretical and empirical studies into the management of MNEs, and there was sufficient theory to generate hypotheses

that could be tested through a questionnaire based survey. A quantitative survey would provide data that could be analysed to show causal connections between variables, although this would not necessarily explain the connections or provide an understanding of the motivations behind management decisions. However, in the end, it was felt there were compelling reasons for a more qualitative approach.

In considering the state of knowledge on international HRM, and the kind of research questions that were developed, it was felt that the aim of this investigation was not to prove causal connections, but to be able to explain the strategy and policy decisions that are being made in multinational enterprises. The research was into 'why' and 'how' policies were being developed and implemented, and this was likely to require investigation into the informal as well as the formal aspects of organizational life. Given this view of the situation, it was felt that the appropriate strategy would be a multiple case study, using face-to-face interviews as the main data collection method, rather than a (quantitative) survey.

The case study is a well-established strategy for conducting research into organizations and their management. According to Robson the central idea of the case study strategy is that 'the case is studied in its own right, not as a sample from a population', and it is this which distinguishes the case study from the survey. He summarises the case study strategy as:

doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence.

Robson (1993: 5)

According to Yin (1994), case study research has sometimes been treated as synonymous with participant-observation, whereas it should be regarded as a comprehensive research strategy that is not limited to one type of fieldwork. Yin contrasts the case study method, which sets out to give wide coverage to contextual conditions, with surveys, which generally limit the contextual elements as part of the process of limiting the number of variables to be analysed. He suggests that the case

study method might be preferred when the full study of context is highly pertinent to the investigation, and when it is difficult to distinguish phenomenon and context. He also suggests that the case study inquiry benefits from the prior development of theoretical propositions to guide data collection and analysis. Similar points are made by Hartley (1994) who describes case study research as analysing the phenomenon in its context, and who also stresses the need for a theoretical framework, arguing that without one, case studies degenerate into stories that provide description without wider meaning.

Case study design can be single or multiple case. Yin suggests that multiple case studies should be conceived of as multiple replications of the same investigation rather than as a set of responses within an investigation, such as is required in a survey. The number and types of cases in a multiple study are not determined by statistical sampling requirements, but every case should serve a specific purpose within the overall inquiry. Yin notes that the evidence from multiple cases is usually considered more compelling than results from a single case. However the main criterion for deciding between the two designs is what is necessary to answer the research questions.

In the case of this research project, it was felt that the most useful answers to the questions being posed would come from multiple cases that would provide varieties of response and enable comparisons to be made. The number of cases to include was arrived at through a mixture of design and practical considerations. Most research studies are intended to be completed within a planned time period, and this was no exception. There was therefore a trade-off between the number of cases and the depth to which each would be investigated. Hartley (1994) suggests a maximum of twelve cases in multiple case research. Whilst this may be a useful guide in many instances, it would be unnecessarily restrictive to regard any maximum number as a general rule. On balance it was felt that the purposes of this research would not be met by concentrating in depth on too small a number of cases, and accordingly it was planned to obtain information from between twenty and thirty companies with a spread of

national ownership. With this number of cases, the design might be considered by some to be a hybrid, rather than a pure example of case study research, but the criteria for judging the number to include was not sampling logic but that it should be sufficient to understand the processes that were under investigation (Mason 1996).

5.8 The Data Collection Method

It was decided that qualitative interviews should be the main means of data collection. A qualitative interview is an in-depth and relatively informal interview with another, which may cover a range of predetermined topics but is not completely structured (Mason 1996). This allows flexibility for the interviewer to respond to what happens in the discussion, but as a consequence it also means that if there are several interviews related to the same questions, they will not be identical. It contrasts with quantitative survey interviews, for example by market researchers, where all questions are identical and administered to a set format. A face-to-face informal interview 'provides an opportunity to probe complex issues in a relaxed atmosphere' (Remenyi et al 1998), and this method is therefore well suited to a study which seeks to understand a potentially diverse and fluid situation.

Qualitative interviews can be completely open-ended or semi-structured. In this project, it was decided that there should be a structure of questions to provide a framework that would be generally the same over a number of interviews, whilst allowing the freedom to pursue particular points as they emerged. A framework was needed to ensure that data was generated that would enable the research questions to be answered, and to allow for some comparative analysis of responses. At the same time the structure had to be sufficiently flexibility to be able to explore what was actually happening in individual situations, and so capture some of the expected complexity of the research area.

A complementary reason for using qualitative interviews in the research was that this method was better aligned with the researcher's skills and experience than a survey requiring statistical analysis. The researcher had considerable experience of semi-

structured interviewing from an earlier career in Personnel, as well as in some limited research projects since joining the staff of Salford University. Previous work experience was in multinationals, and it was expected that this would give the researcher credibility in the eyes of informants, would help to foster dialogue with them, and would contribute to understanding of comments as they were made.

Since the investigation was into human resource management, it was decided to interview senior personnel executives of multinational enterprises with a major operating unit in the north west of England, with the option of interviewing other senior managers if the personnel executive was not in a position to provide information on international strategies and structure. The geographic constraint was partly a matter of cost, but was also to work within an area where existing contacts might make access easier to negotiate. Marginson (1994) suggested that Britain is a good place to study multinational firms, both because many foreign companies have operating subsidiaries here and because a significant proportion of employment in UK companies is located abroad. It was not expected that it would be difficult to find a good selection of multinational cases even within the confines of a UK region.

An established part of case study design that contributes to the validity of the results is to use multiple sources of evidence. In order to provide cross-verification of at least some of the data in this study, it was proposed to collect company documents that related to the issues, and particularly those that explained strategy, structure, size and performance. Data on size and financial performance provided by informants could also be checked against company information in other published surveys. The researcher would be visiting the premises of participants, which would provide a limited opportunity for observation of some artifacts and behaviour that might be regarded as part of organizational culture. The number of organizations involved was also intended to counter bias that might come from using single informants, and one of the reasons for using multiple cases was to support the generalisation of the findings.

5.9 Data Requirements and Criteria for Assessment

The validity of a case study is enhanced by considering at the design stage, how the data to be collected will link to the research questions, and the criteria that will be used to interpret the findings (Yin 1994). The research method is interpretive, but the researcher needs to have some idea of what to look for and what is significant. In this section it is proposed to discuss the data required, and the criteria by which it might be assessed.

Since the plan for this study was to collect information from a number of MNEs, it would be useful to collect data on items that might differentiate participants and could theoretically cause variance in the results. These would need to be referred to in making comparisons, and taken account of in discussions of the findings. The dimensions that might be important variables are:

- country of origin.
- length of experience as a foreign investor.
- number of countries in which the firm employs people.
- size by sales turnover and number of employees.
- industry sector and type of customers.
- competitive strategy ie what gives the firm competitive advantage.
- if a foreign investor in UK, date and method of entry.

A key issue in the research is whether a firm should be classified as multidomestic or centralised global or networked global/ transnational. This is significant since it is expected that the answers to the research questions will vary depending on the classification. In order to classify MNEs in this way, data should be obtained on a number of relevant measures. Is there a strategy for international growth that is taking the organization into all possible markets? Are those markets seen as global or multidomestic? Is the structure a centralised hub, a federation or a network? Is there a global/regional strategic planning process? What role is assigned to subsidiaries and are they controlled primarily by expatriates in top positions, financial targets, an integrated strategy or cultural norms? Are marketing, production, purchasing or

research integrated across national boundaries? Is the flow of communication one-way or multidirectional?

Information should be sought on whether any of these items are changing in order to assess if firms are moving from one category to another. This is a general point that relates to all the research questions. It is assumed that there will be differences between MNEs depending, broadly, on whether they are multidomestic or global, and whether decision-making is centralised or diffused. It is also assumed that MNEs may be in transit, moving from one category to another, and therefore in a state of flux. This needs to be confirmed through the investigation, and assessments made of the direction and impact of change. In order to understand the phenomenon in context, questions need to be asked about the drivers of change and why particular strategies or policies are being adopted.

Research questions 1 and 2 are about the reasons for, and effects of, adopting a more global orientation. Information is needed to confirm if global firms are trying to be both global and local, and how they think this can be achieved. Is there a matrix structure, and are businesses or countries seen as more important? It would be relevant to look at whether strategic decisions in the main functional areas are made at global, regional or local level. It would be useful to establish how relationships are perceived, if possible by obtaining copies of organization charts or official explanations of the structure, and hearing the views of managers. Firms could be compared to see if there are links between structure and national origin, or length of international experience, or market characteristics or strategy.

The issue of creating an international management group (question 3) is also an aspect of structure in MNEs. Answering the research question requires information on management appointments, and where they are dealt with, on management training and on the planning of succession. Linked to this would be whether senior management in subsidiaries were PCNs, HCNs or TCNs, and also the national composition of the top corporate team. What would be assessed is whether the more

global firms were building a defined international management resource, and how this process is being managed. To establish if it is intended to develop shared values in this group, data would be needed on espoused values, and how these are communicated. It would also be important to understand the extent to which corporate culture is in practice recognised and regarded as important.

The existence of corporate management training programmes might be one measure of cross-national learning, but to deal with research question 4, information needs to be sought on all forms of communication and their significance within the organization. It would be important to understand if knowledge flows are primarily one-way or if there is genuine interchange, and a method for achieving this would be to ask for examples. The question refers generically to MNEs, but it is expected that global firms would be placing greater emphasis on knowledge transfer than would be found in multidomestic firms, and that would need to be assessed. Indeed data on this issue would contribute to judging whether a firm could be regarded as a transnational.

Research questions 5 and 6 cover the related issues of the cross-national sharing of HRM practice and the development of international policies. Information would be needed about the links between the Personnel functions in different country units, and perceptions of the effect national differences have on cross-national dialogue. One sub-issue to consider is whether knowledge transfer in Personnel is only likely to occur if it is happening in other functional areas. Useful evidence would be what formal and informal processes exist for sharing, and any examples of practices that were successful in one country and have been applied elsewhere.

The formulation of international policies implies something stronger than sharing practices. Firms could be assessed on whether policies are generally exported, adapted from local norms, or cross-nationally integrated, and their responses related to other measures of parent-subsidiary relationships. The more detailed evidence to be sought would be what policies are international, and why international policies have been developed in particular areas. The evidence should include examples, to assess

whether they are principles, or more detailed prescriptions of practice. It would be important to obtain comment on perceived barriers to introducing common policies, and on how international policies are monitored.

Data collected in relation to earlier questions will provide evidence of the role of the corporate Personnel function, which is the issue raised by research question 7. Information should be sought on how Personnel contribute to international strategy, how the Personnel functions in subsidiaries relate to the head office function, and what kind of control is exercised. By comparing the role and actions of the corporate function in different types of MNE, and by asking about change, it should be possible to assess what impact globalization is making on Personnel in MNEs.

Answering the final research question requires evidence of HR policies in different national subsidiaries. One point at issue is whether similar HR policies or practices are developing in the different country units of MNEs because of global convergence of ideas of best practice, perhaps built around the commitment model of HRM. What is needed here is evidence on the policies that operate in different national subsidiaries, and the factors that influence policy choices. A way of measuring this would be to take a selected set of HR policy areas, and to ask how the policy in the UK compares with the policy in the company's units in other countries.

5.10 The Selection of Cases

The earlier section on research strategy referred to the selection of cases in a multiple case design, and made the point that the basis for deciding the number and type of situations to include was not based on sampling logic. In a quantitative survey the sample is statistically representative of a population, whereas in a multiple case study the purpose is to see if results are replicated in the different cases, and are thus supportive of the underlying theory. If there is variation in the results, this may support the theory if it can be explained, perhaps by reference to contextual differences, or may suggest that the theory should be modified. The selection of any case should be for a purpose, and should add to the validity of the findings. In the

analysis, each case can stand in its own right, as well as providing a basis for comparisons and cross-case conclusions.

Since the design conception did not require a statistically representative sample, it was not necessary to specify in advance the exact size and composition of the survey group, so that this could be adjusted in response to preliminary analysis of data. There was however one general consideration that governed case selection in this research, and that was to have a mix of cases in terms of national origin, size and experience of international operations. Since there was an intention to draw comparisons, and to argue that the number of cases might contribute to the validity of any findings, it was important to try and minimise bias. As the research proceeded, the aim was to balance the British, other European, American and Japanese participants. This was largely successful, except that there were fewer Japanese firms than would be ideal. The European group originated in six different countries, but was biased to Northern Europe.

The literature revealed differences of view about the influence of country of origin on structure and management practice, but it was a factor that might affect the results of this research. It was felt that the way to deal with this was to take account of the possibility when analysing and discussing the results. The first discussion of the results is more centred on individual cases, and deals with the firms in geographic groups, thus minimising country bias. A later discussion makes comparisons using the whole set, and in this part of the analysis, it would be important for the researcher to be aware of the effect of country differences, and draw attention to this where appropriate. In the discussion the cases are coded by geographic region in recognition that that might be a significant variable.

Another important aspect of the set was that it included both UK firms, where informants would represent a head office view, and foreign investors where the UK operation would be a subsidiary reporting to a corporate office elsewhere. It would be pertinent to consider how this might affect the responses. Senior managers in a

head office might want to present the best image to the outside world, and where they had responsibility for HR activities in subsidiaries, to play down problems with implementation of corporate initiatives. There might be interesting comparisons between head office and subsidiary managers on the perceptions of corporate control, the encouragement of cross-national sharing and the interpretation of national differences. What corporate managers regard as guidance might be seen by managers in subsidiaries as expectation or command. In Hofstede's research on national culture, the UK is low on both uncertainty avoidance and power distance, which suggests a tendency to rely on informal relationships rather than formal rules as the means of influencing others (characterised by Hofstede (1994: 141) as a village market organization type). This may affect how UK corporate managers deal with subsidiaries, and how the UK managers of subsidiaries react to control mechanisms that are characteristic of different cultural values. A potential limitation of the design was that UK executives of foreign-owned firms might not be aware of policies in their own organization in other countries. This would be most likely in polycentric organizations, but was not expected to be a problem in more globally orientated enterprises.

5.11 Implementing the Research Project

The research design allowed for development during the course of the project, and it therefore seems appropriate to include a chronological account of the implementation of the fieldwork, in order to comment on its evolution. It is also intended that this will provide sufficient information on the conduct of the research to enable others to judge the robustness of the design, and to replicate the study. Reliability is inherently more difficult to establish in qualitative research than in a quantitative survey, and providing a well documented account of the implementation of a project is an aid to repetition. Although the decisions made were the responsibility of the researcher, there were discussions with colleagues about the issues and the results at various stages of the project. It should be noted that the research was being carried out on a part-time basis alongside other teaching and administrative duties that frequently constrained the speed with which the project was implemented.

Following an initial literature review, research questions were formulated and a first version of the interview guide was produced. At this stage it was intended to start the inquiry with a random set of companies, and a written request for assistance was distributed to the members of the Senior Practitioners group of the Manchester branch of the Institute of Personnel Management. It was not possible to follow up this approach, and it was perhaps not surprising that it resulted in only nine responses. However, this provided contacts leading to the conduct of a quasi pilot study of six organizations. This initial study was used to check that the issues being raised made sense to the participants, that the UK-based executives were able to answer questions about international policy and that the interviews resulted in meaningful data that could subsequently be analysed. This turned out to be the case, and further investigations were made using basically the same structure. Some of the prompt questions were modified as a result of the experience of conducting interviews, and the process of reviewing the interview guide subsequently continued through the project.

Questions were organized to cover the following topics.

- The worldwide structure.

- Products and business activities.

- Sales turnover and numbers employed.

- Strategy and sources of competitive advantage.

- Control of subsidiaries.

- The extent of cross-national integration of marketing or sales.

- The extent of cross-national integration of purchasing.

- The extent of cross-national integration of manufacturing output.

- The extent of cross-national integration of quality or operating standards.

- The involvement of subsidiaries in research or product development.

- Senior management appointments in subsidiaries.

- International management development and succession planning.

- Cross-national communication and networking.

- Mission statement and organizational culture.

- Cross-national links of Personnel function.

Influences on UK HR policies.

Scope and purpose of any international human resource policies.

Problems in introducing international policies.

HR policies and practices in the UK compared with units in other countries.

These topics fell into three main areas. The first concerned strategy and structure, and the purpose was to locate the organization within an internationalization framework, and to explore the extent to which strategic decisions in the main management functional areas were made by country, region or on a global basis. The second area concerned the internationalization of management, including planning of succession, management development and the coordination and communication of ideas on good practice across national boundaries. The final area concerned human resource policies, investigating similarities and differences of policies in different subsidiaries, identifying areas where there were international corporate guidelines on policies and exploring if, and how, there was central influence on the personnel function.

It was noticed that the companies represented in the initial group were all manufacturers either in an engineering or a chemical processing sector, which was probably a reflection of the industrial composition of the region. It was decided to limit further participants to those two broad industry categories. It was felt that restricting the study to manufacturing industries would help to focus the analysis, whilst naturally placing some limitations on the generalisability of any conclusions.

Subsequently, potential participants were identified and approached on an individual basis. Three sources were used. Firstly the researcher used personal contacts, particularly through current and former postgraduate students. The second major source was *The Personnel Manager's Yearbook*, which provided names of companies that were both international and had an operational unit in the region. The listings in this reference book indicated country of origin, size, industry sector and the name of the senior Personnel executive. The third source was the membership list of Campus, an organization of companies giving support to the University of Salford. The

procedure was to write to a named individual, giving information on the purpose of the project, inviting participation and outlining what would be required. This was followed up by telephone to discuss the request, and if the outcome was favourable, to agree an interview date. This was confirmed by a further letter, which included details of documents that were requested and an outline of the interview topics. Interviews were tape recorded, and subsequently transcribed to a standard form, together with data obtained from documentary sources. A summary of the information was subsequently sent to participants, which provided an opportunity for them to comment on any factual inaccuracy. There was the need to recognise that some information might be provided on the basis that it was confidential, and participants were informed that any general reporting of the results would disguise the identity of the companies.

The companies were not all approached at one time. This was partly because as the study was part-time, the interviews were spread out over more than three years, but it was also to enable the selection to become more specific as the number of cases built up. The cases were selected on the basis of their expected contribution to the whole investigation, but it is, of course, not always possible to know in advance exactly what will come from a particular case. Regular reviewing of the data that was accumulating meant that discussions could be channelled towards particular issues in order to build up a complete picture. The fieldwork was terminated when it was felt that there was sufficient information from enough cases to provide credible answers to the research questions.

The research process was therefore generally in line with the planned design. The aim was for the interviews to be discussion with a purpose, with the interview guide providing a prompt for raising the issues. The researcher sometimes commented on answers, and often followed a different path through the issues in response to the way questions were answered. Since there was generally an agreed or implicit time restraint, it was not possible in every case to cover all the issues in depth, and there were variations in what was discussed arising out of the different approaches of the

companies to the same problems. The interview variations were probably greater than had been envisaged when the fieldwork was being planned. Nevertheless, there were core questions that were always raised, and as a result a number of comparisons could be made across the whole set of cases.

Twenty-four cases were included in the investigation. A breakdown by sector and region of origin is shown in table 5.3.

Table 5.3 **Distribution of Cases by Sector and Region**

Region	Engineering Sectors	Process Sectors
America	4	3
Britain	2	5
Continental Europe	4	3
Japan	3	

In most cases the informant was the senior personnel executive at the location, but there were some exceptions. In three cases the informant was an executive with responsibility for international HRM and in three cases it was a line manager. In fifteen situations the main interview was supplemented by briefer discussions with other managers. All interviews took place at company offices, with one exception that had to be a lengthy telephone interview. The interviews provided snapshots at particular moments of time, and of course there may have been further changes to organizational structures or policies since. This need not be regarded as a problem since the cases are intended to provide a composite picture of what is happening in the real world, and can still do this even if details have changed in individual instances.

Appendix 1 gives the final version of the interview guide used in the research. Appendix 2 is a tabulated summary of results.

5.11 Summary

A research project was instigated to develop understanding of the role of multinational enterprises in developing international understandings of good practice in human resource management. Based on the literature, a theoretical framework was developed and a number of research questions were posited for investigation. Having considered the nature of the phenomena which were the subject of the proposed study, it was decided that the most appropriate research strategy would be multiple case studies, using qualitative interviews of senior executives as the primary form of data collection. An interview guide was developed, and an initial study involving six organizations was conducted to test out the data collection process. This initial study was deemed successful, and the investigation was widened to include eventually twenty-four multinational firms drawn from two broadly defined industry sectors. The results of this inquiry will be presented in the next chapter.

CHAPTER 6

THE CASE STUDIES

This chapter presents the results of the twenty-four case studies of human resource management in multinational firms. The aim is to provide clear descriptions that give some insight into human resource management aspirations and realities in a variety of organizational contexts. In the discussion, the companies are designated by a code in which the letter denotes the location of the ultimate parent. Thus, seven American companies are identified as A1 to A7. There are seven British companies, designated B1 to B7. Seven companies originating in continental Europe are designated C1 to C7, and three Japanese companies, J1 to J3. Some comments will be made firstly on the British companies, then the American, the continental Europeans and finally the Japanese. It has become an accepted practice to divide the developed world into the triad of Europe, America and the Pacific region, and this presentation conforms to this. Britain is of course part of Europe, but the British companies are treated separately since in this survey they are home country operations rather than subsidiaries. It could be argued that this is a useful separation since British management practice is often considered closer to the USA than to other parts of Europe. Within these geographic groupings, the companies are presented separately, but linked into subgroups where that seems appropriate.

MNEs are complex organizations, and this is true of all the companies participating in this study. Most of them had a divisional structure in which were located different business units. In some of the cases there was a clear regional structure as an alternative to or on top of product divisions. In some cases the divisions mapped on to market sectors that were related, whilst in others the sectors were quite distinct. The result is that there is some variation in the status of the organizational unit included in this study. In most cases the information was provided for the whole enterprise, but in some instances it is for a single division or region, and this is made clear in the presentation. There is also variation among the companies in structural terminology, and so this has generally been standardised. 'Group' or 'the parent company' is used for the overall worldwide organization; 'division' is used for a main

product-market related subsection of the organization, and 'businesses' or 'business units' are used for product/market related subsections within divisions. 'Region' carries the normal meaning of a geographic area comprising several different countries.

6.1 The UK Companies

The British companies in the study are different from the rest in that the UK is their country of origin. As a result, the descriptions of international HRM in these cases are made from the perspective of the parent company. The UK companies together illustrate the concept of internationalization as a developmental process, and the longer established of the firms are moving from a polycentric to a global structure. The order in which the companies are discussed is based upon this, starting therefore with two firms at a relatively early stage of internationalization, moving on to a group of firms who are crossing the border between polycentric and global, and ending with the companies who are most consciously orientating themselves as geocentric/global organizations.

6.1.1 The Newer Multinationals

Company B2 is an example of an organization that is at an early stage of internationalization, with less than 5% of sales turnover coming from overseas markets. Overseas operations are managed through an International Division, one of four operating divisions. International itself is managed through four businesses, two of which are joint ventures with an American partner. Within the businesses there are regional offices for business development purposes, and normally a country manager in each operating location. There is a central strategy concerning locations for expansion and a parent organized strategic planning process. However most activities are managed locally without international coordination, and subsidiaries are mainly monitored on financial performance. Senior management appointments in overseas subsidiaries are made and arranged by the parent and are mostly parent country nationals (PCNs). There are also a number of technical staff on foreign assignments, and whilst the International Division has a number of its own core people, many of the

expatriate management and technical roles are filled by staff seconded from other divisions. The main concern of the International Division's Personnel function is the employment of the expatriates, and one of its two key objectives is to enhance the company's reputation as a quality international employer. The employment conditions of locally hired staff are determined locally, although the (recently appointed) Division Personnel Director seeks to influence some policies (eg training and communication) and on request provides subsidiaries with paid HR consultancy support. The expectation is that management will become more internationally mixed as local personnel gain experience, but currently the orientation is ethnocentric, with subsidiaries quite strongly linked to the centre.

B5 is also at an early stage of internationalization and its foreign operations, all in Europe, are grouped in one division. There is a corporate strategy and planning process but marketing and product development are determined locally since customer requirements differ between countries. The main value chain activity that is coordinated across Europe is procurement. By contrast with B2, country senior managers are host country nationals (HCNs). The explanation for this is that all of the foreign operations were acquired as going concerns and the existing management teams were left in place. The formal structure is multidomestic, and as would be expected in these circumstances, subsidiaries determine their own HR policies. Despite this there is a degree of coordination of policy. The Group CEO regularly meets with the senior business managers, and functional managers have begun to meet. The parent Personnel Director monitors what is happening elsewhere, is kept informed about policy changes and seeks to influence HR policy in subsidiaries where he feels this is appropriate. There is a fair degree of information exchange, and as a result the UK and European divisions have action plans which are very similar. Whilst there is no corporate pressure to produce international policies, the UK Personnel Director thinks this will come about as the business becomes more integrated. There is little interchange of staff, but there may be more in the future, and this may lead to the development of expatriate management policies.

6.1.2 From Multidomestic to Global

Companies B6 and B3 typify polycentric organizations that are moving slowly in a geocentric direction. B6 operates in two distinct industry sectors, and this account relates to its engineering manufacturing operation which contributes about half the Group sales turnover. Over half that turnover comes from overseas, and nearly half the employees are outside the UK. Activities have been organized through subsidiaries responsible for specific regions, within which country managers have full profit responsibility for their businesses. Group senior management has controlled subsidiaries primarily against financial targets in a decentralised, multidomestic operation. However, the market environment is changing and the company is refocussing its approach from country to customer orientated business sectors. A new CEO is demonstrating more interest in the means by which targets will be achieved. As a result, international coordination of marketing, purchasing and manufacturing standards has begun. Project teams have begun to look at how to share best practice, although so far this had not been completely successful. These corporate changes were reflected in aspects of human resource management. Currently the norm is for local managers to run subsidiaries except in some developing countries where PCNs are assigned. The UK Personnel Director believes this has to change, since

we are going to need managers with experience of working internationally.

(Interview August 1997)

International links in Personnel are becoming stronger through regular meetings, although some country representatives see things from a very national viewpoint. In Europe a standard staff performance review which identifies potential, and a regional management development programme have both been introduced. The performance review scheme was accepted more enthusiastically in some subsidiaries than in others, and although none of the subsidiary Personnel executives raised national culture as an implementation problem, it may explain the different reactions. The Personnel Director explained that industrial relations had traditionally been the main personnel concern in the UK, but in the international context he felt that convergence of practice

would be in the area of staff development. Whilst B6 has started to edge towards a global perspective, at this stage, according to the Personnel Director:

We are not yet a truly international company. We are a British company with international interests.

(Interview August 1997)

B3 supplies components to companies that are themselves becoming global. It has been building its foreign investments for about ten years, locating manufacturing to be closer to international customers and emerging markets. Organization structure has changed in response to the globalization of the sector with the introduction of international product groups and the appointment of non-UK nationals to senior management roles. Most recently a corporate position has been created to coordinate international marketing across product divisions, which was to counter a complaint from customers that the Group seemed to be a collection of disconnected businesses. R&D is predominantly based in the UK, but additional facilities have now been built in the US and Germany, and the UK technology centre is intended to be the focal point for sharing best practice across the Group. Whilst operational decision making is generally decentralised, there is a framework of international control through a corporate strategy and coordinated planning process. It is in this context, that the globalization of human resources is also taking place.

An International HRM function has been established, with an objective of developing 'people who are able to think globally' (UK Head of Personnel November 1996). The policy is that wherever possible HCNs manage subsidiaries, although there are still many PCNs working in foreign locations. However the intention is for management to become truly international, with more TCN appointments from a recognised international management cadre at senior level. Already some TCNs have been promoted to the Group Management Committee. International experience is being given to younger managers, through expatriate appointments and through participation in international task forces. It is planned to recruit a small number of graduates from around the world to a global development programme, in addition to those taken on by the product divisions. Regular meetings of worldwide Personnel staff have begun

with a view to sharing best practice. The parent company is beginning to develop global policy guidelines, mainly linked to building international managers, for example staff development and transferability, an international job evaluation scheme and core competencies. However this is still at an early stage and there were problems with the proposed introduction of a worldwide appraisal scheme. This has left the UK head of Personnel cautious about the extent to which HR practices will converge in the Group.

6.1.3 Building a Global Organization

The recent history of B7 is an interesting example of a company moving from local independence to a more coordinated approach. Its international operations have grown since it first established an international division nearly thirty years ago, until today more than 40% of turnover comes from sales outside the UK, and only some 30% of employees are in the UK. In an article in the bi-annual house journal that is distributed to the group's worldwide companies, the director responsible for acquisitions wrote:

Globalization of activities has been accelerating for some time, with focus on products for the future.

(B7 House Journal August 1998)

Expansion has been achieved by a mixture of growth and acquisition, and until recently the structure of the company was a decentralised enterprise in which autonomous businesses operated with the minimum of corporate interference. Essentially the only corporate activities were concerned with common accounting, monitoring financial performance and deciding capital investment. This suited the company since markets and customers were differentiated, it was acquiring companies with varying cultures and competences and had a wide geographic spread of many comparatively small subsidiaries. Recently however, Group management had recognised that a consequence of this structural policy was variation in product quality. Some customers were international and expected common standards, and too much subsidiary independence limited opportunities for global economies. As a result a new structure was created which placed the business units into three core product-market divisions, each of which has an Executive Control Group of senior managers

who between them chair the business units. The membership of the ECGs is therefore multi-national, and corporate functions including Personnel are represented on them. The objective was to provide a more organized coordination and cross-fertilisation of experience. Alongside this structure, functional management groups now meet regularly, also with the purpose of sharing experience and bringing all parts of the company up to the best standards. In describing the organization, the Group Personnel Manager stressed that it worked through an informal network of relationships, a 'spider's web' of coordinating functions and communication.

Interestingly, the Personnel function had already taken some coordinating initiatives before the structure was changed, and the driver for this was a concern about variations in performance, for example in health and safety. In the past five years, the relationship of Group Personnel with business unit managers had moved from reactive advisory to the more proactive development of common policy guidelines. Group policies may carry the equivalent of a three, two or one line whip, with the first of these indicating that compliance is required. The corporate safety system and corporate quality procedures are examples of three liners. The regular meetings of Personnel executives from different countries are used to share experience and policy developments. One area that is now on the Group Personnel agenda is management succession planning, as it is envisaged that the company will move to a greater number of TCN appointments in the future. The business units are learning not to hide their best people, as was the tendency in the past. Alongside succession management is a corporate management development programme, aiming to specify competences that would be standard requirements for senior managers across the organization. For the first time, some transnational training had been introduced. A particular concern is what happens when new companies are acquired. Part of the role of the group head of Personnel is to check the HR policies in those cases, and consider where corporate norms need to be introduced, and:

There is a very careful balance to be maintained, particularly with acquisitions, between their autonomy and the speed with which they are integrated into some of the principles and practices of the business.

(Interview October 1998)

B7 has recognised that the biggest problem with decentralisation is parochialism, and a reluctance to share people and business experience. This led to internal differences, and frequent duplication of effort. The move to change this is pragmatic and evolving, and includes the use of internal benchmarking, the results of which are discussed by the business boards. There is an awareness of the tension between promoting best practice and business autonomy, and ultimately it is the business managers who have to achieve results.

Company B1 has had the characteristics of the multidomestic stage of internationalization, but is becoming more global, and this is reflected in the human resource area. Seventy-five percent of employees are in foreign operations. It has a narrower range of products than B3 and B7, and subsidiary companies have probably had slightly less autonomy than those in B7 since the senior management of subsidiaries have generally been PCNs. The policy was to leave subsidiaries to manage themselves with the parent company holding the purse strings, but this is changing. The objective of Group senior management is to encourage top managers around the world to accept that they have a Group as well as a local responsibility, and this aim is part of the organization's drive to improve profitability. An international succession planning process has been introduced as the foundation for developing an international cadre of managers. Regular senior management and functional meetings are held. In operations and human resource management the aim is to establish best practice on a worldwide basis. There is a suite of international human resource policy guidelines which are intended to support a performance and quality culture, and also to reinforce the need for senior managers to 'think global'. The parent company is active in promoting best practice but through shared experience and encouragement of learning, not imposing UK solutions. It is felt that there are some fundamental principles about how to get the best out of people which tend to be recognised everywhere, although cultural differences may mean that countries vary in the implementation of such principles.

6.1.4 Becoming Transnational

The globalization process is most advanced in company B4, where only 15% of employees are in the UK. The organization structure is a country/function matrix. However the emphasis on global integration comes not so much through the formal structure as through a strong emphasis on networking and the use of cross-functional teams in development work. According to one of the corporate documents on development activities:

Our future success as a business depends on our ability to work together effectively in teams, cross-functionally and internationally.
(B4 document 'People Development Support Activities')

Corporate control is maintained through this informal shared culture as well as through budgets and corporate quality and safety standards. Regular meetings and extensive use of communications media are also used to share and build good practice. In the words of the Personnel Director:

We are an organization which wants to build itself internationally through good networking.

(Interview January 1997)

Whilst the top corporate management team in B4 is Anglo-Saxon, senior management appointments are made on an international basis and it is intended that management should become more international. Indeed international experience is now regarded as essential to rise to the top. International management succession is planned from the centre, and there is an international management development programme, delivered locally but with international elements. There are, for example, corporate international modules for leadership skills, change management and project management.

There are international human resource policy guidelines indicating broad intentions, and the regular contact of Personnel staff is intended to ensure consistency. Guidelines cover a range of issues, mainly concerned with performance management, development and career opportunities. Implementation of the corporate principles varies, and negotiated employment terms are determined at country level. The relationship between the parent and subsidiaries personnel staff is 'built on trust and

understanding' (Personnel Director January 1997). It is expected that as the sharing of experience continues, HR practice will move to commonly agreed good practice in certain areas. However, country representatives were cautious about trends from elsewhere, and there had sometimes been difficulties in implementing international programmes. This may illustrate that the parent organization Personnel function needed to be careful it was not thought to be imposing UK solutions on others.

6.2 The American Subsidiaries

American companies have been direct investors in the UK for many years, and much of the research into MNEs explored in earlier chapters of this thesis has been heavily influenced by studies of US corporations. Bartlett and Ghosal (1992) characterised North American MNEs as 'international', with an emphasis on the transmission of know-how, and a control orientation that was somewhere between subsidiary autonomy and centralised global integration. The American companies in this research partly fitted that model, although the longer established of them had UK subsidiaries which had enjoyed a great deal of operational autonomy. However, as with the British companies, there was a move towards globalization.

6.2.1 Four Manufacturers of Industrial Products

There were four US companies that could usefully be grouped as they were all manufacturers of industrial rather than domestic consumer products. The first to be discussed is A3 which is at a relatively early stage of internationalization. The parent company has a number of plant operations in the USA and foreign operations in Canada, Mexico, Australia and the UK. The relationship with the parent company is much the same for all these operations. Marketing strategy is determined locally to suit the characteristics of local markets, but manufacturing facilities tend to be run on the same lines, and generally management policy comes from the parent. PCNs fill key senior roles and there is no movement towards international management succession. The general approach on HR policies is that the parent company lays down policies whilst practice is locally determined. Parent HR policy was therefore seen by the UK Personnel executive as a very strong influence on UK HR policies.

Nevertheless, there are differences in the work organization and terms of employment of production operatives resulting from union negotiations in the two countries.

Companies A1 and A2 both have a structure of business divisions sub-structured into regions, and the UK subsidiaries are part of a European region. Many aspects of these companies' activities are being coordinated at European level, including HR policies. In both cases it is expected that management, which has been a mixture of PCNs and HCNs, will become more international. There are HR policy guidelines from the American parent, although these are not imposed. In each case there is a Personnel Director with a European wide responsibility who is seeking to influence and coordinate policies across Europe, and who is organizing regular meetings and other contacts to build a Personnel network. The functional links within the European region are stronger than between the UK and the American parent. Whilst cultural and especially employment law differences are recognised, in both A1 and A2 the European Personnel heads foresee that the continuing sharing of experience will lead to some convergence of HR practices. This is in line with the need that is seen in both the companies to move towards international policies because their markets are increasingly international.

In A1 the image portrayed by company information is of an American global manufacturer with a clear strategy for the future of:

global growth through market strength, new product development, an aggressive acquisition strategy and a deep-rooted dedication to operational excellence.

(A1 marketing brochure 1996)

In keeping with this strategy, operating units are interdependent, with many being part of international supply chains, and there is a drive for global efficiency, with internal benchmarking of operating units to facilitate internal comparisons.

Company A4 operates in global markets dealing with customers who are frequently international companies. It has fairly recently restructured into eleven global product divisions, organized in two groups, and believes this is producing the benefits of

reduced operating costs, improved product strategies, sharper customer focus and shorter product development cycles. The strategic aims of the company are stated as:

- *Intensify our local presence worldwide by developing multicultural teams.*
- *Boost efficiency by building on established synergy between related products.*
- *Expand technology leadership.*
- *Be nimble in anticipating evolving needs of customers.*
- *Build financial strength so as to be able to seize new opportunities.*

In the same document the aspiration to be a transnational is illustrated by a comment from the Chairman that

the creation of a multicultural, global community, capable of serving our diverse customers worldwide, has been a preoccupation for more than 20 years.

(A4 Annual Report January 1995)

Internationally managed succession planning has resulted in a predominance of TCN management appointments, and only four of the chief executives of the eleven divisions come from the US; most are European. The company is trying to balance division autonomy with global initiatives to improve quality and efficiency. Within the divisions, product development is organised on a global basis, with units of excellence in relation to different products being recognised in different countries. Manufacturing is integrated in some but not all divisions, and marketing is mainly locally focussed. However there is an emphasis in corporate literature on the availability to the local business of the worldwide technical capability of the organization. The keys to achieving a global orientation are seen as a strong corporate identity, the development of multicultural teams, extensive formal and informal communication and international benchmarking to identify best practice. The Personnel function, as with other activities, operates within the business groups. In each of them, there is a strong functional line to the parent, and Personnel staff meet regularly. There are some international HR policies and policy guidelines, particularly relating to senior management and professional staff plus those things thought necessary to support corporate mission and values. Outside of these, the UK

Personnel function develops HR policies on the basis that they will not be in conflict with those laid down internationally.

6.2.2 Three Manufacturers of Consumer Goods

The American companies discussed so far manufacture industrial products, whereas A5, A6 and A7 are all producers of consumer goods and the three of them have developed in a somewhat similar way. They have all been foreign direct investors in the UK since before the 1939-45 war and for many years their UK subsidiaries operated with a large degree of autonomy on the basis of meeting local customer preferences. Parent company expertise was passed on to subsidiaries, in line with the stereotype of the 'international' company, but there was also local research and product development. Product diversity was sufficiently limited that as they grew, they adopted a predominantly area structure, in which the UK operation was within a European region. However in all three firms the pattern has changed within the last five years and they have moved towards a more integrated organizational structure, regionally and globally.

A5 is structured so that the first organizational level is regional, with the UK being part of the European region. Whereas the UK operation was at one time producing a wide range of products, manufacturing has now been rationalised across Europe so that the six manufacturing centres specialise in narrower product ranges for the whole region. There is still a country focus to sales activity, but within a regional marketing strategy, and marketing is expected to become more European focussed. The supply chain is coordinated regionally. There is a corporate strategy to create internationally recognised brand names, and a mixture of global and regional integrating mechanisms. One aim is to recognise centres of excellence for different activities in different countries, both within the region and around the world. There is an integration of strategic planning, and strong international and regional coordination of functions. Part of the espoused strategy is to become a learning organization, which can be linked to another strategic aim, that of bringing new products to global markets faster than

the competition. The drive for greater integration has been driven by those aims, and by the need for lowest cost in the supply chain.

Management development and succession planning are internationally organized in A5, with many third country nationals (TCNs) appointed. Indeed it is now a requirement that all top managers must have worked in more than one culture. The UK Personnel head has a strong functional link to the parent and links with the European head office on any policy matters that may have European implications. Personnel staff meet regularly to share experience and discuss best practice, and visit other countries. There are a number of global policies relating to management and senior professional staff, and policy guidelines in relation to corporate core values. However despite an emphasis on sharing of experience in order to learn from one another, the UK Personnel executive commented that

we don't often end up with a (common) European policy.

(Interview November 1996)

In his view cultural and legal barriers to commonality remained strong, and whilst there were clear broad guidelines for international policy, he did not expect to see local differences altering. One area where there has been change and convergence is in the organization of work and staff in manufacturing. The company has adopted a team-based high commitment work system, which has been exported from the parent company and introduced in European manufacturing facilities. One of the factory managers was interviewed, and he spoke enthusiastically of the system and the productivity improvements its introduction had brought about, and this was clearly an aspect of HRM which was seen to be supporting a vision of being a world class manufacturer.

A6 is structured into four areas, the CEO of each being a member of the main operating board. The UK operation is part of the Europe Area. The company has moved in the past two years from a polycentric to a global orientation, with a firm emphasis on achieving economies of scale. According to a recent Annual Report, the foundation of the company's competitive advantage is in *innovation, cost structure*

and *global capabilities*. The Report provides a good description of the company's global aspirations.

Leadership in the 21st century requires that we build greater global capabilities to fully leverage our resources and knowledge. Advances in information technology are enabling us to manage our business processes, people and technology very differently to better serve our customers and consumers. We are transforming the Company by engineering our major processes worldwide for improved effectiveness and efficiency. these processes, and the responsibilities of people, will transcend today's functional and country boundaries. There will be greater collaboration and sharing of intellectual capital. Our people will have worldwide access to critical information to accelerate fact-based decisions that create value for shareholders.

(A6 Annual Report 1997)

Interviews with managers from European HR and one of the technical development groups confirmed that this was happening. Research and the main work on product development have been brought together on one site (in the USA), where a multinational team are working on products for multiple markets. European and global supply chains have been integrated and streamlined in the pursuit of cost reduction, which has resulted in reducing the number of European plants from seven to four. Information technology is being used to give staff everywhere access to the same databank of information. Whilst there has always been a global sharing of experience, there is now a more concerted effort to plan and develop globally. There is some local product variance, but generally the policy is to have global brands marketed globally. Manufacturing in each of the European factories is for Europe, thus economising through longer product runs and reduced storage costs. As a result of this globalization, there is a bigger influence from the centre than before. The role of country managers has changed from broad general management to a narrower commercial focus.

The strategy is reflected in human resource management. Management appointments are determined by a global HR steering committee, which includes the HR director from each Area. There has been a growth of TCN appointments in Europe, although the European HR executive who was the informant believes they are tending "to confuse developing international managers with having expats do a local job". Given

the cost and repatriation problems associated with expatriate assignments, the company is looking at the whole area on the basis of how many people really need working experience in other countries. There are two distinct levels of employees, based on job roles. Remuneration for the more senior group is managed globally, and for the remainder at Area level. Within Europe the links between the Personnel functions are very strong, with regular meetings and weekly conference calling. New policy proposals are shared, adapted as necessary to country situations and implemented in a coordinated way. There are also a number of corporate HR policies, mainly connected with development and some fundamental values such as lifetime employability. However, the historic country differences mean that HR practice is less regionally integrated than the production and marketing functions.

The final American company, A7, has also moved towards global integration in pursuit of global efficiency. The aim has been elimination of duplication of effort and spreading of 'best practices' around the world. In this case the process involved eliminating a regional/country structure and replacing it with a matrix organization in which the intersecting lines were product groups and functions. The intention was to improve communications between functions as well as across countries. When introduced, this effectively meant that all managers reported through to corporate headquarters, and it was quickly decided that there was still a need for regional leadership, which was therefore added back into the structure. Business and function heads in the UK and other countries have a reporting relationship to a corporate business or function manager, and to their country manager. Global control mechanisms include an integrated strategy and planning process, and normative statements of company values. Product specifications change on a regular basis, and globalisation is intended to reduce cost and development time by standardising as much as possible. There is still variation to meet local customer preferences, more than in the products of A6 for example, and company documentation quotes the 'think global....act local' maxim. There is formal recognition that the company has

to strike a balance between standardisation and avoiding stifling the creativity of its employees.

(A7 Factsheet 'Global Realignment', April 1997)

Whilst product development is now globally organized and procurement is moving quickly in that direction, the convergence of manufacturing methods is slower because of the weight of accumulated past practice. Manufacturing output is coordinated regionally, and marketing strategy is also regionally based to stay close to the customer.

Within that context, HRM practice is developing a global orientation in the expected areas. Management succession is now planned from corporate headquarters, and the number of TCN appointments is expected to grow. The top managers will have had several international assignments, and at lower levels high flyers in particular are being given such assignments as part of their career development. Formal management training programmes incorporate international aspects. Management meetings, video conferencing and the now standard means of electronic communications are all used in the pursuit of cross-country sharing of ideas and experience. This is seen as the norm for a global company. As far as members of the Personnel function are concerned, they are becoming global as a natural consequence of the globalisation of the business operations. Most Personnel executives are located in a business group, but functional managers bring the individuals together on a regular basis. Conceptually, HRM is seen as global policy and local practice. There are worldwide policies, but some things are decided at European or country level. However, in line with the globalisation philosophy, the Personnel function sees itself as

trying to adopt the best of the policies and practices from whatever corner of the world they might be, and implement those around the world.

(Interview August 1998)

At the same time, the Personnel function is trying to move away from a historically based culture of firefighting and position itself as a business partner. To this end it has developed its own mission statement that commits the function to working in partnership with operating management

to create a high performing organization that values learning and knowledge.

(A7 document 'HR Commitment')

6.3 The Continental Europeans

In a survey of this size, it is convenient to place together the seven companies from continental Europe, whilst recognising that this may give insufficient attention to the possible effects of national differences. Since the companies originate in six different countries, they do represent a broad coverage of the continent. As in the British companies section, the companies will be discussed in an order that roughly reflects the stage of internationalization.

6.3.1 Two Scandinavian Investors

Companies C4 and C5 are both subsidiaries of Scandinavian companies and are at an early stage of internationalization, where foreign operations are predominantly for sales penetration. In both there is some central direction of overall strategy but operationally the UK subsidiaries are fairly autonomous. The top managers of foreign subsidiaries are generally PCNs with HCNs reporting to them. There are however differences of approach, which seem to be a reflection of the particular companies rather than because of sector or national norms. Each of the immediate parent companies is part of a bigger diverse enterprise, but in terms of management policy this is far more significant for the UK subsidiary of C5 than for C4.

In C4, foreign markets account for 61% of sales turnover, but the home market is easily the biggest single country market. In addition to the home country operation, C4 has subsidiaries in seven European countries, three of them with manufacturing facilities. All research and product development takes place in the home country. The company is selling in competitive markets with low margins, and current strategy is to move into niche markets with better margins, and to integrate operations so that different sites specialise in different product ranges. Part of the strategy is also to build sales outside of Europe, and the UK has an export section that works closely with the parent company's export department. However, the main effort currently is on reducing costs and maximising output. UK management prepare strategies as well as budgets for agreement with the parent board, and the local management have a high degree of local autonomy within that agreed framework. The parent company and the

UK subsidiary are the only locations with a Personnel function. The UK head of Personnel has some contact with the parent company Personnel executive, but the view of the latter is that the UK should develop its own policies, although they might look for commonalities at a later stage. Some senior positions in the UK are filled by PCNs, but UK staff are not offered assignments elsewhere. In summary, although there are aspects of global coordination in C4, HR policy is firmly local.

Company C5 has 21 production units and a number of sales offices in 11 countries in Europe, USA and Asia. Only 12% of sales are in the home country, so it is clearly an international firm. It operates in niche markets in which the impact on the environment of its products and its production processes, is an important concern. The emphasis in its published strategy is on three features: product development to increase the proportion of high value added products; international expansion; and the development of competence. Activities are organized in three core business divisions, subdivided into a number of business units. The organizational structure is a matrix in which country managers report to the parent company senior executive who is responsible for the product area that is the major business in the country. Country sales managers for the different business products report to their country manager and to a corporate manager of the business division. Whilst marketing strategy is primarily developed on a product business basis, there is coordination to ensure a global approach since the company is dealing with international customers who may be buying from the different businesses. Other country functional managers also have a link to headquarters. Where products are manufactured in different countries, production is coordinated and operates within corporate quality management policies. Purchasing operates locally, but there is a head office coordinator who encourages the purchasing managers to share information and internally benchmark good practice. R&D is business centred and carried out in the home country, although some local development units which were part of acquired businesses have been retained.

The UK subsidiary of C5 is relatively small and does not have a specialist personnel executive. The main informant in this case was the local managing director, who is

a TCN. In general, the top managers of foreign subsidiaries have mostly been PCNs, but there is a worldwide appraisal system of management level staff, with information being passed to head office, and so the proportion of TCN appointments may grow. A willingness to move around is being seen as a necessary requirement for senior management appointment. C5 is part of a bigger Group which has a statement of Goals and Values, and which runs a Group management development programme which C6 managers attend. The informant felt that knowledge of the company culture was important for senior executives, and quoted instances of where HR policy was influenced by the Group's key values. HRM in the UK subsidiary is a combination of corporate and local. Corporate Personnel manage expatriate employment, corporate business managers are involved in the recruitment of local managers and proposals for policy changes are authorised by head office. There are some international policy initiatives, such as the appraisal system, the availability of corporate training programmes and an international briefing process that is intended to provide a standard system of communication to all employees. The corporate policy of continuous improvement and coordination of operating and quality standards has resulted in similar approaches to work organization and job design in production. Employment terms other than for expatriates are locally determined, and although unions are recognised in the parent company, that is not the case in the UK. Overall, C5 has quite a centralised approach to management practice stemming from a relatively strong corporate culture.

6.3.2 Moving from Multidomestic

Company C7 is a long established family owned business which has had international operations since the beginning of the century, but where some 70% of business sales is in Europe. Its strategy is to remain focussed on a relatively limited number of product sectors, but to diversify away from Europe and build sales in the Far East and America. Whilst industrial strategy is defined at corporate head office, the company regards itself as a largely decentralised organization with authority delegated to business units and functions. The international organization is structured into main business sector Divisions, and then business units, which are primarily commercial

entities. Manufacturing sites, such as the UK unit participating in the study, are profit centres that may supply products to several business units, which in turn may be supplied from more than one site. Although the organization is formally decentralised, there are also a number of elements of centralisation. The business sectors are all managed from corporate head office, and most business unit heads are also located there. There are also several corporate departments which produce corporate policies and are effectively another coordinate to a matrix organization. Most senior appointments are held by PCNs; the comment of the UK Production Manager was that

corporate management like sites to be managed by people who have passed through the corporate HQ.

(Interview February 1998)

Marketing is organized at business unit level, but there is central coordination of purchasing since many of the raw materials are bought internationally, and there is a move towards more use of standard specifications for the manufacturing processes. Research is important to the company, and is almost all carried out in the home country, although some development work is done elsewhere.

Given the culture of the company, it is perhaps not surprising that many expatriate assignments are of younger technical and professional staff to the head office, a part of the socialisation process. There is quite a sizeable community of expatriates at the head office, and this policy is now under question. There is no organized international management succession planning, and an espoused policy to move managers to increase their international experience has very limited application. Management appointments are made within business units, and there is no encouragement of communication between managers across national or sector boundaries. Although there is a corporate Personnel function that vets policy proposals, it is not proactive. The UK unit's HR policies are also subject to agreement and audit by a business unit Personnel head. Links between the Personnel functions in different countries are weak. The UK unit was only totally acquired five years ago (formerly it was a joint venture), and HR practice in the UK is closer to the US site than to practice in the parent's home country. The UK site is working through a programme of change to

manufacturing operations involving the introduction of team working, but this is an entirely local initiative. A corporate publication stressed the commitment of the company to continuous training and its eagerness

to create a working environment which open up the potential of each individual in an atmosphere of maximum attainment and confidence.

(C7 document 'A Passion for Progress')

The Group head office organizes management education, but there were no formal mechanisms for translating such policy into a requirement at local level. Overall there are few corporate HR policies, although this is consistent with a stated management philosophy to trust people by a large delegation of authority.

Companies C1 and C6 are established MNEs that have traditionally been more multidomestic in their operations, but are not immune to the effects of globalization. C1 is a prime example of this. The company has operated in the UK for more than 100 years, and with around 10,000 UK employees regards itself as an integral part of the British economy. The international organization is divided into business sector Divisions, but there is also a regional structure and in the UK the product divisions have reported to the Board of the UK plc, which in turn reports to the parent company main Board. However, the balance between product group and country in the matrix is shifting in favour of the former, and it is expected that in the near future the business units in the UK will report to division heads in the home country, with more of a dotted line relationship to the country manager. The aim is to achieve economies of scale from global integration of business operations, in which units in different countries are designated as world centres of excellence for particular products. According to a senior parent company executive, management has to be redefined to meet the challenge of globalization and global teamwork needs to be developed so that employees feel they are part of a global company. UK operations have not been completely independent in that a lot of components come from the parent company, but operational methods, sales and management practice have been determined locally. However, marketing strategy is now developed by business divisions on a global basis as the parent company pursues a strategy of diversification to reduce dependence on the home country market.

This structural reaction to the marketplace is not generally reflected in human resource management. The norm is for local nationals to manage subsidiaries, moving away from a common use of PCNs. There is interchange of staff for technical reasons, but no international management of succession or intention to create a multinational cadre of international managers. Corporate training programmes are available to subsidiaries but with no compulsion to use them, and inter-country communications are weak. There is a corporate statement of values but this is regarded in the UK as a paper document. Interestingly, the UK head office Personnel function has organized working parties of Personnel staff from the businesses to develop common policies and within the country there is an established Personnel network. However, it does not currently extend overseas. The Personnel functions in the UK subsidiaries of C1 have no formal relationship to the parent company function and the only contacts concern international transfers. Compared with the other organizations in this survey, management contacts across national boundaries are weak, and any similarity between HR practices in the UK and the home country is a result of the industry sector context.

The company orientation of C6 has been multidomestic, reflecting a country specific marketplace, but this world, like many others, is now changing. The parent organization is divided into main business operating groups, further subdivided into business units which in some cases have different country operations. Overall, the Group employs people in 45 different countries which include locations in Europe, America and Asia. The main informant for this study was the head of Personnel for the UK subsidiary of a major business unit, and the discussion primarily concerned the relationship with the business head office. The strategic context was of a national company with foreign subsidiaries that was now strongly motivated to become an international company. The participating UK unit was a relatively recent acquisition with a culture still partly reflective of a previous ownership. The business parent was aware that some of the other divisions had had problems as a result of an ethnocentric approach to taken-over companies, and were determined to avoid this mistake. The business unit's head office had a more hands-off stance than other parts of the overall company. There was therefore a recognition of differences resulting from national

cultural factors, and a policy of promoting sharing of practice for mutual benefit rather than imposing HR policies. New policies would be discussed with the head office Personnel director, and the UK Personnel head would look at what the division and the parent organization were doing. As part of the annual planning process, the UK Personnel function examines HR issues and puts forward proposals for change. The Personnel function network is being built up, and unlike C1, is developing both within the business division, and within the UK between Personnel heads from the different divisions represented in the country.

Functional networking fits other aspects of the company's operations. There is a linked global planning process, in which marketing, technology and financial plans are developed for countries and businesses. Aspects of marketing and purchasing are coordinated at business and corporate level, and there is some coordination of product development. Corporate training programmes are run for the whole organization, although subsidiaries do not have to use them, and indeed the businesses may also develop their own. There is an international succession planning process at corporate head office, although the norm is for country subsidiaries to be managed by HCNs with PCNs in some key senior roles. In the participating UK business unit, the intention is to develop a more internationally orientated management by giving international experience to staff at the technical level, so that they already have that cross-cultural exposure when they are appointed as managers. This would avoid some of the difficulties of trying to give international assignments to people at a point in their career when the domestic situation might make it more difficult.

6.3.3 Global Integration and Local Presence

The other two European companies in the study are more clearly in the process of establishing themselves as global organizations. The first of them, company C3, has an emphasis on decentralisation to subsidiaries, but is also promoting international cross-fertilisation. It has a formal structure that is a good example of the complex linkages required in a transnational, and is fully described in company documents. The corporate Group is organized into subsidiary business units, which are divided

into four sectors, each of which has a sector management board. Sector boards are responsible for overseeing strategic and operating plans, capital plans and budgets and major action plans for the businesses in their sector, but working within the Group's 'strategic vision, objectives, values and management principles'. At the same time, there are country executives, who

represent Group interests in their local markets and their countries' interests within the group.

(C3 document 'In Brief 1995')

Finally there are functional executives, who define common policies, provide expert knowledge and manage networks of professional expertise. An orientation committee of line and staff managers from around the world look at policy guidelines for the global organization. Over the whole organization is the Group Executive Committee, responsible for the key strategic decisions in all operational and functional areas. Each sector board, each Group function and each country or region is headed up by a member of the Executive Committee, who have the ultimate responsibility for the successful functioning of a complex matrix. Operational decisions are decentralised to business and country level, yet with coordination through strategic plans, management principles and extensive communication. Management meetings are held at country, European and international levels, and there is an emphasis on networking.

The working of this structure was confirmed in the interview, and the informant, a UK Personnel head, was aware of his business, country and functional relationships. In the Personnel function, there is dialogue with the parent over new policies and international links are good. Presentations of best practice are made at meetings of personnel staff to encourage learning from one another. There are some very general international HR principles, mainly related to international transfers and organizational culture. Detailed policy and practice are determined locally, but the sharing of experience and encouragement of best practice will probably lead to some convergence of HRM. National differences are a reality, and the UK informant quoted some of the different experiences in the UK and the parent's home country when trying to introduce similar organizational changes. As in C7, HR policies in the UK were often closer to those in the US subsidiaries than to those in European

subsidiaries. As nearly half the activities, as measured by number of employees, are in the home country, it is not surprising that their nationals have had a dominant position, and until now senior management appointments have mainly been PCNs. However, the organization is now creating a multinational cadre of managers through the international management of succession and management development. Corporate policy is to encourage professional and geographic mobility as a means of developing careers and internationalizing employee teams. English had been officially adopted as the company language, although in practice managers in the Group head office normally speak the home country language, and the study informant, has found it useful to be able to speak that language. He felt that parent company managers tend to have an approach to management that is typical of their nationality, although this is less noticeable in the senior managers with wide international experience.

Company C2 has been moving in a similar direction, with a matrix structure that reflects product and country orientations. An Executive Committee, which includes members with business and functional responsibilities, provides strategic direction whilst operational activities are carried out in business units which have a worldwide responsibility. At the same time there are country organizations which provide local coordination and guidance. The role of the country manager is to represent the overall company, to provide leadership of 'Corporate Principles' and to manage various services that support the businesses. The corporate principles include core values related to a number of aspects of management and business activity. They are promulgated throughout the enterprise and seem to be taken reasonably seriously. The company's self-image is of a socially responsible producer and employer. Like other companies in this study, C2 officially has a decentralised structure in which business units are largely autonomous. However a number of integrating mechanisms are in place, including a corporate strategic planning process, and global coordination of marketing, purchasing and manufacturing quality is growing. Management appointments have in the past been PCNs and HCNs, but more TCN appointments are expected in the future as a result of an international management succession plan coordinated from the parent head office, which has resulted in more managers being

given international experience. There is a corporate unit responsible for management development, and international management seminars are one of the ways that the organization maintains its culture. Management development is business led, based on a three-year plan, and coordinated from the corporate head office.

The international move is reflected in the Personnel function. Personnel executives from different countries meet regularly although not frequently, and what the company informant described as 'a push to networking' has started. A department in a particular location may be recognised as a centre of excellence for an activity or facility, and other countries are then encouraged to use the facility as a purchased service. Corporate guidelines are being developed in HR activities where it is felt international coordination is possible, and they cover the areas of development principles, leadership, communication and remuneration. There have however been some examples of cultural problems arising because of attempts to introduce common policies in different countries, which may suggest that there is a need to learn how to balance common principles with local practices. Most policies and terms of employment are determined locally, but are expected to be consistent with the Corporate Principles.

6.4 The Japanese Companies

The three Japanese owned firms are all manufacturers of products based on electronic technology, but they provide some contrasts as well as similarities in terms of parent-subsidiary relationship. To an extent the differences reflect the paths followed in entering the UK. Company J2 became a direct investor by acquiring its UK distributor, and then built a manufacturing plant as a greenfield site. It conforms to the normative Japanese organizational structure (Humes 1993) in that sales, manufacturing and R&D are organized in virtually separate businesses, and this is reflected in the UK operations. In the home country, there is a separation of product groups, but in overseas locations most sites are designated as sales or manufacturing bases. There is a fairly recently established European head office, which is the only regional centre in the company. As a result, information on the performance of

product manufacturing units in the UK goes to the country head office, the European head office, the product division head office and the separately located global head office. One UK informant commented that 'the reporting system is somewhat confusing' (Manufacturing HR Director January 1999). In the light of this structure, Personnel executives from both the sales company and the major manufacturing site were interviewed. The operational effectiveness of the organization perhaps depends upon the shared culture of the top management, who are normally Japanese nationals. PCNs are a mechanism for coordination and control, and although there have been indications of a corporate desire to reduce the number of expatriates, there are still a number in the UK. The parent orientation seems to be ethnocentric despite the fact that over half the organization's employees now work outside Japan.

Manufacturing is the dominant function, with growth strategy centred on technological advance. In the past the policy was global standardisation of products, but more emphasis is now being placed on the needs of local markets, based on input from the sales units. Sales strategy is developed locally, with international coordination of some aspects of marketing. Representatives of sales and manufacturing meet quarterly in Europe, and biannually in Japan, to create coordinated business plans. There is European integration of purchasing of some manufacturing supplies. There are R&D centres in the UK (for all of Europe) and the USA, but they report to Japan and the research work in the UK is not directly related to the products produced in this country.

In all the European manufacturing centres there is an emphasis on quality, continuous improvement and participation through quality circles. Whilst these are characteristic of Japanese organizations, they are now so widespread that it is difficult to say that their presence in this firm is exclusively the result of Japanese ownership. The assembly line production process seen in the J2 factory, and found in their other European units, is the norm for the industry sector. There is no formal relationship between Personnel in the UK and Japan, and HR policies are a local responsibility. However, the expatriate senior managers make policy suggestions based on their

experience working elsewhere, and in both the sales and manufacturing units, the chief executive is concerned that their practice is in line with what other Japanese owned companies are doing in the UK. The senior Personnel executives from the European subsidiaries have begun to meet, influenced by the establishment of a European Works Council. The Sales Personnel executive described the impact of this as minimal, but the Manufacturing Personnel executive thought it would gradually result in some convergence of practice. European policy recommendations had now been established in a few areas, and the possibility of assigning staff to different countries in Europe was under discussion. Globally, the only international managers were from the parent company.

Whereas J2 established a greenfield manufacturing facility, the owner of J3 acquired an existing, although struggling, company some 10 years ago. The UK company has retained its own name whilst becoming part of one of the business divisions through which the parent Group operates. Worldwide the Group employs 4500 people of whom 84 are in the UK, so it is one of the smaller organizations in the study. Head office control is exercised by providing local subsidiaries with a corporate strategy and plan within which they work, and by the assignment of PCNs to key senior management roles. The firm supplies high quality products, making quality management and technological development key issues. The original products of the UK operation were complementary to, but different from, those of the Japanese company, and the local managers have continued to produce these without any formal input from the parent into work processes. However last year the manufacture of a new product line was introduced which is being made in Japan and the UK. In this case there was a strong input from the parent to ensure that the manufacturing and quality control processes were the same. An R&D facility has also been established on the UK site, although reporting independently back to the parent.

UK managers make ad hoc visits to head office, and there is some informal communication, but it is not very developed. The purchasing of components is the one area organized on a worldwide basis, and the UK purchasing manager is part of

that international facility, sourcing from the UK to supply any of the company's facilities. Employment policies are determined locally, and the corporate Personnel function has no links to the UK. The practices of the parent have however been an influence on HR policy, but this has been through the PCN managers who have brought with them the values of a strong company culture. The parent is an example of a Japanese company with a sophisticated corporate philosophy of 'Contributing to Society through Science and Technology'. In one of the corporate documents, the CEO writes:

With the 21st century close at hand, there is a call for mankind, the earth and industry to exist together in harmony. To achieve the well-being of mankind and the preservation of the global environment has become a common hope the world over, and a major theme in our lives.....we are supporting an operational principle of contributing to "The Well-being of Mankind and the Earth.

(J3 document 'Today')

The documents reflect those sentiments, and the UK informant felt they had some echo in the attitudes of the PCN managers. Continuous quality improvement has been fostered by the parent, and one manifestation of the Japanese way of working is the open plan office arrangement, something also found in the J2 subsidiary.

J1 was acquired by its Japanese parent through a process of a gradual build up of investment resulting finally in full ownership. The UK company was already a multinational organization, and in many ways has retained its own sense of identity since the takeover. For example, unlike J3, the parent Group's name does not appear on company letterheads or other documents. It is now a regional headquarters responsible for operations in Europe and North America which employ some 26,000 people, whilst an equivalent unit in Japan is responsible for Asia and the Pacific rim. Five years ago the UK-based operation changed its primary structural focus from areas to product divisions, which are subdivided into business units which operate across national boundaries. In its own previous international expansion, the UK company had tended to export its own policies to subsidiaries and at the time of acquisition, managers expected that the new parent would do the same. This did not happen. The parent company are keenly interested in technical systems related to performance, but

in regard to management practice, see strength from the sum of different cultures. Unlike J2 and J3, top managers in the UK are British nationals not Japanese. There is virtually no contact between UK Personnel and the parent, and no contact even with other subsidiaries of the parent that have a presence in the UK.

This approach has itself influenced the UK company, who have begun to manage their own subsidiaries more at arm's length. Given the parent's attitude to management practice, the UK company is effectively an international organization in its own right, which is developing its own structure and attitude to parent-subsidiary relations. Whilst in some ways the company has moved from an ethnocentric to a polycentric orientation, for example replacing PCNs in overseas subsidiaries by HCNs, there are integrating mechanisms. One of these is a worldwide quality management initiative intended to ensure both high and consistent performance and product quality across the organization. Equally important is 'The Management Framework', a statement of principles first articulated fifteen years ago, which contains 'the organization philosophy and related values and beliefs which give us competitive advantage'. It is this statement that is seen as sustaining the corporate culture, and local HR management has to work within it. Whilst the company no longer uses UK procedures everywhere, the Management Framework provides international guidelines. Personnel executives in the UK are in communication with one another, and in communication with overseas Personnel executives in their own business. There have been international Personnel conferences but not on a regular basis.

It would be reasonable to argue that the UK arm of J1 has the hallmarks of a potential transnational. It is in an industry sector in which global efficiency can be pursued through standardisation of components in the product range, whilst the final specification of products is varied to suit local customer requirements. It is a high-tech sector where intra organizational know-how should be important. The company has a corporate culture which provides a good basis for the integration of management practice, and it has long had a reputation in the UK as a leading edge organization in human resource development and performance management. Despite this, there is

a weaker international orientation in HR policies than in some other companies, which is probably attributable to the particular administrative heritage of the organization.

6.5 Summary

In this chapter, the case studies of twenty-four multinationals have been presented. Seven were British companies with subsidiary units in overseas locations, and the remainder were UK subsidiaries of foreign investors. The aim in this chapter was to provide a factually-based account of structure and policies, whilst recognising that the information is affected by interpretation by both informants and researcher. Like a painting or still photograph these company portraits have probably only captured the subject in two dimensions, at a moment of time, and so are not complete representations of their character. Nevertheless they can provide an understanding of what the subject is like. What is revealed is diversity in what is happening in multinationals, although the issue of integration versus differentiation can be seen as a common thread running through the discussion. There is no completely consistent balance between the two across the range of operational functions and policy issues discussed in the research, but there are some patterns that are more common than others. These will be identified and explored in the next chapter.

CHAPTER 7

ANALYSIS OF THE RESEARCH FINDINGS

The previous chapter gave a presentation of the cases that made up the research study, arranged in country groups. In this chapter it is intended to present an analysis of the findings related to key themes from the research questions that were discussed in chapter 5. This will permit some general comparisons to be made across the whole set of companies. It should be stressed that since the interviews were only semi-structured, not every question was asked on every occasion. The themes follow the order of the research questions, starting therefore with the extent of globalization amongst these organizations, and then its impact on management activities. The other main themes discussed are organizational learning, the development of international management, the policies and practices of HRM, and the international role of the head office Personnel function.

7.1 The Move to Globalization

Although the process of internationalization can be understood as an organizational life cycle, it need not be assumed that all companies will move through all the stages. The 'transnational' solution of Bartlett and Ghosal, for example, is advocated as appropriate to MNEs operating in a complex international context, but is not necessarily right for all international firms (Ghosal and Nohria 1993). Some companies may be multidomestic/polycentric rather than global because such a strategy suits their industry sector (Evans and Lorange 1989; Porter 1990; Bradley 1999). However, if the impact of international competition is growing, it would be expected that the greater pressure would be towards global standardisation and therefore structural integration.

This indeed is the situation amongst the twenty-four companies in this study. Almost all of them seemed to recognise pressure to move in a more globally orientated direction. The organizations were reported as in a dynamic situation, in which structures and practices would not remain the same, indeed were already changing, and the need for an appropriate response to globalization was a common concern.

Participants were asked the extent to which marketing strategy was developed and implemented on a worldwide, regional, business or country basis, with similar questions on the purchase of major equipment and supplies, and on operational methods and quality standards in manufacturing (see Appendix 1: p.5). In every one of the companies the response indicated that in at least one of these main operational functions there was some form of worldwide linkage. In seven of the twenty-four companies this applied in only one of these functions, whilst at the other end of the scale there were twelve companies in which there were international links across all three functions. A variety of different activities were cited, including global decisions on brand names, coordinating sales approaches to particular multinational customers, purchasing supplies for operations in a number of countries, meetings of Purchasing executives to exchange information, the establishment of common quality standards in manufacturing, and cross-national reporting relationships. Based on the answers to these questions, it would not be appropriate to suggest that complete global integration is happening in all these cases. However it is reasonable to refer to widespread global coordination, in the sense of 'harmonization' (Collins English Dictionary), since harmonization could be considered a common underlying aim of many of the cross-national linking processes, including meetings for information exchange.

Table 7.1 shows the number of firms from each regional group where, in relation to a particular function, the participants said there was some coordination or decision making on a global basis. So, for example, five of the seven US companies had international links in marketing. It will be seen that there is an even spread between the functions, and it appears that there is no one function that is always likely to be the starting activity of globalization.

Table 7.1 Number of firms reporting some international coordination or decision making within three functional areas

	US (n=7)	UK (n=7)	EUR (n=7)	JAP (n=3)	TOTAL
Marketing	5	5	5	1	16
Purchasing	7	5	3	2	17
Manufacturing	6	4	5	2	17

The globalization of firms can certainly be considered as a process rather than an end-state. Cross-national coordination may begin in one area because of a perceived need or problem, and may then spread. The aim may be any of the 'transnational' objectives of global efficiency, better responsiveness to customers, or organizational learning. Even when strategy and structure are changed from a multidomestic to a global basis, there is a continuing process of learning how to make the new organization effective.

Ultimately what is driving this trend is change in the marketplace. The industrial product companies (eg A1, A4, B3, B7, C5, C7) are finding that their customers are sourcing internationally and are looking for worldwide consistency of product quality and service. Their responses include global coordination of sales, internal customer 'representatives' who provide a single reference point for international customers, and global quality management programmes. In the words of the UK managing director of C5,

It is important we (across the company) say the same thing to our international customers.

(Interview June 1997)

In a few cases (eg B6, C6) customers were government departments or state owned businesses which in the past had a national bias in their purchasing decisions, but were now behaving more internationally. Firms such as A2, C4, and J3 produced niche products for which a single country would not provide a large enough market, thus creating the need for regional or worldwide orientations.

Change is also being driven by the generally more competitive environment, leading to an emphasis in many of the companies on the need to achieve global efficiency. This came through particularly with the three American consumer goods companies. In A5 the objectives were production cost reduction and bringing new products into all markets ahead of competitors. In A6 globalization was designed to achieve economies of scale in production and product development. Similarly, the aim in A7 was global efficiency in a sector suffering from overcapacity and low profitability. The achievement of greater competitiveness was also an underlying aim in B1 and B4, C1, C2, C3 and C4, and in J1 and J2.

Not unsurprisingly, participants referred to both efficiency and customers in discussions of the drivers of globalization, but it was possible to identify the predominant concern in each of the companies. Table 7.2 shows how many of the participants expressed a need to be globally efficient and how many referred to change that was based on response to customer requirements. This is based on discussion in the main interviews of recent organizational changes, supplemented by comments in some of the company documentation. In one of the American, and one European companies equal stress was laid on both drivers. Global efficiency was the more important in this group, although that may just be a reflection of industry sectors.

Table 7.2 **The predominant driver of greater global coordination in the 24 firms**

	US (n=7)	UK (n=7)	EUR (n=7)	JAP (n=3)
Global efficiency	6	4	5	2
Customer need	2	3	3	1

The objectives of satisfying international customers and achieving cost savings through global efficiency have had similar consequences across the sample of firms. The typical structural change has been to move from an organization based on countries to one which emphasises international product divisions. This fits two complementary aspects of globalization. Firstly customers are regarded as located in

industry sectors rather than countries and secondly manufacturing of product ranges can be integrated across countries to achieve economies and better quality control. As a consequence, the number of manufacturing centres has often been reduced, and the manufacturing and commercial parts of the organization separated. In the majority of the cases, the organization structure was represented as a matrix in which the business line was the strongest dimension, but where there were also both country and function reporting and coordination. C3 provides an exemplar model where members of the top management executive committee head up each business division, each country operation and each management function, so that all three strands are represented in corporate strategic decision making. Thirteen companies had at least one regional office, which in most cases played a role in cross country integration of marketing and production. Since customers may be national, regional or international, the MNE balancing act is not necessarily between global and local, but between global standardisation and customer responsiveness.

Although this was not a longitudinal study, some historical information was provided as informants described recent structural changes. The case companies had begun foreign investment at different times, and represented a range of parent-subsidiary relationships. Amongst the foreign companies in the study, there is a group of seven American and European organizations that began overseas investment in the era before the second world war, there is a similarly mixed group of eight who acquired foreign operations in the postwar period, and there is a final group, including the three Japanese, of nine that are more recent foreign investors, although the latter includes two companies that had been part of longer established MNEs. It is possible therefore to use the data collected to compare the experience of these companies with the expectations from MNE organizational life cycle models.

A comparison of the older established with the recent foreign investors shows that there was often more parent company influence in the latter group, especially through the assignment of PCNs, a feature of A3, C4, C5, J2, and J3. When A2 was acquired some three years previously, the new parent had the view that their HR policies should

be adopted, but had then been persuaded that the UK management had a sensible HR strategy which they should be allowed to develop. However, whilst generally new investors were more ethnocentric, neither the extent nor forms of parent control were uniform, and in other cases even recent investors operated with a generally polycentric orientation. If any generalization is possible it would be that corporate head offices identified and aimed for standardisation of those aspects of the business that were critical to their objectives. As predicted by Taylor et al (1996), the method of acquisition seemed to be a determinant of the degree of similarity of HRM.

The Bartlett and Ghosal model suggests that the prewar investors stressed local responsiveness whilst the postwar investors stressed transfer of knowledge. This was not an issue that was specifically explored in the interviews, but the five MNEs that had been established in the UK for some time had followed a multidomestic strategy for a number of years. Local management developed both sales and operational strategies which were appropriate to their own markets, and product development was also carried out in some subsidiaries. In some cases the top executive role based in a country continued to be filled by a PCN, but in others the country manager would be an HCN who reported to a parent company executive in the corporate head office. The American and European companies that had internationalised in the 1960-1980 period had also followed a predominantly multidomestic strategy, although the flow of technical know-how was usually from parent to subsidiary.

The globalization pressures were the same for all the companies, so the norm of international business divisions, and the integration of sales, production or purchasing, were found in firms from different backgrounds. On the whole, the length of international experience was not a major factor in relation to current strategy and structure, although aspects of the administrative heritage were mentioned in some cases as affecting the pace of change from multidomestic to global. The experience of this group of companies is consistent with the expectation that new investors will display an ethnocentric attitude to subsidiaries, but that in time subsidiaries will be given more autonomy. Overall though, the conclusion from this study would be that

the structure and the control relationship are affected more by the industry sector and current external environment than by the stage in a growth cycle.

On the basis of this study, it might be thought that the multidomestic or polycentric organization is disappearing, at least in these manufacturing sectors, although since this was not a statistically based survey, such a conclusion might be premature. However the cases do seem to support the proposition that increasing global competition is leading to restructuring to create cost effectiveness and to respond more effectively to customer needs. In these firms, the orientation of organizational structure away from countries and towards international businesses or regions has generally only happened in the past five or six years, or is still in the process of development. It could be argued therefore that what is represented here is a trend that may well be gathering pace, and will alter organizational forms in many multinational manufacturers. The pendulum is swinging from differentiation to integration, in response to changes to market conditions, but facilitated by developments in communication technology.

7.2 Organizational Learning

Changing technology in both telecommunications and travel has facilitated new approaches to parent management control in MNEs, and developments in IT have introduced new forms of global interaction that can be used to foster organizational learning. There is an anticipated link between foreign direct investment and the introduction of new technology or better working methods, since generally the inward investor is a successful company that has something that will give it competitive advantage in the new market. The argument from the theoretical framework for this research is that there will be a stronger focus on organizational learning as a result of globalization. Whereas in the past the flow of expertise was almost all from parent to subsidiaries, in the modern transnational it is expected that knowledge transfer will be multidirectional. The picture that is presented by this study is again somewhat mixed, reflecting different experiences and expressions of globalization.

What might be thought of as the classic MNE approach is found in B2. This young multinational is essentially exporting process and organizational know-how to newly established local entities, and doing this through expatriates on medium and short term assignments to foreign operations. At the same time the company employs local nationals who provide the understanding of local conditions, including the political context, which is important in their sector. As an international company, B2 is still on a steep learning curve and it is building a bank of expertise that will help it develop in the future. By contrast B5, which is also a fairly recent foreign investor, acquired existing European companies with technical know-how and established a multidomestic structure which has given little encouragement to intra organizational learning. Although the aim of both firms was growth, features of their industry sector and the locations of investment meant that they have not followed the same path to achieve it.

When J1 began to acquire an interest in a UK company, it exercised quite a strong influence on product quality control. J3, acquiring a UK company some years later, did not feel it had to do as much, and one reason for that was that the UK company was already using the quality control systems that by then had become more common through the 'Japanisation' of British industry. J3 has subsequently transferred product know-how to the UK, and is drawing on local capability through its R&D unit. As a manufacturer of high-tech high quality products, it is committed to innovation and knowledge development, and in the view of one of the UK managers, it is trying to be a learning organization (Interview January 1999). However, all the knowledge flows are to and from the centre, and there is no encouragement of a sharing of know-how between organizational units. The introduction of a new product line from Japan illustrated some of the difficulty of cross-national knowledge transfer. The UK staff had problems because specifications were still changing, and the know-how was in the heads of the Japanese engineers who were not used to having to write things down. Knowledge transfer is not always easy even when the need for and direction of transfer is obvious.

Both J3 and J2 had separate R&D facilities in the UK. Whilst this indicated that the companies wanted to draw on research capability in different countries, these operations were effectively extensions of the parent company. Knowledge transfer in J2, like J3, was predominantly from the parent to subsidiaries, with staff from the latter going to Japan to learn about new products and systems. There was sharing of information between the European units, and between the UK and the US, but this was the result of initiatives by HCNs without any corporate encouragement. Indeed the expatriate senior managers often encouraged a competitive attitude between units which mitigated against cooperation.

The European inward investors who had entered the UK fairly recently and by acquisition, seemed somewhat similar to each other. There were pressures for global integration in C4, C5, C6 and C7, there were learning opportunities through international courses in some of them, and there was some transfer of know-how from the parent company. However, this seemed to be some way short of what would be needed to create a truly global learning organization.

These companies could therefore be contrasted with those which seemed to be fostering a more geocentric learning capability. The latter included particularly B1 and B4, A4, A5, A6 and A7, and C2 and C3. Others of the American and British companies were moving in the same direction, but their ideas were less developed. In these companies business and functional managers met regularly, and were encouraged to form networks in order to improve problem solving, ensure cross-unit consistency and foster mutual learning. Networking was probably the main theme to emerge from the interview discussions of the transfer of know-how, but several informants (eg in A1, B1, B7 and C3) referred to benchmarking and the need for best practice to be adopted in all parts of the organization. International project teams were mentioned by informants in B3, B4 and A7 as a way of developing global innovation that would not neglect the local dimension, and would also be a learning experience for the participants. International management seminars were seen in A4 and C2 as

an important means of creating multinational sharing of experience and innovative ideas.

Organizational know-how is both managerial and technical. In A6 and B3, technology centres have been established to act as the main focus for worldwide development, with the specific intent of transmitting technical knowledge across the organizations. A6 also have international facilitators whose role is to visit sites and ensure they are in touch with the company's knowledge bank. At the same time, knowledge is being stored in electronic data bases which can be accessed from around the world. In A4, A5 and C2, different units have been designated as centres of excellence for particular product lines, with the intention that they will provide expertise on which other units will draw.

Whilst these different methods of knowledge transfer are obviously necessary, it could be argued that what is of most importance to the development of worldwide learning is to develop the right climate. What separated the 'advanced' from the 'beginners' amongst the group of companies in the research was the pervasiveness of a learning culture that came through in some of the interviews. The leading companies in this aspect of transnationalism were those where there was a clear encouragement to learn from others, and the breaking down of the idea that the parent organization was the sole source of expertise.

Two things seemed to be driving forward this concept. The main one was the need for greater efficiency in the face of competitive pressures. Identifying and promoting good practice so that all units come up to the standard of the best, is one way of achieving this that also leads to consistency between country units producing the same products for the same or similar customers. However, there was also a socio-cultural dimension to these developments. The concept of cultural diversity seems to have made its mark, and several contributors spoke of moving away from a past practice of trying to impose parent company norms on subsidiaries. An American company (A4) expressed the essence of cultural diversity in a statement that the company is:

built by multicultural teams of men and women working closely together to meet the needs of our clients, but who feel confident to retain the essence of their identities - they know that their uniqueness is valued as a contribution to our overall culture.

(‘Letter from the Chairman’ in 1994 Annual Report)

However whilst some established multinationals were wary of ethnocentrism, of more importance was the recognition that a totally differentiated polycentrism may lead to unnecessary duplication of learning and is not combatable with being a global company. The policy of encouraging staff to learn from elsewhere, supports the climate of geocentrism that many of the companies are trying to foster.

7.3 International Management Development

The textbook pattern in MNEs is that new foreign subsidiaries are managed at the top by PCNs. In the ethnocentric phase of evolution, senior management development and succession is organised in and from the parent head office. As the subsidiary matures, and as local managers are developed within the MNE culture, PCNs are replaced wholly or substantially by HCNs. In the polycentric phase, therefore, subsidiaries independently manage development and succession plans for their own operation. If the company evolves to the geocentric orientation, the criterion for appointment is then the best person for the role, whatever their nationality, and as a result TCN appointments become more common. This takes the planning of senior management appointments across the organization into the head office, but with the need to draw on information about people from all the operational units.

As discussed in chapter 4, it can be suggested that the HRM focus in the global company shifts from the management of expatriates to the development of international managers (Adler 1997). Expatriate assignments should be managed so that what individuals learn becomes part of the available organizational knowledge (Kamoche 1997). A potential constraint on the use of foreign assignments for control or developmental purposes is the cost, whether this is born by the subsidiary or a head office budget.

The British companies in the study fitted the above categorisation, although not precisely. B2 were using PCNs at managerial and technical level in the classic pattern of a new international company. B6 had HCNs managing subsidiaries in European countries, but appointed PCNs to the newer operations in Asia. B3 had a mixture of HCNs and PCNs but were trying to withdraw the latter, although the longer term aim was to develop international managers. B7 also had a mix of PCN and HCN senior managers, but had begun to look at succession on a coordinated basis which was expected to mean TCN appointments. In both B1 and B4 senior management succession were now based on an international cadre of managers drawn from across the organization, and this was resulting in a greater number of TCN appointments. In neither case was this a large group, and in B4 the policy was

*to build internationally through good networking rather than through
an enormous cadre of international managers who travel.*

(Interview January 1997)

Company B5 was alone amongst this group in having all its operating units managed by local nationals.

In many of the foreign investor subsidiaries in the study, PCNs occupied management roles in the UK but it was not expected that British staff would be offered opportunities in other countries. This was the situation in A3, J2, J3 and C4. In C1 and C7 policy was to replace PCNs by HCNs, and in C5 there was a policy to identify people with potential for overseas assignments through the Group appraisal scheme. The Personnel Director of the J2 manufacturing unit reported that espoused policy was to have units managed locally, but thought it unlikely that there would actually be further reduction in the number of PCNs in the UK. In C6 where almost all the senior managers are HCNs, younger managers and technical staff are being given international experience. The established companies where the UK operations are part of a strong regional structure (A2, A5, A6 and J1) are moving from HCN to TCN appointments within the region. A4, A7, C2 and C3 are companies which, like B1 and B3, are using internationally coordinated management succession to increase the number of TCN appointments.

It may be noted that the general rule is that the top appointments in subsidiaries were determined at the head office, whatever the status of the parent-subsidiary relationship. Companies that had a multidomestic structure were still sometimes assigning PCN expatriates to management roles in subsidiaries, both to safeguard performance and provide development opportunities.

TCN appointments may be indicators of globalization, but there are other ways in which managers can develop a more international orientation. In fourteen of the companies there are transnational training programmes for managers, although these were regarded with more significance in some of the companies than in others. B3, B4 and B7 referred to establishing common statements of management competencies as the basis of development and future appointments. The international project teams that some of the MNEs use is another development vehicle, and forms part of the encouragement of networking that has already been highlighted.

The more global companies have introduced worldwide management succession planning partly to increase the selection pool for each vacancy, but also because the view in all of them is that in future all top managers will have to have had international experience. However, this does not necessarily mean that there will be large numbers of TCNs in the subsidiaries. Such appointments are likely to be limited to the very senior positions, with perhaps a few expatriates in middle management roles. In any case, sending someone to do a particular job in another country does not always develop their international understanding. That depends on the job, the individual, and the briefing/debriefing they receive. In some of the companies there was a stress on giving younger professional staff international experience, and this may well be the way to give people an initial grounding in working in a cross cultural environment, which is then built up through communication, attendance at transnational conferences, and participation in multinational teams.

Table 7.3 shows the frequency of occurrence of the main processes that contribute to management development and organizational learning. This is based on analysis of

replies to both directed and open-ended questions about development in the organization. Whilst nearly all participants utilized expatriate assignments, the entry in table 7.3 under that heading is the number of companies that explicitly stated these were used for development purposes. Similarly all the participants now had international meetings, but the number given are those firms where these are occurring regularly with the purpose of sharing to promote good practice and the building of relationships.

Table 7.3 **Number of firms using particular processes to support learning and development**

Process	Number (n=24)
Cross-national meetings	17
Expatriate assignments	15
International training programmes	14
Identification of technical know-how	12
International Management Cadre	9

7.4 Organizational Culture in the Multinationals

An objective of potentially transnational MNEs is the creation of a sense of common identity and purpose across the whole organization. This is unlikely to be an important issue for the very decentralised multinational with diverse operations who have little in common apart from parent ownership. It is a potential problem for the transnational organization since in this MNE form, managers from subsidiaries have to cooperate and share with one another with an eye to the objectives of the whole firm and not just their particular unit. A common organizational culture may provide the necessary linking mechanism that gives the people in different countries a sufficient sense of oneness with each other.

The review of the organizational culture literature in earlier chapters showed that there are different views on what culture is and whether it can be consciously managed.

One common approach is to equate culture with shared values and beliefs, and so participants in the study were asked whether their organization had core values that were intended to be understood and accepted on a worldwide basis. Twenty of the companies reported having a mission statement, although interestingly several of these did not respond to a request for a copy. Six of those twenty indicated that the mission statements were of little or no influence. The statements that were available nearly all consisted of fairly general commitments to customers, employees and the community that seemed almost interchangeable between companies. Although in many cases the value statements were widely promulgated and discussed through induction courses, their usefulness was uncertain.

The Management Framework of J1 was the most detailed document provided. This had been developed in the UK, and the values and beliefs contained in it are related to a corporate mission. It is a restatement of philosophy which was made at a time when the company was having to respond to pressures of reduced margins by streamlining the business. It is argued in the Framework statement that

Adherence to these values and processes is what sustains the (company) culture, and it is on this common culture that our future success depends.

(J1 document 'The Management Framework', 1992)

There is certainly sufficient detail to form the basis of management practice, and yet there is little that would not be said by any knowledge-based organization utilizing a commitment employment system. In the main J1 interview, the informant also referred to the Strategic Quality Model, as 'a piece of corporate glue'.

Organizational culture turns out to be something that managers think they can distinguish but find difficult to describe. There is not a common language for discussing culture, and so descriptions in the interviews focused on different things. These included product quality, management style, commitment to employees, closeness to customers, and office layout. Individual informants tended to select something that represented the company's culture to them, but if others had been asked, different answers might have been forthcoming. In that sense, organizational

culture is contained in the patterns of meaning which the social actors ascribe to processes and events. A statement of corporate values may contribute to giving some sense of common purpose, but is often regarded as mainly symbolic. To many UK managers in foreign subsidiaries, value statements emanating from the parent are too general to be of importance in management decision making. A manager in C5, for example, commented that the value statement meant little to the shop floor, but went on to say that employees could relate to the more specific objectives for performance improvement which they had been involved in developing.

Shared understandings in a society develop through shared experience and discourse. If anything like a common culture is to develop in a multinational, it is likely to be facilitated by extensive communication between people, and that is something that is developing in the globalizing companies. Participants referred to the objective of becoming more international, which they generally saw as about mindsets. There were sometimes the twin aims of thinking globally, and thinking about the whole organization rather than the local unit. The ways of achieving this might be summarised as understanding differences and sharing solutions to common problems. Whilst mission statements may have some value, it would seem that organizational culture is being built primarily by networking and developing common processes.

The changing world of travel and communication is obviously facilitating coordination and has made dialogue between company members in different parts of the world easier. It is therefore not surprising that regular meetings of general and functional management groups should have become an integrating mechanism in many multinationals. Face-to-face contacts at management meetings or through visits are intermingled with electronic communication through the internal global networks. Networking supports the movement towards international approaches to marketing, purchasing, manufacturing standards and product development. The globalizing companies are concerned to achieve high performance through the application of best practice or world class standards. What also seems to be recognised is that this cannot be imposed, and that parent companies have to be wary of managerial imperialism.

So although some companies have explicit statements of values, and utilise top-down planning systems, good practice comes about through dialogue and persuasion. Whilst this is the aim, it is difficult to know whether the outcome will actually be ethnocentric, promoting ways of working that come from the parent company, or whether multinational groups of managers can develop something that is genuinely geocentric.

7.5 Learning Through Sharing of HR Practice

If there is generally a stronger focus on organizational learning in MNEs, it would be expected that this will apply across all functions and activities and will therefore include transnational sharing of HRM practices and experience. In general the study confirms that this is happening in most of these MNEs. In the majority (17 of the 24) of the companies there were regular meetings of senior Personnel executives from different countries. In some these were worldwide, in others regional, which normally meant from Europe. In one or two of the latter, the impression was given that European Personnel executives now met because of the growing influence of EU social policy, and the fact that many of these companies were establishing European Works Councils. The regularity of formal global meetings varied, averaging out at once or twice a year, and whilst mostly for senior managers, there were a few cases where professional staff at all levels in the function would occasionally meet. Corporate function heads might meet subsidiary function heads more frequently, and in some firms there were various HR committees that met. Coordination might occur at a number of levels. The International HR Manager at B4, for example, attends functional meetings for the UK, Europe, the USA and for the worldwide organization.

The agendas for these meetings were built round potential common problems, policy proposals and sharing of experience. The international HR meetings at B7, for example, are used to discuss policy proposals and the impact of European directives. At the meetings in C3, executives from different countries make presentations on their own situations and actions, with the purpose of learning from each other. In B4 the aim was to work together in developing HR strategy, and to ensure consistency in a

structure where the Personnel function was linked into different business units. Regional executives in A6 met very regularly to hammer out regional policy proposals. Since meetings are arranged by the centre, there is a danger that they may be dominated by the head office staff, which might affect the attitude of subsidiaries' managers to them. Some of the informants were very positive about their meetings, the B1 manager, for example, said that UK Personnel executives felt they had learned from other countries through them. Others were less enthusiastic. The A5 Personnel executive said that their European meetings found it difficult to reach agreement, and one of the J2 executives similarly felt that the meetings he attended were not yet achieving much.

In most companies the head of Personnel in a subsidiary had a 'dotted line' reporting relationship with a corporate or regional functional manager. This of course was an element of corporate control, with the functional manager generally having a responsibility for monitoring the quality of local proposals, and sometimes collecting data on workforce performance indicators. Generally MNEs are devolving decision-making to businesses, and within businesses to areas or countries. However in most cases local functional managers were expected to keep the corporate functional head informed, so that the latter could intervene when appropriate. In their research into the multidivisional company, Purcell and Ahlstrand (1994: 169) discovered what was called 'management by raised eyebrow', which referred to the way in which business unit managers learned the 'right' way to behave in the organization through a multitude of informal contacts with head office managers. The contacts between corporate and local functional managers in MNEs could fulfil a similar form of socialisation, although the head office managers interviewed tended to speak of influence rather than control. Corporate functional managers can also act as a communication channel, facilitating knowledge transfer by establishing internal functional networks. Not unsurprisingly, this seemed more prevalent in the more global of the study companies.

7.6 The Development of International HR Policies

The proposition in the theoretical framework is that the combination of a global strategy and structure, a stress on learning, the integration of international management development, and the sharing of HR practices, will lead to the development of international HR policies, that is policies that apply across all units in a region or worldwide. One of the accepted concepts of HRM, which was discussed in chapter 3, is that HR policy should be aligned with organizational strategy. If the strategy is to become more global in orientation, it would be expected that this will be reflected in HRM. The sharing and exchange of know-how could result in similar policies because national units choose to adopt them, but there may be HR issues which are regarded as so central to the overall strategy, that there is a corporate decision that there should be an international policy.

In sixteen of the cases there were some human resource policies which the parent or regional head office were promoting across countries, and in all but one of the others there was some parent company influence on policies. However there was much variety about what these covered, how they were developed and how strongly subsidiaries were expected to adopt them. Amongst the research companies there were examples of all four of the following approaches to HR policies:

- *Exported* - where the parent company's policy was applied in the subsidiary.
- *Adapted* - where corporate policy was adapted by the subsidiary to suit local context.
- *Differentiated* - where subsidiaries developed policy according to local norms.
- *Integrated* - where parent and subsidiary executives jointly developed common policy.

Since there are always some differences between national employment laws and customs, a complete adoption of all the parent company's policies is normally not possible. However A3 is an example of a company where there is a preference for exported policy. The intention is to operate globally, and for HR policy to be as similar as possible, whilst accepting that policies may be put into practice in different

ways. In practice this means that whilst some policies are the same, others have been adapted, and there is a pragmatic approach to what is global and what is local. In particular, the terms of employment of production operatives in both the US and the UK are negotiated with unions, and so are not always the same. As an example, in both countries management have been able to move in the direction of teamworking, but the UK factory has been able to go further in gaining agreement to multiskilling. Commonality is easier with non-manual staff, although even here some policies are adapted.

The same concept of global policies interpreted by local practice was expressed in A7. In A4, A5 and A6, there were corporate international policies and policy guidelines, and in general the local Personnel functions ensured that local policies were not in conflict with corporate intentions. There were also differentiated policies, and UK driven policy initiatives.

In A2, the American parent had made some proposals for parent policies to be adopted by European subsidiaries, but these were limited. Within Europe policies had been differentiated, but the European HR director expected this to change in line with the development of a regionally integrated management group. He expected the company to develop a policy framework, and had indeed already made some moves in that direction, including pushing through a downsizing policy despite the protestations of Personnel people in some European plants that what was proposed could not be done. This account demonstrated that a regional head office can promote its own norms, and corporate policy may to an extent be filtered at a regional or divisional level.

In A6 it was suggested that the result of adopting a global strategy was that there was now a bigger influence from the centre than there had ever been, and that there might be a danger of overriding local variation. An example of a difference of opinion had arisen over the development of competencies. A system had been introduced in Europe, and subsequently a slightly different approach had been introduced in the US. There was now a conflict because the parent wanted to use their system globally,

which would mean European units having to go through the exercise again. Another problem example was a proposal from the parent that top managers in all subsidiaries be incorporated into the US stock option scheme. In the European region of A6, policies were coordinated through a Personnel group meeting, and so the approach was integrative rather than exportive. Nevertheless, the UK informant admitted that if there was a problem in the UK, there was a tendency to assume a new European wide solution must be found, when sometimes it would be better to look at what was already happening in other plants. Internal benchmarking and information sharing was officially encouraged, but the company was still learning how to make that effective. In terms of applying policies across Europe, the main difficulty was perceived as legal rather than national culture differences.

A1 had an HR policy guide in the form of a statement described as the company philosophy, which was directed at the performance of employees. Officially the philosophy is not prescriptive, but subsidiaries are subject to a regular audit of the HR systems which may mean that deviations from the principles would have to be justified. More details of the system are given in the next section.

The Japanese companies were not formally exportive, although there were parent influences in J2 and J3 through the PCN managers. In J2 the main concern of senior managers was that HR policies should be in line with what other Japanese subsidiaries in the UK were doing. Some aspects of working conditions in J3 reflected corporate principles. In J2 manufacturing, there was some integration of policies within Europe, because of local initiatives. Before J1 was acquired by its present owner, it had expected its subsidiaries to use UK procedures, but it has moved to a less ethnocentric stance by setting out a looser framework of employment conditions which apply unless there is an agreement to vary.

The British and other European companies vary, generally in line with the extent of globalization. In B2, international HRM means policies for the assignment of UK expatriates. In C1 there are policy guidelines for the different UK units, but these are

not influenced by the parent. In B5, C4, C6 and C7, HR policies are differentiated, but policy changes are agreed with a corporate Personnel executive. B3 and B6 are starting to introduce some international policy guidelines as part of the move from a polycentric to a global strategy. In C2 and C5 there are policy guidelines in certain areas. In C3 there are some general principles which provide a policy framework, and the corporate Personnel function encourages the development of best practice across the organization. A concern that best practice is being followed in certain areas is also the reason why in B7 some international policies have been introduced in the past five years. Interestingly this originated in discussions with the UK Health and Safety Executive about why there were differing standards between B7's UK plants. From this came a decision to promote a common best practice in the UK, which was then extended to overseas subsidiaries. Having started with safety, corporate Personnel began to look at other areas, since this fitted the new corporate policy of fostering organization-wide coordination. B1, B4, C2 and C3 also have global policy guidelines which have been developed systematically over recent years as part of the move to a global strategy. Although B5 formally followed a differentiated approach, in practice there were a number of policy similarities between the UK and European subsidiaries, partly because they were making similar changes to production processes to meet customer expectations, and also because of the regular contact between the UK and the European Personnel executives.

Amongst the established MNEs, the picture presented by the companies in the study conforms broadly to a multidomestic/global division. Many of the companies went through a multidomestic phase, and at that time HR policies were differentiated. As they have changed to a global strategy, they have begun to introduce international policy guidelines. Amongst the newer foreign investors there are examples of both ethnocentric policy exporters and polycentric policy differentiators. The apparent reasons for these differences are in line with the variables in the Taylor et al (1996) model, and in the case of acquisitions, include the head office view of the effectiveness of existing policies and the extent to which their own policies are generalizable. Head office orientation seemed to be a factor, and the slight tendency

for the US multinationals to be more likely than the others to export parent policies to the UK may be because of a perception of cultural nearness. Other variables will be referred to in the next section, which will discuss which HR processes are likely to be coordinated and which to be differentiated.

7.7 Issues Covered by International Policies

Having discussed the variations between companies, it is proposed in this section to look at the issues that tended to be covered by international policies. This is also included in the summary of interview responses in appendix 3.

A major policy concern in many MNEs is the management of expatriates. However, in MNEs where expatriates essentially come from the parent company, assignment policies and procedures would be parent company rather than worldwide policies. This was true of the companies in the study that had an ethnocentric or polycentric staffing policy, including therefore A3, B2, C1, C4, C7, J2 and J3. However, in those companies that had moved to a geocentric staffing policy involving TCN appointments, international assignment policies had become an area for integration. Essentially the concern was to follow best practice both in the process and in regard to assignment terms, so as to provide equitable treatment of expatriate staff whatever their country of origin.

Some areas of policy integration followed the adoption of a policy to develop international managers across the organization. In addition to standard assignment policies, the following initiatives were found in the global companies:

- Competency statements for managers, to be used in selection, appraisal and development across the organization.
- Identification of an international cadre of senior managers whose remuneration and development were managed centrally.
- Organizational-wide planning of management succession.
- A worldwide job evaluation system, such as Hay, for all senior positions.

- A common appraisal scheme for professional staff.

Taylor et al (1996) proposed that the highest degree of similarity between the HRM systems of a parent company and a subsidiary will be vis-a-vis groups of employees who are most critical to the MNEs performance. This proposition has surface validity, and might be said to be supported by the particular attention given to senior and international managers in the research companies. However, the areas of policy similarity were generally those which were thought to contribute to business strategy and objectives, and might be applied to all levels of employees. In a few cases, international policies were also developed to implement the espoused values or principles which constituted the culture and mission of the organization.

An example is provided by A6. This multinational has been successful over many years, but recently its growth curve had flattened out. It was felt that marketing responses to this had become predictable, and that the company was hindered by a blame culture that discouraged innovation. The strategy for dealing with the situation involved both measures to reduce cost by global redesign of processes, and measures intended to create a performance orientated culture. One manifestation of this has been negotiation with the unions to change the pay system on the shop floor. An objective was established to introduce a performance element into the pay system of all European factories within three years. This was a European policy objective because manufacturing in Europe was now part of a single supply chain, and regarded as if it was one department. In the meantime, a European 'recognition' policy has been introduced, under which local managers set aside a small proportion of their budgets to fund ad hoc non-monetary awards to individuals. HR policy in this area was therefore developed to support business strategy, and the strategy also determined that the policy was international rather than national.

Participants were asked which policy areas were subject to international guidelines, and why, and their responses are summarised in table 7.4. A simple count of the number of times an HR process was mentioned as an international area shows that the main concern was managing and improving performance. The most frequently

mentioned process was 'training and development', followed by 'appraisal'. There were four or five references to 'performance culture', 'career and succession planning', 'competences', 'communication', 'safety' and 'equal opportunity' as areas where there were international policies or guidelines.

Table 7.4 **Number of firms with international policy guidelines in relation to particular HR policy Areas**

Policy Area	Number (n=24)
Training	9
Appraisal	7
Health & safety	6
Competencies	5
Performance culture	5
Communication	4
Equal opportunity	4
Career planning	4

Reference was made in the last section to the A2 statement of philosophy called 'Excellence Through People'. This had originated in one of the US plants which had been set up in a new area as a non-union facility with all-salaried staff, and which had been successful. As a result, their employment system had been promulgated throughout the organization through what was described as 'a worldwide consultation'. In summary the principles are:

- ◆ Focus on positive behaviour of employees.
- ◆ Encourage employee-involvement in decisions.
- ◆ Communicate regularly and mainly face-to-face.
- ◆ Pay competitively under systems which reward excellence.
- ◆ Provide training for individual and organizational success.
- ◆ Maintain effective performance appraisal systems.
- ◆ Emphasise promotion from within.

- ◆ Select managers who have both human relations and technical competence.

These will be recognised as the typical constituents of a high performance/commitment system. The UK plant in the study followed many of the principles, but did not have a formal appraisal scheme or performance-related pay system for production workers. In this case the international policy was adapted to the local industrial relations environment. Components of the high commitment system were frequently found in the study companies, although they were not usually established so clearly as an international standard, as appeared to be the case in A1. Another example of a company with a High Commitment Work System was A5. The system was based on a flattened hierarchy and semi-autonomous teams, and in this case had been developed in the US, the UK and other European plants, in the same way. The reason for this was to support the global strategy of product excellence, combined with flexible production output to respond to the more varied demands of key customers.

Human resource policies are of course locally determined in all areas where there is no corporate guidance. Detailed terms of employment, such as pay levels, hours, working arrangements, and discipline were universally local issues (apart from terms for senior managers in some cases). Union recognition was also regarded as a local matter, and none of these companies had a policy of avoiding recognition. Several of the Personnel and line executives in unionized companies were quite positive about using the union as a channel of consultation with the workforce.

7.8 The International Role of The Personnel Function

The theoretical framework suggests that as a consequence of globalization the Personnel function will assume new international roles. Adler and Ghadar's model proposes firstly that there will be a shift of emphasis from the management of expatriates to the development of international managers, and then to a concern with fostering cross-national learning. These elements have already emerged in the previous discussion, and the aim in this section is to draw them together into an

overview of the international role of the Personnel function. This is focussed on the UK companies in the study as they are parent organizations, although not to the exclusion of insights gained through other interviews.

The findings of this research study are generally in line with the Adler and Ghadar model. Amongst the study companies, B2 exemplifies the new international organization, and the role of the Personnel Director of the International Division centres on managing the expatriates. The Personnel Director identified four major policy areas which are his priorities; recruiting staff and resourcing vacancies; performance management including appraisal; identification of training needs; policy on pay and benefits. Whilst he may, if asked, give advice to country managers on the HR policies for local employees, they are not his main concern. His aim is to build a bigger stock of people in the UK operating divisions on whom he can draw for foreign assignments. The Personnel Director was dealing with such problems as persuading managers with career spouses to accept assignments, dealing with the grievance of some local managers about the remuneration differences between locals and expatriates, and reaching agreement with a joint venture partner on assignment conditions for staff drawn from the two companies.

In B3 the agenda of the International HR Director was changing. Whilst responsible for expatriate assignments, the main priority was to support the globalization structure by developing international managers. The HR Director communicated what was needed in a company journal:

A worldwide network of operating units does not make, by itself, a global company. We also need people who are able to think globally. People who understand that cultures are not right or wrong, better or worse, but just different. Getting to know different people and their cultures helps us to understand each other better and therefore substantially improves communication.

(B3 Group International Employee Review, Autumn 1996)

A similar concern with managerial attitudes was voiced in both B1 and B7, where in each company there was a strategic aim of encouraging top managers around the world to accept that they have both a Group and a local business responsibility. In B6 it is

recognised that more managers need to have international experience, and a start has been made on international management training. B4 has created a worldwide management development programme, which is delivered locally but with common international elements. These companies had, or recognised the need for, international succession management, and in several cases were drawing up management competencies statements that could be applied globally. The move to globalization had certainly changed the agenda of the Personnel function.

In the transnational organization, it might be expected that the creation of an international learning organization will be a major role for Personnel, and the findings give some support to this. As has been seen, sharing through formal meetings and informal networks is now common in the global company, and in the global business divisions there is a concern to work to the same standards of 'best practice'. Knowledge management is a comparatively recent concept, and the impression from this study is that multinationals are still exploring how to develop learning capability. Since 'learning' is an area of HR know-how, the Personnel function should be able to make a contribution to these developments. Reflecting on his own company's experience, the Personnel executive of B6 said:

the focus of the Personnel role needs to change from industrial relations, which has been its strength in the past, to development.

(Interview August 1997)

One way in which the Personnel function can contribute to the development of a learning climate, is to act as a role model by demonstrating that their own managers in different countries are able to learn from one another. Some of the companies in the study seem to be in a good position to achieve this. Managers were enthusiastic about cross-cultural gatherings, and were trying to be open to what was happening elsewhere. In other cases, as already reported, contact was achieving less, and there seemed to be plenty of mutual ethnocentrism at work. It seems obvious that there is a difference between an international company where the innovation all comes from the parent, and one where there is a really geocentric attitude. If the latter is a better

climate for discovering the best, then the ability to manage cross-national learning will be a potentially strategic capability.

The Personnel executives were very aware of the need to be seen as a business partner, and the main justification for their international activities was alignment with strategic objectives. Informants in several companies (B2, B4, A3, A5, A7, C2, and J1) passed on copies of Personnel statements of objectives which brought this out, and other executives made the same point. In A7, a global attempt was being made to change the perceptions of Personnel (within and outside of the function) from that of an IR firefighter to a business partner. In B7 development of international HR policies was a consequence of a changed corporate strategy. Even where the main activity was expatriate assignment, as in the Personnel function in the International Division of B2, it was set in the context of corporate strategy.

Chapter 4 included the ten guiding principles for global HR that Stroh and Caligiuri (1998) derived from a survey of US-based executives. These were divided between five principles that should be implemented within the organization, and five that should be implemented within the HR/Personnel function. This division is a useful reminder that in order to provide an effective service to the organization, there are things that the international function head should ensure are being done to equip Personnel executives for their role in a global firm. The activities and objectives of the UK Personnel executives in the research reported here are very similar to the findings of Stroh and Caligiuri, particularly their first five principles, which included positioning the HR/Personnel function as a strategic partner in global business. Complementary to this, their second list included having the ability to market HR globally as a source of strategic advantage. This implies being proactive in identifying and then communicating the value the function can add to management decision making, a real challenge given the traditionally rather more reactive style of most people in the Personnel role.

7.9 Convergence of HR Policies and Practice

The final research question concerned the global convergence of HR policies. If policies are similar in the different country units of an MNE, it is not necessarily because there is an international policy. Even when policies are locally determined, there may be similarities because of the common technology, or because managers in different parts of the world have similar understandings about what constitutes best practice in HRM, or as a result of sharing experience within the MNE. The participants were therefore presented with a list of specific policies in the areas of selection, development, appraisal, reward, communication, involvement, employee relations and work organization, and for each policy issue they were asked what the practice was in the UK and in company units in other countries. For the UK companies, this related to their foreign subsidiaries. For the UK subsidiaries, the comparison was with the operation in the parent country. In the cases where the UK entity was the regional head office of a foreign investor, the discussion was more complex since it could refer to the parent or subsidiaries. As will be seen from the Interview Guide in appendix 1, the policy issues which were discussed included those that would indicate whether a high commitment employment system was being followed, and other matters on which common approaches might be expected across countries.

In deciding to include this area in the research interviews, there was a question mark over whether the UK managers of foreign subsidiaries would know enough about what was happening in other countries to be able to answer questions about them. In the event all the informants knew something about the practices in other country units, although in some cases the information was limited. A complication for one or two informants was that policy making was devolved to business units making it difficult to describe an organizational norm.

In many of the interviews, this discussion highlighted issues on which there was some central guidance which had not been mentioned in response to the earlier question in which informants were asked to name international policies. With hindsight, this was

probably an artifact of the interview design. Informants responded to the earlier open question by naming three or four international policy areas, which were perhaps the more important, but not the only ones. Informants may have interpreted 'HRM' differently; for example did it include safety? There may also have been a question about what constituted an international policy since common policies might be encouraged informally as well formally, and with varying degrees of pressure. This may be illustrated by the comment of the Head of Personnel in B7 who described recommendations to subsidiaries as having a one, two or three-line whip. In a number of the companies, the implementation of some policies may be negotiable, depending on various circumstances including the internal political power of subsidiaries, as Edwards et al (1996) noted in one of their cases. Finally, the open question relied on what respondents recalled at a particular moment, whilst the more specific list of topics would prompt memory.

However, the discussion of policies also showed that there were many similarities between units in different countries whether or not policy convergence was being encouraged. In view of the reservation about how much people know of what is happening elsewhere, the information provided should be treated as indicative rather than definitive. Table 7.5 shows how many companies had policies related to fifteen different issues. Two of the set (B2 and J3) are not included in the table, so the maximum number of responses is twenty-two. The column headed **UK** shows how many of the twenty-two said the UK organizational unit had a formal policy in that area, and the column headed **Other Countries** shows how many said that a similar policy was found in their organization in other countries. Where head office respondents said that a policy was found in some but not all subsidiaries, the company was included among **Other Countries**. So, for example, when asked if they had a policy of formal appraisal of managers, twenty-one companies said that they had such a policy in the UK, but only seventeen said the policy was common in other parts of the organization. A fuller tabulation by company is provided in appendix 3. Although the MNEs had subsidiaries in all parts of the world, the survey composition meant that the other countries here are biased towards Europe and the USA.

Table 7.5 **Number of firms with policies related to particular issues in the UK and the number of firms with policies related to the same issues in their units in countries other than the UK**

POLICY ISSUE RESPONSES (n=22)	NUMBER OF	
	<u>UK</u>	<u>Other Countries</u>
Equal opportunity	17	15
Internal promotion preference	14	12
Thorough selection process	12	9
Emphasis on training	20	20
Formal appraisal of managers	20	19
Formal appraisal of operatives	10	6
Performance pay for managers	16	14
Performance pay for operatives	7	4
Harmonisation policy	11	3
Regular communications	17	16
Involvement in improvements	12	11
Team working	18	14
Union recognition	16	19
Quality focus	13	13
Health and safety policy	22	22

It should be noted that this table simplifies a complex set of relationships. For example, respondents often qualified cross-national policy similarities by remarks such as “but the UK is ahead”, or “but they are doing more in this area”. In a number of cases it was commented that the policy was the same but it was expressed differently in different countries. It was clear, for example, that the enthusiasm for particular forms of appraisal varied, despite the fact that it seems to be recognised good practice to have appraisals, at least for managerial and professional staff. It was also clear that there was greater enthusiasm for performance pay in UK and US units than elsewhere in Europe. It is interesting to note that union recognition was widespread even though it was a matter for local decision in all the companies. In the responses to the open question on corporate policies, only five informants mentioned safety policy. However, when prompted nearly all the companies said that health and safety was an area where there were corporate guidelines and monitoring. Companies

that adopted formal quality improvement initiatives tended to do so on a regional or global basis.

It is felt that two main themes came through from the discussions in this part of the interviews. One was to do with the importance of performance, and included appraisal, training, employee involvement in improvement and performance pay. The frequent mention of the latter reflects a survey bias towards the Anglo-Saxons, and there is less of a consensus on pay systems than on other HR issues. UK companies had also been able to shift policy on redundancy selection from the traditional 'last in - first out' to selection on performance criteria, but this was not necessarily the same in other parts of Europe. UK units had commonly reduced levels of hierarchy, but informants said that this was not necessarily happening elsewhere, and there was a feeling that units on the continent were much slower to reduce labour costs. A second main theme was the need for good relations with employees, and this was manifest in policies for internal promotion, equal opportunity, communication and consultation, and union relations.

The conclusion drawn from the interview discussions is that in the industry sectors included in the study, there is a broad international consensus of what constitutes good practice in human resource management. As a result there is a high degree of similarity in MNE policies across national boundaries, at least at the level of general principle. The comments of respondents also suggested that HRM in UK units tends to be closer to practice in the USA than to practice in other European countries. The consensus broadly equates with a high commitment/high performance view of HRM, but this is by no means a universal model. The answers to questions also showed that there are often differences of treatment between professional and shop floor staff, and many firms reported using temporary or subcontract workers to provide numerical flexibility. The findings therefore give some support to the proposition discussed in chapter 3 that groups of employees might be employed under different employment systems in the same organization.

Respondents were asked to name factors that affected or constrained the development of new HR policies. It was hoped that an analysis of comments might give some indication as to whether managers in subsidiaries felt more influenced by corporate norms or by trends in their own country. However this part of the interview did not really add to what came out elsewhere, which is that in the more global companies business strategy and corporate HR principles were important influences. As has already been noted, corporate policy initiatives varied in the degree of compulsion attached to them, and were frequently termed as 'guidance'. In this situation, informal contact and discussion in meetings were potentially of importance to head office and subsidiary executives as channels of mutual influence.

Participants were asked whether they thought there would be further convergence of HR policy in their organization. Here too, answers tended to fit the extent of globalization and sharing. Some respondents felt strongly that legal and cultural differences meant that whatever happened in other functional areas, HRM would always be differentiated. The informant in C1, for example, did not believe that personnel practices were converging, and was not very interested in doing things the way the parent nationals do them. The UK HR manager of B3 also felt that personnel practices would not converge, despite the fact that her company had developed some global initiatives. Most of the participants however had a different view. Typical was the comment of the UK Personnel executive from B1, who anticipated a gravitation towards best practice, since there was a fundamental similarity in a lot of HR practice. He quoted TQM as an example of a management process that was able to transcend cultural differences. He recognised the importance of national differences, but felt there could still be common approaches.

The approach might be modified because of the cultural differences. The overall aim, I suspect, is largely the same. All our HR people recognise that it is vital that you understand cultural difference and you're sensitive to it. You don't try and impose a solution that might have worked in the UK on, say, the German population where their approach to problem solving is quite different. You recognise that and manage within it and try and achieve your aims within the differences.

(Interview October 1994)

Differing views of the likelihood as well as the value of convergence may reflect a general management attitude towards subsidiaries as sources of useful knowledge. In the ethnocentric organization, company specific knowledge is transferred mainly from parent to subsidiaries, both by sending expatriate managers and specialists to subsidiaries, and by bringing other country nationals to the parent organization for training. If the organization becomes polycentric, the stress on local autonomy may actually restrict opportunities for knowledge transfer, which was one of the reasons B7 had changed their strategy. Local managers guard their independence and may feel they have nothing to learn from the parent. The geocentric organization is more fertile soil for intra organizational learning through an integrated approach to the transfer of knowledge. Geocentrism is first and foremost an attitude. It needs managers like those in the research cases who were able to give instances of learning from colleagues in other countries.

The appropriate concept for the global company is the integrated HR policy, developed on the basis of input from different countries so that it can be both worldwide and local. In the case of major policy initiatives, development by a cross-national team would be a helpful way to avoid ethnocentrism. However, as has already been said, responsibility for such developments is likely to be with a corporate functional group, whose influence is such that in practice policy making may be centralised with only a token influence from elsewhere. This is less likely to happen if there is some diffusion of power within the MNE, so that functional executives in subsidiaries have the confidence to challenge the head office representatives. This is more likely if there has been proper devolution, and in that sense evolution through a polycentric phase may be necessary before the organization can become truly global. The polycentric phase demonstrates the importance of operations in countries other than the country of origin, and without this experience the aspiring global company may retain too strong an emphasis on the parent organization. This will not evolve in the modern world the way it did in the first half of the century, and perhaps MNEs need to discover some alternatives. Whilst most, if not all, geocentric companies are likely to retain some orientation to a country of origin, the more exciting prospects for

the future may perhaps be with those organizations where managers are genuinely open to what is happening elsewhere, and who can build a mosaic of experience in which diversity creates a unified whole.

7.10 Summary

In this chapter the data collected from the case companies has been used to explore themes and links in the theoretical framework.

The evidence was that the companies studied were all experiencing a strong international competitive environment. This was leading companies to seek synergies and economies of scale by linking manufacturing operations into regional and worldwide supply chains. At the same time, sales were being coordinated in order to respond to the needs of international customers. The global business division was generally the main line hierarchy in a matrix structure that linked businesses, countries and functions. Established MNEs were changing from a multidomestic to a global strategy, and whilst stressing devolution to businesses were in some ways becoming more centralised. The histories of the case companies were generally consistent with Perlmutter's 'tortuous evolution', with the newer international firms taking a more parent centred approach to strategy, and the older polycentric firms moving towards a geocentric orientation.

Global efficiency promoted an emphasis on organizational units learning from one another, and on the need for managers to have a more international orientation in which they were concerned about the whole enterprise and not just their local unit. As a result, international meetings were now common, to share plans, problems and best practice. Alongside this, the global companies are creating cadres of internationally orientated managers, from whom the top managers of the future will be drawn.

The globalization of business structures is leading to the development of international human resource policies. These are commonly seen as guidelines, or expressions of

principle, which allow for local variation in forms of implementation. International meetings of Personnel executives are developing norms of best practice in employment policies and HR processes.

The Personnel function, particularly in the corporate or regional office of parent companies, is changing its international role from expatriate management to international management development and also to the support of business strategy by developing appropriate international HR policies. The Personnel functions in the sample companies are generally internationally aware. Personnel staff are building their networks and sharing their experiences. Parent company Personnel quite commonly have a functional relationship with Personnel in subsidiaries, but in line with the ethos of networking, there is more emphasis on influencing than control through command. Some of the participants in this study expect that the results of networking will be convergence towards recognised best practice, whilst others believe that HR practice will remain country specific. In the more global companies there is certainly a belief that best practice can be identified, and that subsidiaries can learn from one another. Even without this influence, there was evidence from the study of similarity in HRM policies amongst American and European MNEs. It could therefore be concluded that a consequence of globalization is pressure for convergence of HRM, but in diversified rather than homogenous forms.

CHAPTER 8

CONCLUSIONS AND RECOMMENDATIONS

In this chapter it is proposed to draw some conclusions from the research, and to make recommendations concerning human resource management in multinationals, and future research in this field. In section 2.5 of the literature review, a three-category framework of parent-subsidiary relationships was introduced, and in the next section of this chapter this model is elaborated from the findings of the literature and the research study. In the research design, a theoretical framework was developed and used to establish a set of research questions, and in this chapter there is a discussion of the research findings in relation to each of the research questions, in order to draw conclusions from the study. The overall conclusion is that the research findings support the argument on which the questions were based, and support the initial proposition that multinational enterprises are potentially important contributors to the development of internationally understood norms of best practice in human resource management. Following the conclusions there is a presentation of a set of recommendations on the management of human resources in multinational enterprises, and these are intended to provide a way of applying some of the lessons that may be drawn from the research. This is followed by discussion of the implications of the findings in relation to the literature, the limitations of the research conclusions, and some proposals for areas where further investigation might usefully add to the study. There is a summary of the chapter, and then a short final paragraph reflects on what has been learned through carrying out the research.

8.1 Models of Parent-Subsidiary Relationships

It is proposed in this section to return to the theme of parent-subsidiary relationships which was raised originally in the discussion of internationalization in chapter 2. Amongst the companies in this study there were differences in relationships between parental head offices and country subsidiaries, and it was evident that these relationships changed over time. Chapter 2 referred to some of the theoretical and empirical work in this area, and suggested that MNEs might be categorised into three models of parent/subsidiary relationship. Although this research investigation did not

set out directly to test this idea, there was sufficient information on past and current organizational forms to support the proposition, and to provide the following descriptions of the models as they relate to organizational structure and HRM policies.

Dependent Relationship

A subsidiary may have a dependent relationship with the parent company when it is a new venture which is seen as an extension of the parent's export or production capacity, and/or if the parent company have managerial or technical capability not found in the host country. Parent country nationals are assigned to key posts in subsidiaries to ensure that the important systems conform to the parent company's standards. The parent company is likely to export to a subsidiary, aspects of HRM which support its strategy or cultural values. In a less planned way, parent company HR norms may also be introduced by PCN managers, who may sometimes seek the advice of the parent Personnel function on policy and employment terms. Otherwise HR practices are likely to be based on local norms, and this is particularly likely if the parent has acquired a local company and kept on existing staff, or if there is a high cultural difference between the two countries. Expatriates from the parent company are sent in on a variety of medium and short term assignments, whilst local nationals visit the parent organization as part of their socialisation into the company and its ways of doing things. The flow of technical and organization know-how is from parent to subsidiary as systems are set up, or in an acquisition, as PCNs assess and seek to improve existing policies and practices. The Personnel function in the head office arranges expatriate assignments, and sometimes provides advice to subsidiary CEOs.

Independent Relationship

Historically, the subsidiaries of many American and European MNEs moved to a more independent relationship from head office in which they had a great deal of autonomy, within performance targets agreed with the parent. In this model, strategy is multidomestic and structure resembles a federation. As host

country nationals gain managerial experience they replace the PCNs, sometimes as a result of political pressure. Even if some PCNs remain, the subsidiary is managed independently and the power of the country manager increases. If the parent acquires a well-managed subsidiary, it may establish an independent relationship straight away, without a lengthy period of dependency. If there is an HR concern that subsidiaries work within corporate values, this is promoted through the line structure, and by the careful selection and orientation of HCNs where they are appointed to senior roles. Larger subsidiaries may have their own Personnel function and although there may be contact with the parent Personnel function, policies are determined locally. Parent and subsidiary Personnel functions may exchange information on policy developments and are free to adopt one another's ideas if they wish. Any communication between subsidiaries is ad hoc, and the result of individual initiatives. Generally therefore international HRM both in relation to the management of expatriates and the coordination of policy is of less importance to the parent company than in the dependent model. If there is a strong polycentric orientation, it may be a matter of policy that there is no coordination of policy. National subsidiaries are like independent fiefdoms, linked only loosely by incorporation in the annual report.

Interdependent Relationship

If the organization strategy is global with worldwide integration of some operations and coordination of others, the relationship between parent and subsidiaries becomes more interdependent. Management attitude is increasingly geocentric, and experience in more than one country is an important element of management development. Policy is to appoint the best available people to key senior roles, and so management succession is co-ordinated on a world basis, leading to an increasing number of third country national appointments. International human resource management in the global company still includes the assignment of expatriates, but there is more emphasis on the development of international managers. International

communication and learning are promoted in the search for world-class performance, and information flows are multi directional. Parent company Personnel may coordinate the development of international HR policies that represent best practice and yet accommodate different employment practices. In some multinationals there may be a strong regional organization, in which the features of the global company are found, but operating within the region. Global companies focus on the performance of international business units, and most HR decisions would be made at the level of the business unit, but within some kind of coordinating framework. Coordination is partly through written policy guidelines, and partly through the shared understandings that come about through networking electronically and face-to-face.

Some of the characteristics of the three models are summarised in table 8.1.

Table 8.1 **Characteristics of Three Types of MNEs**

Parent-Relationship	Dependent	Independent	Interdependent
Market	Extension of domestic	Multi-domestic	Global
Strategy	Exploit parent advantages	Exploit local opportunities	Exploit global economies and location advantages
Structure	Centralised	Differentiated	Integrated
Structural Form	International division	Area/product divisions	Matrix
Senior Management	PCN	HCN	TCN
Parent Orientation	Ethnocentric	Polycentric	Geocentric
Control Strategy	Personal or bureaucratic	Output	Culture
HR Policies	Exported	Adapted	Integrated
Head Office Role	Teacher	Financier	Coordinator
Knowledge Flow	From centre to subsidiaries	Limited interchange to and from centre	Multidirectional between all units

The descriptions are of course idealised representations designed to draw attention to potential differences of emphasis. They are consistent with other studies reported in the literature as well as with the results of this research, and although there are only three headings, the model is similar to the framework from Casson et al (1998). There is an obvious link with the typography in Perlmutter (1969), but with less emphasis on the evolutionary aspect. There was some evidence for the Perlmutter progression in the histories of the established American and European MNEs, who had almost all gone through a polycentric phase before starting to move towards a more integrated global structure. However, MNE growth patterns in the future might not follow the path that has been taken in this century, since so much of the trading and technological environment are different.

Although an MNE could have the same relationship with all subsidiaries, this is not necessarily the case. Comments from informants indicated that that was the situation in some of the research cases, but the matter was not explored systematically. The different treatment of acquisitions was the result of several factors, including the strategic purpose of the acquisition, the assessment of the competence of local management, cultural closeness, previous history and differences of corporate culture. It could be argued more generally that a firm with a multidomestic strategy is likely to prefer a relationship of independence, so that if a new subsidiary is initially more dependent on the parent, that would be regarded as a short term situation. Where there is a global strategy, the relationship may be dependent or interdependent, but is unlikely to be independent, except perhaps for a joint venture.

In the UK companies in the study, B2 had dependent subsidiaries, in B5 the relationships were independent, and in B4 they were more interdependent. Other UK companies were trying to move from independent to interdependent relationships. In the foreign investors, examples of a dependent relationship were found in the UK subsidiaries of A3, C5 and J3, of an independent relationship in A2, C1 and J1, and finally of an interdependent relationship in A6, A7, C2 and C3.

8.2 Findings Relevant to the Research Questions

Question 1

Are MNEs responding to an increasingly competitive environment by adopting a more global orientation in their strategy and operations?

All the companies in the study were multinational enterprises, and were therefore active in more than one country. They were all undergoing processes of change in which there was a clear trend towards a more global orientation. This was expressed in terms of growth in foreign markets and restructuring on a more globally integrated basis. In two of the UK companies, four of the US and two of the European, global integration although fairly recent was becoming well established. In a further twelve cases the need for a more global orientation had been articulated, and was reflected in various corporate initiatives intended to coordinate what had been independent functional activities. All these companies had operated previously with a multidomestic strategy. The companies were drawn from particular industry sectors, and so there are limits to the extent these findings can be generalized, but the reasons given for the globalization trend are likely to be found elsewhere. The majority of the firms that participated in the study were well established, and most were in fairly mature industries. International growth was seen as vital to their future, and was being pursued through organic development, acquisition and joint venture. There was a strong perception that competition is stronger and has to be met by better performance. So as well as finding new markets, the companies were looking at how they could be more efficient, improve product quality, and be responsive to customers.

According to the literature, the characteristic of a global firm is cross-national *integration* of activities. That is happening in some of the companies in the study, but there is also very often an earlier phase in which there is cross-national sharing of information and *coordination* of activities. Every one of the companies had some cross-national coordination in at least one of the main operational functions of marketing, purchasing and manufacturing, but there was variation in the activity that was internationalized. The study confirmed that MNEs are themselves contributing to the development of global markets by sourcing on an international basis. The study

companies that were component or material suppliers found that their customers were operating internationally, and expecting consistency in their dealings with different facilities of the same multinational supplier. The typical response was to coordinate sales and marketing to ensure such consistency. On the other side of the coin, purchasing was coordinated in order to increase buying power and reduce cost.

The pursuit of efficiency was also the driving force behind the integration of product design and manufacturing output. Instead of producing products for national markets, manufacturing was being integrated by regions or across the world, helped by better and more economic international transport. With investment in new equipment, the number of manufacturing units could be reduced as supply was planned over a wider area. New manufacturing processes enabled firms to operate shorter production runs economically, thus enabling them to respond to customer calls for flexibility in specification and delivery. Standardisation of working methods, quality systems, and product specifications could all contribute to both quality and productivity improvements.

Although the range of industry sectors represented in the study was limited, they covered a range of technology, and on this evidence it could be suggested that the spur to globalize is common across manufacturing. The most obvious changes were in the older established American and European MNEs that had concluded that the competitive environment had to be met by moving from a multidomestic to a global strategy. Managers in the younger Western MNEs were aware of the same pressures, and it would appear that the international environment is having a similar impact on firms at different stages of the life cycle.

Question 2

Are MNEs with a global strategy structuring their operations to achieve cross-national integration and local responsiveness, and how is this being done?

Where companies are adopting a global strategy there have been a number of effects on structure. Firstly, the predominant management line is through global business units. This is not entirely new since large MNEs have often divided their operations

into product divisions, where each acted as an almost autonomous entity reporting to a corporate holding company. However in the structures of the global firms, business units are cross-national, with local managers being part of a complex matrix in which they might report to a business, a country and a functional head. Despite the difficulties associated with the matrix form, there seems to be agreement with the view of Percy Barnevik, the CEO of ABB, that the matrix is a fact of life (Taylor 1991). Regional centres were also found in some of the companies, with integration at that level rather than worldwide. Whilst national subsidiary companies continue to be the local face of the MNE, the country is becoming less important organizationally. If more than one business of an MNE has a unit in a particular country, the chief executive of one of them will often be designated to fill the representational role of the country manager.

Cross-national integration is sought in product development, manufacturing, and purchasing in order to achieve global synergies and economy. Labour markets influence where these activities are located. Sales on the other hand relates to product markets which may be national or global. As a result, a second structural effect has been to separate manufacturing from sales. This was always the case to some extent since most multinationals have sales operations in more countries than they manufacture. However the integration of manufacturing across national boundaries, in order to achieve cost efficiency and uniform quality, means that the function may be treated as a business unit within the organization, dealing with sales offices as customers. In that way some of the older established American and European MNEs are becoming like the 'global' Japanese multinationals of the Bartlett and Ghosal model, whilst perhaps the latter are learning to be more flexible in dealing with their customers as they too have to fight for market share. For manufacturers of consumer goods, local responsiveness means taking account of national market differences. However, where manufacturers are suppliers in global industries they are having to relate to customers locally and globally, and this is reflected in their structures. It is therefore not true in all cases that MNEs have to act locally in a geographic sense, and

perhaps the characteristics of the transnational organization should be described as global efficiency and customer responsiveness.

Many of the companies are sending out strong messages to employees and customers that responsibility is devolved to business units. In some instances, the number of business units was quite large, although they were usually grouped into a handful of main operating divisions. In the biggest and more complex multinationals it is impossible for those at the centre to be completely aware of, or involved in, everything that is going on, and crucial decisions have to be made about how relationships with the business units are managed. A variety of control and coordination mechanisms were in place, including global planning frameworks and corporate culture, in the sense of shared understandings of the business and its objectives. The information from this research suggests that informal communications and good relationships will be vital to the successful working of these complex organizations, and in that sense justifies the description of a matrix of the mind.

Question 3

Are MNEs promoting diffusion of knowledge and consistency of practice across national boundaries, and how is this being done?

It can be concluded from this research that where companies are moving from a multidomestic to a global strategy, they generally develop more frequent communications across national boundaries. The ease of world travel and development of electronic mail have obviously facilitated this. Communication between units is needed because of greater integration of activities and of dealings with customers or suppliers. If an MNE is pursuing global efficiency, and if any part of competitive advantage is derived from product design, work systems or HR capabilities, it will be important to ensure that the requisite know-how is internationally known. To avoid redundancy of effort, coordination of developmental activities is required, and successful practice, which might be developed anywhere in the organization, needs to be widely promulgated. The research companies were achieving this through the use of:

- Cross-national meetings of managers.

- Corporate seminars and training programmes.
- Internal benchmarking and audit.
- Access to global data bases.
- Knowledge facilitators visiting units.
- Recognising units as centres of excellence for particular processes or products.
- Cross-national project teams.

Informants from companies that had had a multidomestic strategy spoke of the resulting variability of standards and the tendency to hoard rather than share resources. One reason for arranging cross-national management meetings and international training courses was to create a culture in which people see themselves as part of a larger whole to which they are willing to contribute. This is probably an important aspect of building a learning organization since a great deal of knowledge transfer is likely to be through informal channels. It was interesting to find that in some of the subsidiaries, managers from the UK were networking with colleagues elsewhere even when there was little corporate encouragement of this.

The companies in the study varied in the extent to which they were promoting inter-unit cooperation and learning, but most of them referred to some form of cross-national knowledge sharing. Two points might be made. Firstly there was a difference between companies where the knowledge flow is predominantly from centre to subsidiaries, and those companies that were more like the transnational ideal of a network of cross-unit communication. Secondly, even in the latter firms, there may be a fine line between a dependent and an interdependent approach. Globalization may lead to more centralization, with managers in subsidiaries feeling no sense of ownership for what are perceived as corporate initiatives. Cultural differences on attitude to hierarchy may also affect the willingness of people to contribute to the development of common policies. This is an issue that needs to be recognised, and possibly countered by such devices as bringing cultural differences to the surface, holding meetings in different countries, rotating meeting leadership, or making a point

of recognising ideas from subsidiaries. The aim should be to exploit the benefits of cultural diversity and bring a plurality of perceptions to bear on any problem.

Question 4

Are MNEs building international management groups with shared values, and how is this being done?

In the multidomestic structure, management is mainly local, with in some cases a sprinkling of PCNs in key roles, or on assignment as part of their development. Subsidiaries develop their own succession planning, which in the parent organization includes consideration of international assignments. A lot of such assignments are ad hoc and fixed between the units concerned. In the global structure, succession is coordinated so that information flows from subsidiaries, and the businesses and countries are involved in decisions on appointments. A common device is a committee that plans and manages the appointment and development of senior management, and may also find ways of giving international experience to more junior staff with potential. Cultural awareness and other international issues are built into management training programmes. The aims are twofold. Firstly it is to widen the pool from which appointments are made. Secondly it is to give managers and potential managers international experience, which global companies believe to be essential for those in senior positions.

The findings of the research confirm the proposition that firms following a global strategy take an international view of management succession, although in some of the MNEs in the study, the coordination of appointments was at a European level. In nine instances there was a worldwide approach to the identification and development of management talent. In these companies, an international management group has been designated, who are regarded as a corporate resource and whose role assignment and remuneration are determined in the corporate or regional head office. A common evaluation scheme, such as HAY, was mentioned occasionally as a means of monitoring parity of reward. This integrated approach results in TCN appointments. In time, the expectation is that there will be foreign nationals on the top parent executive group, although this has not happened very much so far. A further eight

participants reported they were establishing international management development or had some international training programmes, so this is regraded as an important aspect of international HRM.

Setting up an international management group does not necessarily mean that large numbers of them will be on foreign assignments at any one time. The cost of such assignments is a factor to consider, against the benefit they bring. Several participants in the research commented on this, and were obviously giving thought to the most effective way of developing an international culture. Based on some of their comments, a good practice model might contain the following elements.

- Provision of international experience to professional staff early in their career rather than waiting until they move into the top echelon.
- Organization of international management training events that bring people from different cultures together, and also incorporation of 'international' material into training programmes run in businesses and countries as part of building an international culture.
- Designation of the level at which managers are treated as part of a corporate resource whose career is managed centrally.
- Establishment of a representative international group to oversee international appointments.
- Careful and selective use of foreign assignments for senior managers.
- Promotion of networking rather than assignments as a way of developing cultural awareness and experience of contributing to international issues

In section 7.4 of the previous chapter, it was shown that there were somewhat mixed views about organizational values statements amongst informants, and so it is not surprising that there was not a great deal of emphasis on *shared values* in the accounts of the management development programmes. An alternative concept that reflects comments made by informants is *shared responsibility*, the idea that everyone in the management group is committed to the success of the global enterprise and are willing to share information and resources with each other. The conclusion reached in this

study, from both the literature and the research findings, is that whilst value statements may have a part to play, organizational culture in an MNE is best developed through the shared experiences of solving problems and finding ways of bringing about improvements.

Question 5

Are MNEs identifying and promoting successful human resource management practice within the organization, and how is this being done?

The argument in the theoretical framework was that a focus on learning and knowledge transfer in global companies will lead to sharing of 'best practice' in all functional areas, including HRM, with the intent of improving organizational performance. Most of the companies in the study had some sharing of HRM ideas, but there seemed to be different attitudes to the whole idea of cross-national learning. Personnel executives are meeting together in the same way that other functional and business managers from different countries are meeting, and are discussing best practice in areas of HRM. Even where this does not happen, there may be regular communication between executives in the head office and subsidiaries. The opportunity is there to introduce successful practice from elsewhere, but it was not clear how much this was happening. Some of the Personnel executives participating in the study believed they could learn from what was happening elsewhere, and expected that over time there would be more international convergence of HRM practice. Others were a lot more cautious about the value of cross-national sharing. Given that the more positive views were found in companies that were doing more to promote international sharing, it may be argued that other individuals might change their views as their organizations become more experienced at international cooperation. On the other hand, the varying attitudes of UK managers are also a reminder that some people are more ethnocentric than others, and this may affect how successfully they can learn from other cultures.

Companies in the study were sometimes selective in the areas of shared know-how, and so might, for example, be promoting common approaches to work organization, but not to employment processes, particularly where the latter are seen as more

culturally bound. This might be unduly restrictive. If success in an increasingly competitive environment means creating an organizational culture that values innovation and constant improvement to all aspects of work, it would make sense to encourage the sharing of experience even in areas where it may at first seem that nothing could be learned.

Question 6

Are MNEs developing international HRM policies and how is this being done?

As well as encouraging the sharing of information about successful HR practice, MNEs may want to ensure that certain principles or ways of doing things are common across the company, and may therefore develop international policies that apply cross-nationally. From the study, it can be concluded that MNEs are developing HRM policies in support of a global strategy. A common story is that global integration of activities and the recognition of the need to develop a global orientation is supported both by the encouragement of cross-unit communication and by establishing global policies or policy guidelines. When informants were asked what determined if there should be an international policy for some HRM issue, the most common answer was business need. This was usually to support globalization, or performance improvement. Thus, international policy related to such areas as training, appraisal, performance management, competencies, and communication. In a few cases international policies were prompted by corporate principles or values, for example in regard to equal opportunity.

As a generalisation, policies were laid down as principles or guidelines, so that practice might vary. A policy guideline could, for example, be that all employees have a regular performance appraisal to identify development needs, or that a system for identifying training needs be established, or that special contributions by individuals or teams are recognised. Even so, there were some accounts from informants of difficulties with international initiatives, and the question of ownership of policies, which was raised in the previous section, may be relevant here. For some issues an acceptable approach might be that a principle is established by corporate head office,

or through discussion at an international managers' meeting, which is then implemented locally in a variety of different ways. However there may be other policy matters for which a more bottom-up approach to development would be preferable. One way of doing this is to set up a cross-national team to prepare recommendations, so that the policy guidance is not seen as a head office imposition. Snell et al (1998) in their review of international teams suggest they are a useful way of bringing expertise on local needs into the development of global policies. They give a marketing example of this, but the same thinking could apply to Personnel.

Resistance to central HR policies may also be a reflection of the national ethnocentrism that Perlmutter suggested might develop in polycentric organizations. As the units in an MNE move from an independent to an interdependent relationship, it may take time for country managers to develop the appropriate geocentric attitudes. One HR director of a UK subsidiary remarked that he could always head off suggestions from PCNs by referring to British employment law and possible tribunal appearances, and no doubt national managers everywhere use similar defensive tactics to counter initiatives that they do not welcome. Policy development is a social and political process, and head office executives need to recognise this when considering the development of international policies.

In eight of the research companies there were no international HRM policies, apart from parent company policies on expatriate assignments and top management rewards. However, in some of these, policy changes in the UK subsidiary were subject to head office approval, and in others communication within the Personnel function or the influence of PCN managers meant that there were policy similarities. In other words, deciding if there are international policies is not always straightforward. If account is taken of the history of the companies, the research findings confirmed that where an MNE followed a multidomestic strategy, there were few if any international HRM policies, although there might be parent company assignment policies. However in every case where an MNE had made a strategic decision to globalize, there were international HR policies or guidelines. Generally these were more developed in the

companies were there was a more globally integrated structure. The overall picture from the study is that global companies do develop international HR policies that apply across the organization, where such policies are perceived as supportive of business strategy.

Question 7

How is globalization affecting the role of the corporate Personnel function?

The research study has confirmed that in general as firms globalize, they integrate senior management appointments, encourage cross-national sharing of experience and develop international HR policies on issues that support corporate objectives. This in turn places new demands on the Personnel function within businesses and at corporate head office. The narrow view that international HRM concerned expatriate assignments has to be replaced by a broader conceptualisation of what the Personnel function should deliver to support the move to a global strategy.

The research study confirmed the view in the literature that in the global companies, the role has moved on to the development of international management. One objective of this is to ensure the senior managers of the future can give leadership in a cross-national environment, but it is often also intended to change the culture by building an international mind set that permeates all levels of the organization. Based on this research, it can be argued that the responsibility embraces a number of activities such as defining competencies, setting up development programmes and managing succession. It includes establishing international standards for the management of expatriate assignments to ensure some consistency of treatment. It may mean establishing a cross-nationally acceptable appraisal system that provides information on performance and potential. Leadership in any organization is a crucial contributor to success, which is perhaps why management development is recognised as an important responsibility for the International Personnel function. It was suggested in earlier discussion that a strategic role for Personnel was the development of the top team, and in the MNE this requires an international perspective.

Coupled with this has been the development of international HR policies where these seem appropriate to support corporate or business division objectives. The resource-based view of the firm suggests that HR policies and systems can be a source of competitive advantage if they contribute to building and releasing human capability. In the global company, Personnel should be identifying best practice in the context of the organization, and ensuring that in each national location the most appropriate policies are implemented, whether they reflect local or international norms.

The Personnel function should also be in a position to spearhead the development of a worldwide learning organization, although in the study it was only in B4, C2 and A7 that this came through as a direct objective of the function. If nothing else, the Personnel function can act as a role model through its own processes of interchanging information and comparing experience. As Personnel executives learn to do this in relation to their own activities, they are in a better position to coach others to do the same thing.

When asked about the process of policy formation, the starting point for the Personnel executives participating in the study was nearly always the needs of the business. It is evident that the concept that HRM should be aligned with corporate and business strategy has become virtually a basic assumption of Personnel practitioners. In thinking about their own contribution to the organization, senior Personnel executives need to identify where and how they can add value through their own activities and their support of line colleagues.

Question 8

Is there any evidence of internationally converging norms of good practice in human resource management?

Informants were asked which of a range of human resource policies were in operation in the UK, and which of them were also found in other country units. The purpose was to judge if there was any convergence of policy which was independent of corporate policy guidelines. Most informants knew something of policies elsewhere, which is perhaps a reflection of the greater sharing of information that is going on

within multinationals. A tentative conclusion from the interviews, including comments that were made about discussions in Personnel function meetings, is that there is some agreement on what constitutes good practice in HRM amongst the Personnel executives of MNEs in the sectors represented in the study. It is still common for companies to differentiate between professional and shop floor staff, and there was slightly more convergence in relation to the management of management level employees.

In chapter 3 there was some discussion of the 'best practice' model of high commitment or high performance HRM. As was noted, there is not complete agreement on the set of practices that should be followed, and there is also disagreement as to whether the commitment system will contribute to better performance in all organizations, or mainly in those that are following a quality differentiation strategy. None of the organizations covered by this research had an exclusively cost leadership strategy, and in several instances companies were trying to position themselves in niche markets where they could compete on quality. However cost was still important, and, as has been seen, was a driving force behind global restructuring. It is not surprising then, that HR policy developments reflected needs both to improve performance and to reduce labour costs. There was more cross-national consensus about the former than the latter. Thus an emphasis on training was universal, and there was general agreement on communicating with employees, consulting to gain consent for change, involvement in process improvements and appraisal. The principle that workers should share the benefits of performance improvement seemed widely accepted, although there were the expected differences of view on linking individual performance to pay. There were differences in the organization of work, with some companies, particularly in the processing industries, using multitask teams whilst others retained a more traditional assembly line. On the whole job design differences were between companies rather than countries, although some of the UK units reported that they had been able to make more progress in negotiating changes with unions than their colleagues elsewhere.

There was a general perception that good human resource management anywhere is about building employee commitment to the achievement of organizational goals. A good example of where this is being worked out on an international basis is the high commitment work system in the American company A5. This had been introduced in different countries because it was felt that such a policy was needed to achieve the world class standard of performance that would maintain a competitive advantage over rivals. Overall in the cases, cross-national integration of activities and high-performance objectives were the main factors that influenced commonality of HR practice.

Whilst there was some uniformity in what was being done to improve individual performance, there seemed to be more differences between country units in the measures being taken to reduce labour costs, and several informants contrasted the UK and other European countries. This is what would be expected in the light of the different legal and industrial relations frameworks. The UK environment has allowed firms to pursue leanness, and the study companies have been downsizing, delaying and reengineering processes. Their counterparts in France, Germany and other EU countries have had similar objectives, but were reported as having more difficulty in achieving them.

One conclusion that could be drawn from the research is that the EU is having a small but definite impact on MNEs. The single European market has brought additional complications to the practice of HRM in firms within the Union (Sparrow and Hiltrop 1997). In some cases the EU has been the main trigger for establishing European coordination in the MNE. European Works Councils now exist in most of the study companies, and the European Commission is driving forward its social programme. European Personnel executives are in contact before EWC meetings, and are discussing EU employment initiatives at their meetings. The real differences in cultural, legal and institutional factors highlighted in the previous paragraph present a particular challenge to managers in Europe. Thurley (1990) asked whether a distinctive approach to employment management might develop in Europe that was

different from American and Japanese models. If so, it will probably owe more to the German social partnership concept than to the Anglo-American emphasis on deregulated markets and liberal capitalism. This is a current political issue in the EU, the resolution of which is uncertain, but it will also be interesting to see what impact there is at the micro level from the attempts of European managers in MNEs to work together.

8.3 Developing International Norms in Human Resource Management

Having looked at the individual research questions, it is appropriate to return to the initial proposition. It is suggested that the results of the investigation support the proposition that multinational enterprises are contributing to the development of norms of best practice in human resource management. The research has shown that this is one of the consequences of globalization. It is part of a more general trend to promote organizational learning across managerial functions as well in more technical areas. The motivation is to achieve the standards of managerial and operational performance that is necessary for competitive success on a worldwide basis.

There is a greater degree of cross-national integration in global companies, and managers are encouraged to communicate with one another and feel a responsibility for the success of the whole international organization. This in itself might lead to some convergence of HR practice, but further impetus to the development of norms of best practice within the organization is provided by the evaluation and comparison of performance in different business and country units. Convergence of HRM policies and practices at the level of the firm is driven by business need, and relates primarily to the development in the widest sense of human resource capabilities. At the same time, both Personnel and line management executives in the research cases were clearly alive to general trends in management. Similarities across national boundaries in the companies suggest that decisions were being affected both by the internal sharing of experience, and by exposure to what might be described as the general climate of management thinking in the UK and internationally.

Two further points need to be made. Firstly, within the sample of cases there was variation in the extent of globalization and the attitudes of Personnel executives, so that there was more sharing of experience in some companies than in others. Secondly, there was plenty of scope for diversity in the application of common policies. It is clearly necessary to recognise and take account of legal, political and social differences between countries. However, there is also diversity because the main driving force is organizational performance rather than some external professional standard. If the performance standards can be achieved through different means, then this may well be acceptable, provided no corporate values are compromised by the differences. In the longer term, it is a potential advantage in an MNE that there are differences, since this is a safeguard against being locked into one way of doing things that becomes difficult to change as the environment alters.

8.4 Recommendations for Human Resource Management in MNEs

It is proposed in this section to draw out from the previous discussion of the research findings, some recommendations for human resource management in multinational enterprises with a global strategy. These might be considered as a prescriptive model of the international activities and role of the Personnel function in the head office of an MNE. Depending on the size and product diversity of the multinational, such an international role could be operating at a corporate, business or regional level. The recommendations as presented here are for a transnational MNE, pursuing the objectives of global efficiency, local responsiveness and organizational learning. It is assumed there are a number of units in different countries, in each of which there is a local Personnel executive responsible for the function. Collectively the Personnel function might be responsible for ensuring that in all operational units, there are human resource management policies and practices which will contribute to the achievement of the organization's strategic objectives.

- R1 Personnel executives at all levels should develop a common understanding of both the global and the local objectives of the organization, and should be seeking to align human resource management with organizational strategy by

establishing a global view of where and how people management can add value to the organization.

- R2 There should be an international human resource planning process to establish what HR capabilities are needed at different levels, and whether this might change in the future. This should be matched by a personnel information system that will facilitate the audit of HR capability, and the dissemination of information on the location of particular competencies. All human resource capability should be regarded as potentially both a local and a global resource.
- R3 Each operating unit should have a locally developed performance management system for appraising and developing human resource competencies, but this should be within a global framework of performance specifications, which might come from the international HR planning, so as to meet local and global needs.
- R4 There should be an international succession management system, covering a limited number of senior appointments, and matched by the recognition of a group of managers and specialists as a *global resource*, whose role assignments, personal development and employment terms are determined corporately. The international succession system should be overseen by a small executive committee drawn from across the organization.
- R5 The capability of working with and learning from nationals of different countries should be developed in managers and other staff, by the inclusion of appropriate material in local training programmes, by running international training events, and by giving people experience of working in cross-national teams.
- R6 Formal and informal means of communication should be established between Personnel executives from head offices and operational units, and these should

encourage networking as a means of joint problem solving and sharing experience of successful innovation. Information on anything should be shared, even local policies that seem culture-bound, since there may be something there that could be adapted elsewhere. People should be encouraged to learn by copying, by adapting, and by experimenting.

- R7 Alongside a global approach to learning, there should be regular audits or internal benchmarking, for which it would be necessary to establish some common measures of Personnel processes in order to provide a common language for the discussion of improvement. This needs to be within a learning not a blame seeking culture.
- R8 International HR principles or policy guidelines should be developed where this will support international strategy. These might include guidelines on expatriate assignments, setting up cross-national teams and measures to create a global learning organization. International project teams should be used to develop the more significant new policies to promote widespread ownership of them. However, apart from processes that are to do with the management of people as a global resource, the application of policy principles should always happen at the local level. If the networking is good, the implementation of policy may in fact be very similar, but the principle is that of acting locally.
- R9 Personnel should establish their own function as a model of good practice in meeting the transnational objectives, and work with other managers to establish good practice in other functions and operational units. Communication and working together on common problems should be seen as the way of developing a unifying organizational culture.

The organizational paradigm preferred by the writer is that of a contingency fit, and so these recommendations should be regarded as indicators of adaptable good practice

in MNEs rather than a prescription of a universal best practice. It is however suggested that in the transnational organization, the relationship with subsidiaries should be interdependent and that head offices need to be clear that integration need not necessarily mean centralisation. National differences are a potential benefit, and the aim should be to foster multi-centred innovation and learning from the mosaic of cultures.

The resource-based view of the firm suggests that HR policies and systems can be a source of competitive advantage if they contribute to building and releasing human capability. As an international team, the Personnel function needs to be aware of external developments in good practice in all parts of the world, but the central focus should be on the organization's needs not the latest management trend. There should perhaps be a creative tension about whether there is a place for worldwide policies. There may be some issues where consistency is important, but diversity is likely to be better than uniformity. Most policies should be developed at the level at which they are applied. However, if organizational units do this in complete isolation, they are losing one of the benefits of being international. What should be encouraged is a sharing of ideas so advantage is taken of any synergy that is possible. Business or country representatives should work together on developing new policies, even contributing on issues that might not be applicable to their unit, since this will still broaden their outlook and understanding. Under this geocentric approach, the role of head office Personnel is not to be the exclusive developer of policy, but might instead be to encourage the Personnel functions in different units to be innovative and implement the best possible practice for their situation.

8.5 Implications of the Research

Having set out some recommendations for management, this part of the chapter is concerned with the implications of the findings and conclusions for the literature. In section 5.4 it was suggested that there was a need for research in international HRM that would both confirm and extend earlier findings, and that was the objective of the

investigation reported in this thesis. The following summarises the main points that were discussed earlier in the chapter.

The study has confirmed that many multinational enterprises are seeking global scale economies through cross-national integration or coordination of activities and adoption of a global strategy. It has shown that the patterns of integration and progress towards a fully global approach vary, but the findings are not inconsistent with the proposition that the structural forms of MNEs of differing national origin are converging. However, it was suggested that the aims of a global strategy which have been expressed in the literature as global efficiency and local responsiveness should be modified slightly to global efficiency and *customer* responsiveness. The study has confirmed that in the global firms learning and knowledge transfer are considered important, and it has provided further evidence of the processes used to achieve this.

The study has confirmed that organizational changes in the longer established American and European MNEs have been in line with the theoretical life cycle models, and has also confirmed that the relationship of subsidiaries to corporate head office often varies within a company. It has suggested that the pattern of development in the next century may be different from this one, and a framework of parent-subsidiary relationships was developed that was consistent with earlier proposals but did not depend on a single evolutionary path.

In relation to international human resource management, the study has confirmed that as MNEs move to a more globally integrated structure it is normal to develop an international management group, to increase the number of TCN appointments and to seek to build an international orientation throughout the organization. The processes reported in this research are in line with earlier studies, and finding evidence of similar practices in these further cases may increase the generalizability of existing models.

Organizational culture has been a subject of discussion in the literature. This study has shown that whilst some global firms regard corporate values or principles as important, this is by no means universal. To add to the debate on organizational culture, it was suggested that in some MNEs shared responsibility is a more important aim than shared values, and it was concluded that the cross-national networking and problem solving processes that are being developed in MNEs are a better way to build a shared culture than top-down presentations of corporate value statements.

The research has added to earlier studies by providing detailed information on international human resource policies in the cases studies. It has shown that the more globally orientated MNEs are sharing information on practice across national boundaries and are also developing global policies where this is thought appropriate to organizational strategy. As expected, this is normally in the form of policy guidelines that allows for some variability in national application. However, the study also showed that there is a range of attitudes to the possibility of policy convergence, and this may add to the difficulty of integrated policy formulation. The findings highlight the issue of ownership of corporate policies if managers in subsidiaries perceive them as imposed from the centre. The research has provided evidence on the international aspects of the role of head office Personnel executives in relation to both international management and international policy development. The literature and the results of this project were drawn upon to develop a set of recommendations for human resource management in MNEs, which it is hoped will be a useful addition to the literature in this area.

Finally, the study has shown that the units of MNEs in different countries tend to have similar policies even in areas where there is no corporate guidance. Whilst this may be the result of organizational contingencies, the findings are consistent with the proposition that international norms of best practice in HRM are developing, at least in the industrialised world.

In presenting this summary, it should be added that by investigating a number of different cases, the research has added to the detailed knowledge of what is happening in multinational enterprises. It has been possible to draw out some common patterns, but few of them are universal, and what is also shown by this study is the variety of management thinking and practice that is found in work organizations.

8.6 Limitations of the Research

All research projects have to set limitations on what they can achieve, and any one study is but a small contribution to the flowing tide of knowledge. In the chapter on research design, some of the expected limitations of this survey were identified, and inevitably further points arose in conducting the fieldwork.

The use of semi-structured interviews in multiple case studies provided the expected richness of detail but sometimes made precise comparisons difficult. The number of cases was sufficient to draw out some generalizable conclusions, but since the cases were not a statistically based sample, these have to be regarded as tentative. Although the group of cases had a reasonable spread of country origins, the data collected was arguably biased towards what was happening in Europe rather than the whole world. In particular, Asian MNEs were under-represented, which given the influence of Japanese management ideas in the past twenty years may be regarded as a limitation. The reason for this was the difficulty experienced in identifying and gaining access to sufficient firms in the catchment area.

Single interviews, even of reasonable duration, set limits on the depth of understanding that the researcher is likely to gain of the situation, and it was a benefit when it was possible to talk with a second informant. Time is a major constraint in interviewing senior managers, who tend to be busy people. Limits have to be set, and as a result some areas were explored in less depth in some companies. Time was also a reason why some organizations declined a request to participate in the research, and it is difficult to know what effect the element of self-selection has on the results. Despite these limitations, it is felt that sufficient information was collected from a

wide enough group of companies to enable the research questions to be answered. Although there was a reliance on the knowledge of a single main informant, the number of cases, and the availability in most of them of supporting documentation or input from others, provided multiple sources of data. The cases were all different, but their accounts supported one another to provide a coherent picture of the phenomenon being investigated.

There was a concern that UK executives in foreign subsidiaries might not know enough about what was happening elsewhere to be able to contribute to some of the questions. In the event this was not a major problem, although in a few cases what was known was limited. The informants were straightforward about their own knowledge limitations, and gave every impression of trying to answer questions as accurately as possible. Nevertheless, there is always the possibility of unintended bias through what is said and not said, or what is remembered and what may be temporarily forgotten. The main defence against that in this study was that data was accumulated from sufficient sources to reduce the influence of just one of them. Although it is felt that sufficient information was obtained from interviewing UK managers, the results might have been further enhanced if managers from other national units had been questioned.

The case study strategy allows for interview design to be modified in response to the experience of carrying them out, and this did happen. The consequence was that some issues were explored more thoroughly in later interviews than at first, and conversely some questions asked in early interviews were not pursued the whole way through the investigation. The issue of headquarters control for example was one theme that received more attention after the first group of interviews was completed and reviewed. In the other direction, what was initially a long list of HR policy areas for discussion in the final part of the interview, was reduced to a smaller representative set of key processes by the end. The flexibility in the interview design might be regarded as a benefit or a limitation, but from the researcher's perspective the final version of the interview guide was an improvement on the first. Combining this with

the researcher's learning curve meant that the quality of the interviews tended to improve over time.

8.7 Areas for Future Research

All research builds on what has gone before, and paves the way for further investigation in the future. Qualitative methods are particularly likely to leave loose ends since the researcher does not entirely control the investigation. Even a broadly based study cannot deal with every issue, and in being selective will leave some questions unanswered. The research study obtained information from twenty-four organizations, and in considering areas for further research it is possible to move either outwards to a large survey, sideways to carry out a similar study in different sectors, or inwards to explore some of the issues further within a smaller number of cases.

Having developed a workable survey tool, further semi-structured interviews could be carried out in organizations which it is thought would add to the data that has been collected, and thus enable further refinements to be made to the conclusions. One useful possibility would be to look at industry sectors where the product logic seems to favour a multidomestic strategy, and see whether there is the same tendency towards globalization that emerged from this study. It might also add to the understanding of international HRM to compare manufacturers with a service sector, or to extend this work to include more Asian and European companies.

An alternative way of extending this research would be to conduct a larger scale quantitative survey, to test further conclusions that were reached here about globalization, the development of international management and the scope of international HR policies. The interview data could be used to construct a survey questionnaire, and a large survey would enable better comparisons to be made between industries and between companies of different national origin. It would also provide a more reliable picture of what policies were being adopted and what processes used to encourage learning and adaptation. The advantage of a quantitative

survey is that it can be used to establish in a different way causal relationships between some of the variables that have been discussed in this thesis. Relationships might also be drawn between aspects of management practice, such as cross-national learning, and company performance.

In the chapter on the research design for this study, it was argued that qualitative interviews should be used because they would be better than a questionnaire at exploring meaning. Although one way to take the research further could be by moving to a larger scale, there are also issues that would be better explored through more detailed case studies. For example, this study only touched superficially on differences in the application of international HR policies in different units of the same company. As policies are often guidelines that are intended to be implemented in different ways, it would be interesting to explore these differences in more detail by collecting data from executives in different countries. In the discussion of the results, it was suggested that achieving a genuinely geocentric orientation in an MNE might be difficult since what the head office see as sharing, subsidiaries might perceive as central control. It would be useful to explore further cross-national relationships and perceptions of international integrating mechanisms, including the use of shared values. The research interviews with managers in subsidiary companies contained hints that the relationship with a head office always has an element of 'them and us', and there was often a slight distancing from corporate initiatives. This might well be a fruitful area for investigation. One possibility would be to study cross-national meetings of Personnel executives in global companies, using an ethnographic research design. The agenda and interpersonal processes of a meeting would provide a focal point for considering decision-making and power, especially if the researcher was able to tap into what happened in the informal meetings that would occur at the same time. If observation could be combined with interviews to explore feelings and interpretations of events, a better understanding might emerge of cross-national sharing and decision making.

8.8 Summary

In the chapter, a framework of parent-subsidary relationships was developed, based around the three models of dependent, independent and interdependent relationships. Findings from the study on staffing and HR policies in the different types of MNE were consistent with earlier investigations into the same issue. This was followed by a presentation of conclusions drawn from the research and related to the research questions that were developed as part of the research design.

In general what is happening in the companies participating in the research is in line with what is predicted from the theoretical framework. What is perhaps surprising is that all of them were globalizing to some extent, and that in the industries represented in the study it seems that a global strategy is becoming the norm. Having said that, the pace at which firms are moving varies, and some are more global than others. The global companies are seeking global efficiency through the integration of various activities, and at the same time they want to be responsive to their customers. Depending on the sector, this may mean dealing with customers in national, regional or global markets. Global integration is promoting intra organizational communication and sharing of practice.

The global companies are trying to develop an international orientation across country boundaries, and one way this is being done is by integrating the development of managers. Global integration and international management development are also resulting in a greater coordination of HR practice, and the establishment of international policies in areas supportive of corporate strategy. This is leading to new international roles for the Personnel function in corporate, business and regional head offices.

A set of nine recommendations were developed for international human resource management in multinationals. There were then discussions of the findings in relation to the literature, the limitations of the research design and some proposals for future research to build on the reported study. The three possibilities discussed were to

extend the present work by using the same design with a different set of cases, to use the results to develop a questionnaire for a larger quantitative survey, and to set up an ethnographic study of relationships in MNEs, using meetings of personnel executives as a basis for the investigation.

8.8 And Finally...

The work for the award of a PhD is regarded as a stimulus to develop subject knowledge and as a training ground for research. It seems appropriate to conclude the presentation of the results of this study by reflecting on whether these objectives have been achieved. As far as the writer is concerned, the answer is in the affirmative. The project has both extended useable knowledge of the real world of international management, and developed understanding of how to do research. The literature study, the case interviews, the interpretation of the data, and the challenge of writing it up into a coherent piece of work, all contributed to an enjoyable experience. The Introduction to the thesis began, in the quotation from Flecker, with the words of the merchants at the gate of Bagdad, about to set out on the golden road to Samarkand. Their goal was both international trade and the pursuit of knowledge. The latter is, of course, a never-ending journey, and as each stage is completed the traveller may find that it brings both fulfilment and the desire to travel further.

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List of Company Documents

Note: Where the name of the organization appears in the document title it has been replaced by the reference code.

- A1 A Look at (A1) Products
- A1 A European Profile
- A1 Progress Through Quality
- A1 The (A1) Philosophy: Excellence Through People
- A1 Vision Statement and Operating Charter

- A2 Organization Charts of Division and Europe Businesses

- A3 Annual Report 1993
- A3 The Company, The Range

- A4 Annual Report 1994
- A4 Business Review 1994

- A5 Mid-year Report 1996
- A5 Operating Environment of a Competitive (A5) European Plant
- A5 Vision Statement
- A5 The (A5) High Commitment Work Systems

- A6 Annual Report 1997

- A7 Annual Report 1997
- A7 Delivering Value (Report to Employees)
- A7 Factsheet: Global Realignment
- A7 Factsheet: (A7) Around The World
- A7 Factsheet: (A7) In Europe
- A7 Business Leadership Implementation Framework
- A7 HR Commitment

- B1 Annual Report 1996

- B2 Annual Report 1996
- B2 Annual Review 1998
- B2 International Division Organization Charts

- B3 Fact Book 1996-97
- B3 Group International Employee Review August 1996
- B3 Report on First (B3) European Forum

- B4 People Development

- B5 Annual Report 1996
- B5 Vision and Mission Statement
- B5 Group Organization Chart

- B6 Annual Report

- B7 Annual Report 1997
- B7 Interim Report 1998
- B7 Successfully Blending Engineering and Polymer Technology
- B7 International House Journal August 1998
- B7 (B7) Executive Control Group Structure
- B7 The Development of (B7)

- C1 Annual Report 1993
- C1 C1: A Partnership for the Future
- C1 C1: Working together with education

- C2 C2 in the United Kingdom
- C2 Annual Report and Accounts 1995
- C2 C2 Summary Report 1995
- C2 Our Vision

- C3 C3 In Brief 1995
- C3 House Magazine Winter 1996

- C4 C4 in brief 1996

- C5 Group Annual Report 1996
- C5 Strategy 1997-99
- C5 Goals and Values
- C5 Group International House Journal March 1997

- C6 General Report 1996
- C6 Strength through Information (Marketing brochure)
- C6 Facts and Figures 1997

- C7 A Passion for Progress (Marketing brochure)
- C7 Company organization charts

- J1 The Management Framework

- J2 Marketing brochure for UK activities

- J3 Today (General information on Group organization and activities)
- J3 Product brochures

APPENDIX 1

INTERVIEW GUIDE

THE MANAGEMENT SCHOOL

UNIVERSITY OF SALFORD

INTERNATIONAL HUMAN RESOURCE MANAGEMENT

RESEARCH PROJECT

Name of organization _____

Name of informant _____

Title of informant _____

Date of interview _____

BUSINESS ACTIVITIES & STRUCTURE

What are the business activities &/or products of the world-wide organization?

Which activities are carried out in the UK?

In how many countries does the organization employ people?

Please describe the international organization structure.

ORGANIZATIONAL DIMENSIONS

Where is the location of global corporate headquarters?

Confirm the industry sector or product division to which this UK Unit belongs.

(If applicable) Confirm the region to which this UK unit belongs and location of regional head office.

(If there are units of other product/business divisions in UK) - is there an overall country manager?

If UK operation is foreign owned, when did the organization enter the UK.....

and was this by acquisition or a greenfield operation?

What are the numbers employed and sales turnover for:

	Employed	Turnover
a) The UK unit	_____	_____
b) If applicable, the region to which the UK unit belongs	_____	_____
c) If applicable, the product division to which the UK unit belongs	_____	_____
d) The total organization worldwide	_____	_____

STRATEGY

Are there any particular features of the company which give it competitive advantage? Is this generally the same in all subsidiaries?

Is there a strategy in terms of the diversity of products/services offered?

Is there a defined strategy for future development in regard to international operations? What are its main elements?

How does the parent company control subsidiaries in different countries?

Eg Agreeing financial targets
 Agreeing strategy/plans of subsidiaries
 Corporate strategy framework for subs ops
 Integrated planning process
 Written managerial philosophy or values
 Parent country nationals in key roles

Is there a formal strategic planning process on a regional or worldwide basis?

FUNCTIONAL STRATEGIES

To what extent is marketing strategy developed and implemented:

- a) On a worldwide basis?
- b) On a regional basis?
- c) On a product division or business basis?
- d) Separately in each country operation?

To what extent is procurement of major equipment and supplies carried out:

- a) On a worldwide basis?
- b) On a regional basis?
- c) On a product division or business basis?
- d) Separately in each country?

To what extent are operational methods and quality standards the same in different manufacturing subsidiaries?

Is manufacturing output from different locations planned/coordinated:

- a) On a global basis
- b) On a regional basis
- c) On a local country basis

To what extent do subsidiaries have any involvement in:

- a) research
- b) product development
- c) product modification for local markets

MANAGEMENT

Which of these four statements is most true for the top management appointments in subsidiaries?

- a) Managers from the parent company are assigned to the key senior positions in subsidiaries _____
- b) The preference is for local nationals to manage subsidiaries _____
- c) Top management of subsidiaries may be local or expatriate as a result of individual appointment decisions _____
- d) Top appointments made from a multinational cadre of managers resulting in 'third country national' appointments _____

Do you expect this to change in the next five years and if so in what direction?

Is there any formal procedure for international management succession planning?

Is there any provision of international management training & development?

Are managers at all levels encouraged to gain international experience?

Does the organization promote communication or networking between managers in different countries?

Why?

How?

THE PERSONNEL FUNCTION

Does the personnel function in subsidiaries have a formal reporting relationship to a personnel executive in a regional/division/worldwide headquarters?

If so what kind of control is exercised

- a) Head office proactive and involved in local policy making.
- b) Dialogue which allows head office to influence or veto but initiative taken by subsidiary.
- c) Head office monitors information and reports

In general how strong are the links between the personnel functions in different countries?

How are those links maintained?

Are Personnel staff encouraged to be aware of external norms of best practice?

HUMAN RESOURCE POLICIES

Is there a mission statement or similar that includes core organization values:

- a) That applies to the worldwide organization? _____
- b) That applies to the division or region? _____
- c) That applies to the UK only? _____

Which of these statements is most true for this organization in relation to human resource policies?

- a) The policies of the parent company and subsidiaries are as similar as possible within the constraints of legal and social differences _____
- b) There are some global policy guidelines which indicate broad intentions _____
- c) There are some regional policies or policy guidelines _____
- d) No global policies but local policies may be influenced by a corporate Personnel function _____
- e) Subsidiaries determine own policies with little reference to global or regional headquarters _____

In developing HR policies in the UK, what account is taken of any of the following:

- Mission statement or corporate values
- Corporate strategy and current plans
- HR practice in other parts of the organization
- HR 'best practice' from external surveys
- Employee views through surveys or union consultation
- External image or customer impact

INTERNATIONAL HR POLICIES

If there are key HR policies which the parent organization attempts to promulgate worldwide, what issues do they cover?

Similarly for regional policies.....

Any aspects of employment definitely determined at local country level?

What factors determine whether policies should be global or local?

Do you foresee more convergence of HR practices in the organization?

What are the main factors promoting this?

eg Corporate culture
Technology
Sharing of experience within management
Global markets and marketing strategy
European Union

Are there examples of countries where the parent company having taken over a local company, introduced some of its own HR practices in order to improve local management?

Are there examples of problems which have arisen with attempts to introduce a policy or programme across all subsidiaries, and what seemed to be the main reasons for resistance?

HUMAN RESOURCE MANAGEMENT

This final section is to explore whether particular HR policies and practices might be similar in different parts of the organization. For each of the following:

- do they apply in the UK
- are they found in other country operations?

	UK	Othr
Equal opportunity policy	—	—
Preference for internal promotion	—	—
Thorough multi-method selection process	—	—
Encouragement of training/development	—	—
Appraisal system:		
- for management level staff	—	—
- for non-management staff	—	—
Policy on redundancy selection	—	—
Part of pay based on performance		
- for management level staff	—	—
- for non-management staff	—	—
Harmonised employment / 'single status'	—	—
Employment terms negotiated with unions	—	—
Regular communication to employees	—	—
Consultative body	—	—
TQM or other quality programme	—	—
Employees involved in problem solving or improvement	—	—
Employee's views/attitudes regularly surveyed	—	—
Health and safety policy	—	—
Flat hierarchy and devolved decision making	—	—
Multi-task team working	—	—
Use of part-time and temporary employees to create numerical flexibility	—	—

APPENDIX 2

TABULATED SUMMARY OF RESULTS

SURVEY OF MULTINATIONAL FIRMS

Page 1 of 8

Company	A1	A2	A3	A4	A5	A6	A7
Sector	engineering	process	engineering	engineering	process	process	engineering
Structure	divisions regions country ops	divisions regions country bus units	divisions inc International div	divisions regional ctrs country ops	regions divisions country ops	regions country ops	divisions + regional coord.
Sales: WW UK	£3.25 billion £71 million	£7.7 billion	£2 billion £100 million	£4 billion	£5 billion £105 million	£4.2 billion £500 million	£76 billion £4300 million
Employed: WW UK	50,000 770	70,000 1000	750	48,000 10,000	37,000 670	14,000 2200	350,000 28000
Planning	regional	regional	world	intern'l consult	international	international	world + region
Marketing	regional	international	local	local	regional	international	global division
Purchasing	regional	international	local + some int'l	local + some int'l	regional	international	world
Manufacturing/ quality	local	regional	corporate standards	some international initiatives	some international initiatives	international	converging
R&D centres	parent	parent & UK	parent & UK	several	several	research - parent prod dev UK also	several but globally org'd
Management	PCN	HCN	PCN	TCN	TCN	TCN	TCN
Int man dev	no	no	no	yes	yes	yes	yes
In future	yes	yes					
Meetings	yes	yes	yes	yes	yes	yes	yes

Company	A1	A2	A3	A4	A5	A6	A7
HO Personnel link to subsids	functional link	functional link	functional link	functional link	functional link	functional link	functional link
WW Personnel staff links	good in region	good in region	managers in touch	reasonably good	good in region	strong	strong at senior level
Mission statement	WW	WW	WW; strong corp. culture	WW; strong	WW	philosophy	world
International HR policies	international guidelines	parent coordination	similar to parent where possible	international policies and guides	some guidelines	some WW policies	global policies and guidelines
Common policies	appraisal, long-term pay, multi-skilling, redundancy, communication, union recog'n, safety	internal recr't, training, pay/conditions, equal opps, safety, union recog'n	equal opps, internal recr't, training, pay focus, safety, teamworking, unions	career dev, succession, appraisal, diversity, pay focus	career dev, succession, appraisal, diversity, competences, training, consultation	career dev, succession, competences, perf mgmt	assignments, eq ops, safety, perf mgmt, reward
Local policies	practice within guidelines	detailed practice on resourcing, training, pay	appraisal, redundancy, communication, multi-skilling		implement'n of recruit/train, redundancy, employment, union recog'n	employment terms and benefits	detailed employment terms
Convergence driver		technology, customers	manufacturing technology	corp culture	strategy to create global brands	global efficiency	global efficiency

Company	B1	B2	B3	B4	B5	B6	B7
Sector	process	process	engineering	process	process	engineering	process
Structure	mixed regional and product	prod divisions + International div	prod divisions some with Regions	country/function matrix in Div'n	prod divs in UK + Europe division	bus sectors regional subs country subs	bus divisions country subs
Sales: WW UK	£2.5 billion £376 million	£1800 million £1723	£2000 million	£2000 million £150 million	£500 million £300 million	£4.6 billion £800 million	£800 million £303 million
Employed: WW UK	31,000 10,000	10,120 10,000	32,000	35 000 5000	4100 2700	10500 5800	13600 4300
Planning		parent	local busn's	international	parent	parent + local	operating comp's
Marketing	international with local input	parent	division & local	local	local	country & some reg'l	businesses + some coord'n
Purchasing	regional	local	local	international	coordinated	regional	business + purch forum
Manufacturing/ quality	international	local	local + share gd practice	international	local	international	quality a corp fn
R&D centres	several	UK	UK	2 locations	dev't local	UK	prod dev by business
Management	PCN + TCN	PCN	HCN + PCN	TCN	HCN	Euro - HCN Other - PCN	mixed
Int man dev	yes	some	no	yes	no	some	established recently
In future	internat cadre	more inter'l	policy to create inter'l cadre	more inter'm'l		more inter'm'l	more TCN appoint's
Meetings	yes	limited	some ad hoc	yes	some	yes	yes

Company	B1	B2	B3	B4	B5	B6	B7
HO Personnel link to subsids	functional	few pers spec in subsids	functional	functional	functional	loose functional	functional
WW Personnel staff links	networking, meetings		meetings	frequent contact; networking basis	info exchange	regular meets	growing stronger regular meetings
Mission statement	no	no	no	yes	yes	yes	no
International HR policies	international guides; promotion of good practice	only for UK expats	some coord and moving to international guides	international guidelines	some coord'n	some international initiatives	guides in key areas
Common policies	TQM, training, performance culture, equal opps, appraisal, harmonisation, safety, pay focus		development, transfers, job evaluation, competencies, appraisal	performance management, career, competency, equal opps, int'l recruit, training, appraisal, pay focus, safety, teamworking		grad recruit, performance review, safety, development, expat employ't	safety, mang't dev, quality, relocation
Local policies	emp. terms, union recog'n, redundancy, consultation methods		most areas of personnel	implementation of principles, union recog'n, employ terms	all areas	most policies and employ terms of operatives	employment conditions and policies other than above
Convergence driver	international strategy		international strategy	corporate strategy	may come from business integration	need for mgrs with int'l experience; discussion of best practice	need for consistent high performance across Group

Company	C1 (D)	C2 (CH)	C3 (F)	C4 (S)	C5 (N)	C6 (F)	C7 (B)
Sector	engineering	process	process	engineering	process	engineering	process
Structure	prod groups & regions	prod divs some reg'l centres	prod divs + country mngs + corporate functions	Country subsids report to parent	prod div and country matrix	5 product divs	prod divs business units production units
Sales: WW UK	£18 billion £1.5 billion	£8700m / £3360m £804 million	£10 billion £300 million	£150 million £20 million	£550 million £30 million	£4506m / £282m £20 million	£5 billion £70 million
Employed: WW UK	400,000 10,000	85000 / 31,000 4000	82,000 5500	1350 230	2200 32	46,500 / 3500 340	38,000 296
Strategic planing	in subsids within overall strategy	inter'l planning process; parent/ local reviews	local strategies within international guide	local strategies approved by parent	top-down corporate plan	plans developed by units for Corp agreement	corp coord of plans
Marketing	international in prod groups	international coord'n	prod div based	local	by business + international coord'n	local within corp identity	SBU level
Purchasing	local	becoming international	mainly local	local	local	corp coord'n	much inter'l purchasing
Manufacturing/ quality	local	some international issues	local but international sharing	corporate standards	inter'l coordination of production	local	local but moving to inter'l standards
R&D centres	in several subsids	in several countries	in several countries	in parent company	mainly in parent	several countries with ww coord'n	parent country
Management	from PCN to HCN	PCN/HCN to TCN	PCN to TCN	PCN	PCN	HCN with some PCN	PCN moving to HCN
Int Mangt devt	no	yes	yes	no	some int train'g	corp training	no
Meetings	some but weak	international seminars	yes & networking	some	some	some	very limited

Company	C1 (D)	C2 (CH)	C3 (F)	C4 (S)	C5 (N)	C6 (F)	C7 (B)
HO Personnel link to subsids	no formal reporting	functional	parent influences thru dialogue	functional	no personnel function in UK	functional; HO Pers agree policies	links with corp and SBU Pers to agree policies
WW Personnel staff links	only for transfers	international meets. networking	country, Euro & internat meets. networking	limited		links being built; network emphasis	weak
Mission statement	yes but weak	yes	yes but not big influence	yes but not used	yes	yes but not widely disseminated	yes
International HR policies	no	guidelines being developed	principles re internat transfers & corp culture	no altho this may happen eventually	strong guidance in some areas	no altho parent policies may be adopted if appropriate	very few
Common policies		remuneration, communication, development, int'l rec't, safety, empowerment	int transfers, int development, safety, ethical acts, teamwork, personal development, empowerment, consultation		appraisal, training, communication, job security, pay level, int'l resuit't, multi-skilling		top exec terms
Local policies	all areas	employment terms, union recog'n	detailed policy and practice	all areas	union recogn'n, pay arrangements & employment terms	all areas	virtually all but HO Pers informed and may challenge policies
Convergence driver		becoming international	sharing and encouragement of best practice				trend to strengthen SBUs rather than HO

SURVEY OF MULTINATIONAL FIRMS

Page 7 of 8

Company	J1	J2	J3				
Sector	engineering	engineering	engineering				
Entity	regional HO	country subsid	country subsid				
Structure	2 regions Prod divs Businesses	Strong sales/manuf division	prod divs				
Sales: WW UK	£2.5 billion	£230 million	£12 million				
Employed: WW UK	26,000 (region) 9000	64,000 1800	4500 84				
Planning	international t-d/b-u	by parent	t-d by parent				
Marketing	international	local	local				
Purchasing	in businesses	local	inter'l coordination				
Manufacture/ quality	corporate quality model	some corp standards	local				
R&D centres	parent + UK	several	international research units				
Management	HCN to TCN	PCN	PCN in key roles				
Int man dev	yes	no	no				
In future							
Meetings	sen managers	some	limited				

SURVEY OF MULTINATIONAL FIRMS

Page 8 of 8

Company	J1	J2	J3				
HO Personnel link to subsids	functional in region	no formal link	no link				
WW Personnel staff links	some meetings of heads	in Europe	no				
Mission statement	strong	yes but little effect	yes with strong core values				
International HR policies	policy guidelines	parent practice influences	no altho some practices influenced by parent				
Common policies	equal op; involvement; H&S; int'l recruit; performance review; development; fair employment terms	none					
Local policies	pay and terms of employment	all areas	all areas				
Convergence driver	international co with inter'l markets	may be some Euro coord'n	influence of PCNs				

APPENDIX 3

SUMMARY ANALYSIS

OF

HR POLICIES IN UK AND ELSEWHERE

This Appendix contains data used in Table 7.5. Pp 1-4 show which firms had a policy in relation to a number of HR processes, in the UK. Pp 5-8 show which firms had a policy in relation to the same processes in countries other than the UK. For the firms which were foreign-owned subsidiaries, this refers to whether they had such a policy in their home country.

HR POLICIES IN UK							
POLICY	A1	A2	A3	A4	A5	A6	A7
EO policy	✓	✓	✓	✓	✓		✓
Internal recruitment		✓	✓			✓	✓
Thorough selection		✓	✓		✓	✓	✓
Training emphasis	✓	✓	✓	✓	✓	✓	✓
Appraisal - managers	✓	✓	✓	✓	✓	✓	✓
Appraisal - operatives		✓	✓	✓			
Redundancy selection policy	✓	✓	✓	✓	✓		
Performance pay - managers	✓	✓	✓	✓	✓	✓	✓
Performance pay - operatives						✓	
Single status	✓	✓			✓		
Union recognition	✓	✓	✓	✓		✓	✓
Regular communication	✓	✓	✓		✓	✓	✓
Consultative bodies	✓	✓		✓			
EI - problem solving groups	✓	✓				✓	✓
Employee attitude surveys							✓
Health & safety policy	✓	✓	✓	✓	✓	✓	✓
Flat hierarchy	✓	✓			✓	✓	✓
Multi-task teams	✓	✓	✓		✓	✓	✓
Temporary staff	✓	✓			✓		✓
TQM or similar			✓			✓	

HR POLICIES IN UK							
POLICY	B1	B2	B3	B4	B5	B6	B7
EO Policy	✓		✓	✓	✓		✓
Internal recruitment				✓	✓	✓	✓
Thorough selection			✓		✓	✓	
Training encouraged	✓		✓	✓		✓	✓
Appraisal - managers	✓		✓	✓	✓	✓	✓
Appraisal - operatives	✓		✓				
Redundancy selection policy				✓	✓		
Performance pay - managers	✓			✓	✓		✓
Performance pay - operatives							✓
Single status	✓		✓	✓		✓	✓
Union recognition	✓		✓	✓	✓	✓	✓
Regular communication	✓		✓	✓	✓		✓
Consultative bodies					✓	✓	✓
EI - problem solving groups	✓			✓		✓	✓
Employee attitude surveys							
Health & safety policy	✓		✓	✓	✓	✓	✓
Flat hierarchy	✓		✓	✓	✓	✓	
Multi-task teams	✓		✓	✓	✓	✓	✓
Temporary staff				✓	✓		
TQM or similar	✓		✓			✓	✓

HR POLICIES IN UK							
POLICY	C1	C2	C3	C4	C5	C6	C7
EO Policy	✓	✓	✓				✓
Internal recruitment		✓	✓	✓	✓	✓	✓
Thorough selection		✓	✓	✓			✓
Training emphasis	✓	✓	✓	✓	✓	✓	✓
Appraisal - managers	✓	✓	✓		✓	✓	✓
Appraisal - operatives	✓	✓	✓		✓	✓	✓
Redundancy selection policy	✓	✓	✓	✓	✓		
Performance pay - managers	✓	✓	✓			✓	
Performance pay - operatives						✓	
Single status	✓	✓	✓	✓	✓		
Union recognition	✓	✓	✓				✓
Regular communication	✓	✓		✓	✓	✓	
Consultative bodies				✓	✓	✓	✓
EI for improvement	✓						✓
Employee attitude surveys			✓				
Health & safety policy	✓	✓	✓	✓	✓	✓	✓
Flat hierarchy	✓	✓	✓	✓		✓	
Multi-task teams	✓	✓					✓
Use of temporary staff	✓						
TQM or similar	✓	✓	✓	✓	✓		

HR POLICIES IN UK						
POLICY	J1	J2	J3			TOTAL
EO Policy	✓	✓	✓			18
Internal recruitment	✓	✓				16
Thorough selection						12
Training emphasis	✓	✓	✓			22
Appraisal - managers	✓	✓				21
Appraisal - operatives	✓	✓				13
Redundancy selection policy	✓	✓				14
Performance pay - managers	✓	✓	✓			18
Performance pay - operatives	✓					4
Single status	✓	✓	✓			16
Union recognition	✓	✓	✓			19
Regular communication	✓	✓				18
Consultative bodies		✓	✓			12
EI for improvement		✓				11
Employee attitude surveys	✓	✓				4
Health & safety policy	✓	✓	✓			23
Flat hierarchy	✓		✓			17
Multi-task teams	✓		✓			17
Use of temporary staff	✓	✓				9
TQM or similar	✓	✓	✓			14

HR POLICIES IN COUNTRIES OTHER THAN UK							
POLICY	A1	A2	A3	A4	A5	A6	A7
EO policy	✓	✓	✓	✓	✓		✓
Internal recruitment		✓	✓				✓
Thorough selection		✓	✓			✓	✓
Training emphasis	✓	✓	✓		✓	✓	✓
Appraisal - managers	✓	✓	✓	✓	✓		✓
Appraisal - operatives				✓			
Redundancy selection policy		✓		✓	✓		
Performance pay - managers	✓	✓		✓		✓	✓
Performance pay - operatives						✓	
Single status							
Union recognition	✓	✓	✓	✓	✓	✓	✓
Regular communication		✓				✓	✓
Consultative bodies	✓	✓		✓	✓		✓
EI - problem solving groups		✓				✓	✓
Employee attitude surveys							✓
Health & safety policy	✓	✓	✓	✓	✓	✓	✓
Flat hierarchy	✓	✓			✓	✓	✓
Multi-task teams	✓		✓		✓	✓	✓
Temporary staff	✓	✓					
TQM or similar			✓			✓	

HR POLICIES IN COUNTRIES OTHER THAN UK							
POLICY	B1	B2	B3	B4	B5	B6	B7
EO Policy	✓		✓	✓			✓
Internal recruitment				✓	✓		✓
Thorough selection			✓				
Training encouraged	✓		✓	✓	✓	✓	✓
Appraisal - managers	✓		✓	✓		✓	✓
Appraisal - operatives	✓		✓				
Redundancy selection policy							
Performance pay - managers	✓			✓			✓
Performance pay - operatives							
Single status	✓						
Union recognition	✓		✓	✓	✓	✓	✓
Regular communication	✓		✓	✓	✓		✓
Consultative bodies	✓		✓		✓	✓	✓
EI - problem solving groups	✓			✓		✓	✓
Employee attitude surveys							
Health & safety policy	✓		✓		✓		✓
Flat hierarchy	✓		✓	✓	✓	✓	
Multi-task teams	✓		✓	✓			✓
Temporary staff				✓	✓		
TQM or similar			✓			✓	✓

HR POLICIES IN COUNTRIES OTHER THAN UK							
POLICY	C1	C2	C3	C4	C5	C6	C7
EO Policy	✓	✓		✓			
Internal recruitment		✓	✓	✓	✓	✓	
Thorough selection				✓			
Training emphasis	✓	✓	✓	✓	✓	✓	✓
Appraisal - managers	✓	✓			✓	✓	
Appraisal - operatives	✓	✓			✓	✓	
Redundancy selection policy	✓	✓			✓		
Performance pay - managers	✓	✓	✓				
Performance pay - operatives							
Single status	✓			✓	✓		
Union recognition	✓	✓	✓	✓	✓	✓	✓
Regular communication				✓	✓		
Consultative bodies	✓	✓	✓	✓	✓		✓
EI for improvement	✓						
Employee attitude surveys			✓				
Health & safety policy	✓	✓	✓	✓	✓	✓	✓
Flat hierarchy	✓	✓	✓			✓	
Multi-task teams	✓						
Use of temporary staff	✓						
TQM or similar	✓	✓	✓	✓	✓		

HR POLICIES IN COUNTRIES OTHER THAN UK						
POLICY	J1	J2	J3			TOTAL
EO Policy	✓	✓				15
Internal recruitment	✓	✓				13
Thorough selection						6
Training emphasis	✓	✓				21
Appraisal - managers	✓	✓				17
Appraisal - operatives	✓	✓				9
Redundancy selection policy		✓				7
Performance pay - managers	✓					12
Performance pay - operatives	✓					2
Single status						4
Union recognition	✓	✓				22
Regular communication	✓	✓				12
Consultative bodies		✓				17
EI for improvement						8
Employee attitude surveys	✓					3
Health & safety policy	✓	✓				20
Flat hierarchy	✓					15
Multi-task teams	✓					11
Use of temporary staff						5
TQM or similar	✓	✓				12