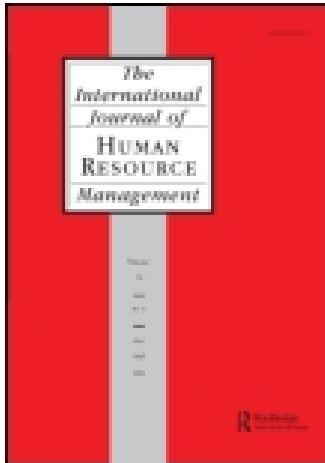




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A typology of international human resource management strategies and processes

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A typology of international human resource management strategies and processes

Michael Dickmann and Michael Müller-Camen

Abstract This paper develops a framework of international human resource management (IHRM) that moves beyond strategy and structure to focus on processes. The results of six case studies of large German multinational corporations in three countries show different configurations of IHRM strategies and policies. International knowledge flows and coordination varied in intensity, content, direction and mechanisms used. With 'cognofederate' IHRM one type was identified that has been hitherto neglected.

Keywords International human resource management; multinational corporations; strategy; processes; coordination.

Introduction: The search for competitive advantage

The search for the elements of international competitive advantage has been a prominent theme in the management literature of the past decades. In the 1960s, Perlmutter (1969) presented influential ideas on the international orientation of managers. One of his types, geocentrism, balances domestic and international tensions. Even if it is possible to be simultaneously globally efficient and locally responsive, this does not on its own make a multinational corporation (MNC) successful. Instead, many authors have identified innovation as one key to corporate success (Bartlett and Ghoshal, 1989; Hedlund and Rolander, 1990; Porter, 1985; Pucik, 1992). The ideas of competitive strategies aiming at responsiveness, efficiency and innovation have been applied to the realm of international human resource management (IHRM). A number of authors (e.g., Adler and Ghadar, 1990; Schuler and Jackson, 1987) have argued that the underlying dimensions determining business strategy and structure can also be used in IHRM.

Given the importance of IHRM, it is surprising that relatively few studies have attempted to assess the IHRM configurations of worldwide operating enterprises. Harzing's (2000) review of major research into typologies of MNCs finds that the predominant analyses were of strategies and structures. Among those that do cover HRM, the studies by Perlmutter (1969) and Adler and Ghadar (1990) are conceptual and, therefore, lack empirical verification. Bartlett and Ghoshal (1989) outline nine cases but the characteristics of their four configurations are discussed unsystematically (Dickmann, 1999; Harzing, 2000). While detailed studies have emerged about HRM policies and practices of MNCs originating in particular countries (Ferner *et al.*, 2001; Festing, 1997; Kopp, 1994) or operating in specific host environments (Ferner *et al.*,

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2001; Müller, 1998; Rosenzweig and Nohria, 1994; Schmitt and Sadowski, 2003; Wilkinson and Oliver, 1992) empirical research of IHRM types is underrepresented. National business system research identifies cultural and institutional characteristics thereby specifying a tightly limited number of home or host-country influences and assesses to what degree these are reflected in the local or global operations of an MNC (Edwards and Ferner, 2004; Ferner *et al.*, 2001; Lane and Bachmann, 1997; Müller, 1999). This predilection on looking for certain characteristics runs the danger of not concentrating sufficiently on those HR strategies and practices that display little or no direct linkages to business system characteristics. Studies that employ a universalist perspective tend to concentrate on technological and strategic issues (including strategic HRM) rather than on the day-to-day activities of central and local HRM (Rank, 1999; Whittington and Mayer, 2000).

There is a large literature that is devoted to the impact of the environment that MNCs face (cf., Briscoe and Schuler, 2004; Dowling and Welch, 2004; Evans *et al.*, 2002). One of the central arguments is that of requisite complexity: that the internal complexity of the firm has to mirror its external context. As the global environment becomes more complex, organizations react by employing more horizontal coordination mechanisms (Martinez and Jarillo, 1989; St. John *et al.*, 1999). Within this dynamic context, many writers see innovation as a key to competitive advantage. Thus there is a need to look at communication and coordination processes to support innovation within IHRM.

Innovation comprises not only the creation of a new idea but also its transfer and diffusion (Asakawa and Lehrer, 2003). The international exploration and exploitation of knowledge has been linked to a range of determinants such as, among others, organizational strategy, resource flows, information processing, resources of the local affiliate (size, experience of management, track record), embeddedness of the subsidiary in its local environment, cultural distance and parent–subsidiary relations (Bhagat *et al.*, 2002; Birkinshaw *et al.*, 2002; Egelhoff, 1991; Özsomer and Gençtürk, 2003). Nevertheless, studies have mostly concentrated on factors outside the direct realm of formal HRM such as the geographic sources of patents and innovation (Frost, 2001).

A range of studies deals with general head office–subsidiary communication, coordination and control that have added to our knowledge of IHRM (Edwards *et al.*, 2004; Gupta and Govindarajan, 1991; Harzing, 1999; Marchazina and Wolf, 1996). This body of knowledge has, among others, sharpened our insights into specific patterns of formal and informal control (Ferner, 2000), the intensity of coordination mechanisms (Wolf, 1997), issues of power and diffusion (Ferner and Edwards, 1995) or knowledge types and flows (Simonin, 1999). Moreover, the literature points to complementary human resource practices such as direct communication, visits and meetings moderating international knowledge transfers (Bresman *et al.*, 1999; Briscoe and Schuler, 2004; Laursen and Mahnke, 2001). However, the precise international communication and coordination instruments and activities within the international HR function of MNCs are not fully researched, yet.

The discussion above has outlined the need to focus beyond strategies and structures on processes in IHRM, has described the merit of analysing a broad range of (cross-national) HR strategies, principles, policies and practices, and has depicted the lack of a systematic typology of IHRM approaches. This paper examines a broad range of HR activities including IHRM strategic objectives, recruitment and selection, training and development, performance management, and careers. By concentrating on both substantive content and IHRM communication and coordination, the research goes beyond strategy and structure to encompass processes. In order to do so, we identify and assess two key dimensions of IHRM: international standardization and knowledge

networking. The empirical findings allow us to draw up an exploratory typology of IHRM and attempt to answer whether MNCs have established globally integrated, locally adapted or cross-nationally coordinated HRM. Moreover, the paper discusses the motivation for the chosen approaches and the actual IHRM configuration achieved.

Two dimensions of IHRM: standardization and knowledge networking

Many 'ideal' types in the literature recognize two basic forms: a locally responsive firm and a globally integrated company (cf., Bartlett and Ghoshal, 1989; Perlmutter, 1969; Prahalad and Doz, 1987). Harzing (2000: 103) argues there is a continuum of integration / coordination / globalization advantages versus differentiation / responsiveness / localization advantages. Thus, one overarching dimension – we will call it *standardization*¹ – is sufficient to assess the 'uniformity' of the international HR strategies, structures and policies of MNCs. Akin to Bartlett and Ghoshal's 1989 terminology, high HR standardization refers to 'global' HRM characterized by highly integrated IHRM strategies, principles and instruments. Conversely, low standardization describes 'multidomestic' HRM shaped by locally developed and implemented HR strategies and policies.

Beyond the basic types, however, there may be companies that manage to be simultaneously integrated and differentiated. To achieve this difficult balance – thereby overcoming the global–local dilemma – sophisticated communication and coordination is necessary to identify the internal and external circumstances in which IHRM standardization is possible and in what cases local responsiveness is necessary. These processes are captured in a dimension that we will call *knowledge networking*.² Knowledge networking focuses on the internal communication and coordination mechanisms used to support the creation and diffusion of ideas and experiences.

Local knowledge is specific to a host country regarding, for example, its economy, socio-cultural factors or language (Inkpen and Beamish, 1997). Knowledge is also embedded in its local context and 'system' (Birkinshaw *et al.*, 2002) and local learning networks may facilitate innovations (Tregaskis, 2003). Some local HR knowledge is likely to be communicated across national borders in MNCs while 'global' HR strategies and approaches will be internationally transferred. Gupta and Govindarajan (1991) have shown that reciprocal information flows dominate in MNCs indicating that it is important to look at the direction of IHRM knowledge flows. Specific insights into the local context vary, among other characteristics, in tacitness, complexity, structure and national system embeddedness which influences the extent of internal corporate knowledge transfer (Bhagat *et al.*, 2002; Birkinshaw *et al.*, 2002; Lord and Ranft, 2000). Thus, knowledge networking needs to take account of communication content. While the nature of knowledge and innovative ideas influences international integration and local adaptation, organizational structures, subsidiary roles and personal relationships also impact on worldwide communication. Personal relationships across unit boundaries have positive effects on the frequency of inter-subsidiary and subsidiary–head office communication (Ghoshal *et al.*, 1994). Differences in subsidiary roles (cf., Birkinshaw and Morrison, 1995) have a bearing on international knowledge flows. For example, 'receptive' subsidiaries make a heavier use of communication mechanisms than 'autonomous' local operating units (Martinez and Jarillo, 1991). The above discussion points to the importance of capturing international communication within IHRM.

Bartlett and Ghoshal (1989: 70) advocate creating an integrative organizational culture through what they call 'co-option', a process that encourages a shared vision and personal commitment. However, if there is less than perfect 'co-option' the informal

relationship between head office and subsidiaries will need to be underpinned by more formal coordination mechanisms (Ferner, 2000; Ferner and Edwards, 1995). Therefore, HR knowledge networking focuses on bureaucratic, social and personal coordination and control (Child, 1984). Bureaucratic coordination is based on formal roles and procedures that are monitored and sanctioned. The planning, monitoring and reporting of key HR budgets and initiatives that goes on between and within the head office and subsidiaries fall in its realm. Direct close supervision determines personal control. Within IHRM this is expressed through the relationship of key international HR managers to their subsidiary counterparts. Raising the commitment to the values and goals of the MNC internationally exerts social coordination. Means to raise social coordination within IHRM include international management development, cross-national team work and projects, as well as expatriation policies and flows.

The remainder of the paper outlines the research design and operationalizes the two dimensions of IHRM. It then presents results of six case studies of German MNCs, each operating in the UK and Spain. A number of HR areas and instruments that are more prone to international integration and distinctive knowledge networking processes are identified and possible reasons for these patterns are presented. The observed strategies, structures and processes lead to a tentative formulation of a new framework for IHRM. Then, the findings are discussed and conclusions presented.

Research methods

The research is based on six case studies of German MNCs, each operating in the UK and Spain. In order to capture country variations we approached only MNCs that had significant operations in both the UK and Spain. Working with the same companies in both countries opened up the possibility of gauging local influence on policies and practices and allowing us to control for company-specific variables. While a quantitative study would be able to identify the IHRM practices of MNCs, it would be less helpful in gaining an understanding of how specifically these work and why they were chosen. Case studies are a particularly adequate method to investigate causes, processes and consequences of behaviour (Yin, 2003).

Of particular interest for the study of these issues are German MNCs. German MNCs are among the biggest and most international companies in the world (UN, 2002) and size impacts positively on knowledge transfer (Bresman *et al.*, 1999). Moreover, the German business system has a number of distinct features that shape the HR practices of indigenous companies (Dickmann, 2003; Ferner and Varul, 1999; Lane, 1992). This makes it likely that they are confronted with issues of diverging HR policies and practices in their foreign subsidiaries that impact on the companies' choices about standardization and knowledge networking.

There are a range of reasons for the choice of German companies operating in Spain and the UK. First, the selection of Spain and the UK reflects the different national business systems and HR practices (Quintanilla, 1998; Tempel, 2001). Second, the emergence of a range of EU regulations may lead to an increased perception by MNCs to knowledge network and integrate their HR approaches internationally. Third, most major MNCs generate the bulk of their sales in their home triad (Rugman and Verbeke, 2004). The authors argue that there seem to be 'regio-specific' firm advantages, which would imply concentration on EU countries for German firms.

The cases consisted of three of the four biggest private German banks and three major manufacturing companies (see Table 1) each founded in the nineteenth century. Service organizations are often less represented in research despite having different types of

Table 1 *Overview of case companies*

Company	Sector	Countries of operation	Year of foundation	Employees world-wide	Employees in the UK (approx)	Employees in Spain (approx)	Interviews in companies**
Globalbank	Banking	> 50 (group)	1870	> 50,000	3,000	2,500	17
Specialbank	Banking	16	1835	> 15,000	200	50 (joint venture)	20
Eurobank	Banking	34	1870	> 25,000	350	120	15
Elektroco	Engineering	About 190	1847	> 350,000	10,000	2,500	14
Engineerco*	Engineering	16	1819	> 15,000	200	250	11
Chemico	Chemicals	55	1876	> 40,000	600	2,000	12

Notes

* Division of a large industrial conglomerate; ** Nine additional interviews were conducted with trade union experts, employer federation specialists and academics in Germany, Britain and Spain.

Source: Company Reports 1999 (for 1998), internal data, interview statements.

employees and HR policies. All six case companies were in the DAX stock market index of the biggest 30 German listed organizations.³ Each firm has significantly increased its international operations in the past two decades, which has led to a much higher percentage of foreign staff in relation to total employees. All companies were structured along the M-form and had several decades of experience with foreign operations. This meant they had time to evolve as international organizations and to refine their IHRM and knowledge transfer mechanisms (Bartlett and Ghoshal 1989; Bresman *et al.*, 1999).

In total 98 semi-structured interviews were carried out in Germany, the UK and Spain, the majority between 1997 and 1999. Most of them were with senior and middle HR managers and some with line managers in the head offices and local affiliates. The study used a range of approaches to increase the validity and reliability of the research. Multiple sources of evidence in the form of written documents internal and external to the organizations and interviews with specialists outside the organizations in addition to the company interviews were conducted (see Table 1). This allowed the development of converging lines of inquiry (Yin, 2003). Most existing research uses single respondents or corporate headquarters as the data sources. This may result in an overly 'structured' view of the firms and may not expose internal disagreements, politics and 'flouting' the rules. The present study established independent access to head offices and a range of local subsidiaries within the same MNC to avoid the above problem. In cases of inconsistent information and in areas where the researcher could not gather 'hard' data to support claims, he generally attempted to receive other independent information. As an important part of the research, the three separate country cases for each company were sent to the MNC managers for verification and their feedback integrated. The data gathered were captured in a case study protocol and a database that mirrored the international and national HR areas within the organizations and their standardization and knowledge networking.

Operationalization of the IHRM dimensions

Because the institutional, high-context and the universalist, low-context literature (Child, 2000; Geppert *et al.*, 2003) has concentrated on describing IHRM from different perspectives this created the necessity for the researcher to develop an assessment method. The categories of low, moderately low, moderately high and high IHRM standardization and knowledge networking are operationalized below.

Standardization A first indicator of standardization is whether *general* HR principles, guidelines and objectives are internationally integrated. Information about the espoused HRM philosophy and strategy may be found in internal and publicly available written documents such as strategy papers, company reports, or articles. Moreover, non-written principles could also be observed through the interviews. On this level of analysis the influence of parent-country and host-country business systems can often be captured (cf., Ferner *et al.*, 2001; Müller, 1998; Quintanilla, 1998). The influence of the cooperative industrial relations mechanisms and practices, the high investment orientation of the German MNCs in this sample, and their long-term orientation have been described in Dickmann (2003). Obviously, the espoused IHRM approach may vary from what is actually implemented.

In terms of substantive practices we concentrated on the five key HR areas – recruitment and selection, training and development, career management, performance management and rewards – to assess actual standardization. Existing studies (Bartlett and Ghoshal, 1989; Ferner *et al.*, 2004; Harzing, 1999; Tregaskis *et al.*, 2001) have

mostly focused on subsets or on subgroups of these areas when discussing issues of global integration and local autonomy. This study attempts to draw up a fuller picture of the standardization of a key range of day-to-day HR policies, practices and instruments. The method used to categorize the HRM approaches in the five areas consisted of three steps. Step one assessed whether there were any *specific* internationally applied guidelines and philosophies referring to the HR area under consideration. The second step assessed the actual content of HR instruments in the five areas; the classification depended on the extent of international uniformity of instruments. The third step consisted of combining this information to produce a general standardization assessment for the specific HR area. Table 2 outlines the criteria used for the categorization.

Knowledge networking The literature review has outlined the case for assessing bureaucratic, social and personal coordination and control within MNCs. This paper develops criteria for assessing the intensity of the three types of coordination mechanisms (see Table 2). This allows us to distinguish between unidirectional, bidirectional and multidirectional information exchanges between subsidiary and head office, within the network of national operating units located in the EU region and on a global scale. It also enables an understanding of communication intensity by assessing a variety of formal and informal communication mechanisms. This assessment captures the impact of personal relationships, the role of the head office and subsidiary HR experts and reflects the autonomy and local embeddedness of the HRM of subsidiaries (cf., Birkinshaw *et al.*, 2002; Martinez and Jarillo, 1991). Lastly, by focusing on the contents we assessed the breadth of HR topics and identified HR innovation potential.

The different organizational contexts and approaches meant that we could not formally 'measure' but rather assess and evaluate the IHRM of the MNCs. This is also reflected in the two dimensions that are not, in a statistical sense, free from correlation. For example, one could expect a tendency that a firm that standardizes its IHRM highly would also have strongly developed cross-border knowledge networking. Nevertheless, it is one of the strengths of the suggested framework that it is able to distinguish between high 'global' standardization – which may be related to relatively low, sequential and predominantly unidirectional knowledge networking – and high 'transnational' standardization – which would be characterized by relatively high, continuously multidirectional knowledge networking. Moreover, also, low standardization could be associated with high knowledge networking activity that does not for a variety of reasons lead to higher integration. Thus, all positions on the standardization / knowledge networking matrix are possible.

Findings

Standardization of worldwide principles and objectives

Most of the case companies standardized the principles and objectives governing their IHRM to a moderately high degree (see Table 3). Four organizations – Elektroco, Chemico, Specialbank and Eurobank – had leadership principles, guidelines and expatriation policies that were worldwide integrated. They also had a policy of 'comparability' of rewards for executive employees. Moreover, it was interesting to note that three of the companies – Elektroco, Specialbank and Chemico – had an international code of conduct. These included striving for worldwide employment security, good working conditions, company pensions and health insurance. Among the unusual elements to standardize was the 'introduction of a German cultural element' (Eurobank) or 'cooperation with employee representatives' (Elektroco). Engineerco was

Table 2 IHRM standardization and knowledge networking

Dimension	Areas	Low	Moderately low	Moderately high	High
Standardization: General principles and objectives	Espoused standardization	No international HR standardization espoused	Few international HR principles exist	Some international principles and objectives exist	Many international principles and objectives exist
Standardization: Instruments	Recruitment and selection, Training and development, Career mgt, Performance mgt, Rewards	No international HR standardization in instrument / target group	Little international HR standardization (e.g., coaching for top mgt)	Some international HR standardization (e.g., all management training for all managers)	Extensive international HR standardization (e.g., international integrated training for all staff)
Knowledge networking: Bureaucratic coordination	IHRM planning	No international HR planning	Costs / overall HR budget planning	+ Some HR sub-category planning for segment(s) of staff	+ General HR sub-category planning for the whole workforce
	IHRM reporting	No international HR reporting	Costs / reporting of general HR figures	+ some HR sub-category reporting	+ reporting for all HR sub-categories
	Contents	Main results	+ IHR strategy	+ objectives, more results, some ideas (mostly from HQ)	+ many (multilateral) ideas / HR processes
Social coordination	International management seminars	Few or none, strong general management skills content	Some or many, general management skill contents	Some or many, some international company-specific contents	Many, many international company-specific contents
	International project groups	None in HR	A few in HR, covering international assignments	Some in HR, covering a narrow section of issues (e.g., training)	Many in HR, covering a broad section of issues
	Expatriates	Local MD, few expatriates on level II, predominant learning role	Some PCN expatriates – predominantly in lower hierarchy with learning role	Some expatriates but in strategic control positions (e.g., finance)	Many expatriates from many countries, variety of roles including control, development and skills transfer

Table 2 (Continued)

<i>Dimension</i>	<i>Areas</i>	<i>Low</i>	<i>Moderately low</i>	<i>Moderately high</i>	<i>High</i>
Personal coordination	Key international coordination approach	Formal and written communication	+ 1 forum of local and global HR heads p.a.	+ several local, regional and global HR forums	+ HR specialist forums (e.g., remuneration)
	HR 'line manager' in head office	Either local line manager or little involvement of head office manager	Predominantly formal involvement of head office superior	Some formal reporting, some informal involvement for ideas exchange	Intensive formal and informal involvement with HQ superior
	Visits from IHR managers from HQ	None or rare	Infrequent, mostly HR Head	Moderately frequent, different levels of hierarchy	Frequent, different levels of hierarchy

the only sample firm that had low standardization of general principles and objectives – it simply did not have any written ones. Overall, no sample company integrated principles and objectives highly – the variations merit a detailed look at HR instruments.

Standardization of HR instruments

The most highly standardized HR areas were career management, training and development, and performance management. Specialbank, Eurobank and Elektroco achieved at least moderately high cross-national standardization (see Table 3). Globalbank and Chemico had integrated their career management around a small group of high potentials only. As with nearly all other instruments, Engineerco did not have any international approaches so that its standardization was consistently low. Specialbank, which had won a prestigious German prize for its personnel development system in the early 1990s, integrated its cross-national career management extensively. It used an internationally standardized system of skill portfolios and leadership potential for management. The effect was a cross-national successor scheme for all management levels. Individual development plans, moreover, existed for all staff. Its career management activities were guided by two key principles – to identify key talent early and to fill open positions with the best persons. Elektroco's worldwide integration of career instruments used a similar philosophy and patterns but extended to fewer managerial levels. Eurobank, on the other hand, used a distinct approach in that its career structures and management were 'bottom up'. It had standardized the competencies needed to move up to lower management level due to a belief that its German development scheme was superior to foreign competitors' approaches.

HR executives in Eurobank's Frankfurt head office emphasized the key importance of developing young entrants, especially those that would go through vocational training. As a result, they developed an initiative to highly standardize training and development up to lower management level. This meant that the participation in German dual vocational training schemes abroad was mandatory (where possible) and that the specific competency requirements for lower hierarchical positions worldwide were defined in the head office. The influence of German business systems characteristics in relation to internal promotion and developmental orientation was strong. No other company had this extensive 'bottom-up' approach, although Elektroco and Bigbank also used dual vocational training in Spain and the UK. As a result, other companies either concentrated on a 'cherry picking' approach of the identification of high potentials in managerial positions or had virtually no international standardization of developmental initiatives (Engineerco). Across all six companies no complete integration of all trainings for all staff was found.

Elektroco, Specialbank and Eurobank, as well as Chemico, displayed moderately high performance management standardization. All of these organizations used management by objectives, yearly appraisals and had highly integrated appraisal forms for managers. Moreover, Elektroco and Specialbank provided compulsory management seminars (including for management abroad) that covered the use of appraisal instruments and the underlying competency frameworks. Most of the non-managerial staff were appraised through local processes and instruments. Engineerco, on the other side of the standardization spectrum, relied exclusively on local performance management approaches. Edwards and Ferner's (2004) research suggests that UK subsidiaries of German MNCs tend to have a mandate, among others, in performance management. This is supported by this study and extended in that the resulting performance management system was normally applied in other subsidiaries, as well.

Table 3 *The international HRM of six German MNCs*

	<i>Engineerco</i>	<i>Eurobank</i>	<i>Chemico</i>	<i>Elektroco</i>	<i>Globalbank**</i>	<i>Specialbank</i>
<i>Standardization</i>						
General principles / Objectives	Low	Moderately high	Moderately high	Moderately high	Moderately low	Moderately high
Recruitment and selection	Low	Moderately low	Low	Moderately high	Moderately low	Moderately high
Training and development	Low / moderately low*	Moderately high	Moderately low	Moderately high	Moderately low	Moderately high
Performance management	Low	Moderately high	Moderately high	Moderately high	Moderately low	Moderately high
Career management	Low	Moderately high	Moderately low	Moderately high	Low	Moderately high
Rewards	Low	Moderately low	Moderately low	Moderately low	Moderately low	Low
<i>Knowledge networking</i>						
Bureaucratic coordination	Low	Moderately high	Moderately low	Moderately high	Moderately low	Moderately high
Social coordination	Moderately low	Moderately low	Moderately high	Moderately high	Moderately low	High
Personal coordination	Low	Low	Moderately high	Moderately high	Moderately low	Moderately high

Notes

* In Spain moderately low due to the German-style dual vocational training; ** Retail bank.

Recruitment and selection as well as rewards were the HR instruments least internationally integrated in the sample firms. There were only two corporations, Elektroco and Specialbank, which displayed moderately high standardization in recruitment and selection. For instance, the bank used the same international criteria for all management and graduate recruitment and selection. Assessment centres were drawn up in Germany and used worldwide. Selection instruments for general staff were often jointly developed with the foreign subsidiary. Eurobank and Globalbank had lower standardization as their international recruitment strategies only focused on high potentials or top managers or they had global competencies combined with local approaches as a basis for their management selection. Chemico and Engineerco, on the other side of the dimension, did not employ any cross-nationally integrated approaches.

While four companies had espoused international pay principles such as performance-related pay, they had moderately low rewards standardization by integrating only particular areas such as top management pay. Engineerco and Specialbank were adamant that compensation should be completely market-driven and subsequently had exclusively local pay structures – even expatriates would negotiate their compensation packages individually in Engineerco. The last illustration provides a good example for the underlying philosophy of low standardization within this engineering firm. Individuals who were regarded as good entrepreneurs would be selected in Germany to head foreign affiliates and would then gain a large degree of freedom. The focus would be on the bottom line and HR would be regarded as a local issue.

Variations in standardization explored

The German companies concentrated especially on career management, training and development and performance management in their drive to integrate worldwide HRM. Nevertheless, the worldwide instruments were targeted predominantly at management because of the specific aims pursued – for example, international optimization of resource allocation, high potential development or cultural management – and the costs and complexity involved in broadening their application to general staff. Overall, no sample organization standardized their entire IHRM. Instead, half the case companies had moderately high standardization, and the others had varying degrees of low standardization. Engineerco's German HR director saw any standardization as 'forced and unnatural' so that any common HR instruments and practices between head office and local affiliate emerged not by international design but by the endeavours of individuals. Thus, the chances of inter-country variations were high. Similarly, Globalbank had a moderately highly standardized performance management in the UK but no standardization with its Spanish operations. Interviews in Germany and Spain pointed to three key factors for local idiosyncrasies in the bank. First, the unit history would be important in that self-founded foreign branches had less autonomy than an acquired bank. Second, geographical and cultural nearness would encourage international standardization and head office intervention. Third, the personalities involved determined the level of standardization in that 'mavericks' had in the past insisted on their autonomy. Interestingly, size, unit performance or head office orientation was not seen as a determining factor for international HR harmonization in Globalbank. But the rationale for standardization was often less structural, historic or individual-based and, instead, was based on strategic ideas. In the four other organizations the head office management intended to integrate IHRM to a higher degree and lesser country-variations were observable. The reasons included a belief that ethnocentric HRM would be superior (Eurobank), the identification of certain areas of

head office key competences that would be applicable abroad, and the benefits of international consistency of talent management practices (Specialbank, Elektroco). The different underlying motives for IHRM standardization have a strong impact on the structures, practices, and effects of cross-border communication and coordination.

Knowledge networking

Now we will discuss the bureaucratic, social and personal coordination mechanisms that are used by the sample firms to knowledge network. Eurobank, Elektroco and Specialbank used moderately high bureaucratic coordination (Table 3). The two banks determined country-specific HR budgets – detailing HR sub-budgets such as a training investment – in the corporate centre and had detailed reporting procedures established. For example, Eurobank monitored local training expenditure and training days and carried out internal, cross-national HR benchmarking. In contrast, Elektroco put less emphasis on specific HR planning and concentrated on the monitoring of results. For instance, the company's detailed monitoring mechanisms included internal audit teams that would visit foreign subsidiaries and that had the power to issue binding HR recommendations. Nevertheless, even those firms that had moderately strong bureaucratic coordination preserved substantial autonomy at the local level. The strategic and operational HR freedom of subsidiaries was even more pronounced with the other organizations. In extreme, Engineerco did not have any centralized HR planning and the standard reporting from subsidiaries did not include HR data other than headcount.

According to Ferner (2000), formal and informal control and coordination may be combined. Therefore, we will discuss the extent that the sample firms use cultural coordination mechanisms such as international management trainings, international project work or expatriation. Only Specialbank had high cultural coordination in that it had extensive parent-country expatriation – almost all senior executives were German – had established a number of international project groups, and used cross-national seminars intensively. Chemico and Elektroco, which had moderately high social coordination, employed international seminars extensively, used a number of home and third-country expatriates (about 1 per cent of total foreign staff) and had international HR project groups. Globalbank had a slightly different pattern in that it had little international training and used its more limited expatriation mostly for the development of young high potentials rather than as a coordination and control function. In contrast, Eurobank and Engineerco concentrated predominantly on expatriation and offered practically no management training, nor did they use international HR project groups to any large extent. In Eurobank one-third of all second level managers abroad were German and 10 per cent of all foreign staff, while 70 per cent of Engineerco's managing directors were from the parent country.

To assess the extent of personal coordination we examined the means of the international HR discourse, organizational structures and direct personal supervision and control. Three companies had moderately high personal coordination. In Specialbank, local HR heads had strongly integrated functional reporting lines to head office. Further, the head of international personnel visited each foreign operating unit at least once every year. Chemico and Elektroco also displayed moderately high personal coordination. While their international HR directors sometimes visited local operations the reporting relationship with their counterparts was less direct. In contrast to Specialbank, local HR executives enjoyed more autonomy and, thus, the journeys had a tendency to serve knowledge exchange and networking aims. One of the two companies having low personal coordination was Eurobank. The HR director in the London branch stated: 'Dr. [Name of IHRM Director] – I have never met her in person.'

Specialbank, Chemico and Elektroco used moderately high knowledge networking while Globalbank and Eurobank employed moderately low and Engineerco low information exchange approaches. Eurobank and Engineerco put their faith in individuals in key positions abroad while the other organizations employed a larger range of coordination mechanisms that were targeted at more staff. Even where the knowledge networking levels were similar, however, distinct forms and reasons for the coordination practices emerged.

Variations in knowledge networking explored

The three most intensive 'knowledge networkers' displayed similar communication contents and intensity. However, the sequence of their communication interaction varied. Chemico's international knowledge networking could be characterized by tight consultation and cooperation between head office and subsidiaries. In addition to a yearly 'Summit' meeting of general management, all top European HR executives met six times a year. These meetings were predominantly used to exchange ideas internationally and to discuss processes in areas that might be coordinated. Chemico used the results of the European HR executive meetings to build binational and multinational project groups. Chemico's international HR innovation approach was concurrent cross-national development and multidirectional communication. Implementation was voluntary. As one German senior HR manager commented: 'We are not the Vatican.' Chemico's subsidiaries had much HR autonomy that was seen as a necessary condition for local innovation that could become global practice. This approach contrasted to the innovation path Elektroco preferred. In Elektroco, ideas could emerge from anywhere in the worldwide network. They would then be developed in the Munich head office and piloted in one subsidiary. This happened with a new management reward system where the originator of the ideas and the test country was Spain. The experiences and further ideas would then be fed back to Germany where the new reward approach was refined. Later, it would be adjusted in Spain to suit the local environment. Only after the successful pilot would the new instruments be presented to a broader international HR audience. Elektroco's HR innovation was sequenced binational development with binding implementation. In effect, this innovation pattern was centred on the head office and allowed central knowledge accumulation.

Chemico and Elektroco used multidirectional information exchanges and generally attempted to identify and exploit HR ideas originating from anywhere. This contrasted with Specialbank that essentially used sequenced unidirectional communication as there was an inherent belief – one interviewee described it as 'pride' – that instruments developed at the head office were highly sophisticated and internationally applicable. The bank subsequently had a strong focus on bureaucratic coordination to guarantee intensive ethnocentric information dispersion. The other case corporations had lower knowledge networking as they either doubted the benefits of internationally integrated HR policies and practices or concentrated on a few key HR performance indicators and control through international assignees.

This section has described the standardization and knowledge networking of six German MNCs in three European countries. Below, we describe and categorize the IHRM findings for the sample organizations and explain their variations in more depth.

Four IHRM types

Although a large range of diverse IHRM policies and practices can be identified, the sample firms can be grouped in four different ideal types. These configurations are

the results of the possible combinations of low or high standardization and knowledge networking (see Figure 1). The global, multidomestic and transnational types are familiar from the international business literature and will only be covered briefly. The fourth type, cognofederate IHRM, is distinct from Bartlett and Ghoshal's international firm in that it combines low standardization with high knowledge networking.⁴ The benefit of this typology is that it addresses the issue of unclear boundaries of international and transnational companies (Harzing, 2000; Leong and Tan, 1993).

Eurobank pursued a global IHRM strategy. Its head office HR management believed that the HR philosophies and instruments developed in Frankfurt would work well in an international context. The written aim to diffuse elements of the German culture and to pursue ethnocentric HRM bore witness to this. A new programme to integrate internationally the needed competencies, training and development activities, and career patterns of dual vocational trainees and other young bankers had been developed exclusively in the head office. The project team leader explained their international communication: 'We do not tell others about [Name of the Programme] – they would not like it. As soon as we have board approval we will roll out. Quickly and powerfully so that resistance does not have time to develop.' This power-conscious approach to change implementation explained why there was so little informal coordination across borders.

Engineerco and Globalbank followed a multidomestic IHRM strategy. The desire to integrate HRM across borders hardly existed in Engineerco and it banked on the entrepreneurial orientation of its (mostly German) expatriates (see Figure 1). In Globalbank, the actual degree of standardization and knowledge networking varied with respect to the countries. Generally, there was a pragmatic approach to communication and coordination, for example, creating integrated international management development for high potentials and middle management. For these two multidomestic organizations it was less a question of ability or power than an issue of lacking willingness to integrate and communicate across borders.

In our sample, Specialbank and Elektroco pursued a transnational IHRM strategy. Both wanted to standardize much of their IHRM, especially within training and development, career and performance management. The intensive communication and coordination of Specialbank was relatively German-centred. Because the company was proud of its home-grown HR approaches they would be used as a blueprint to start

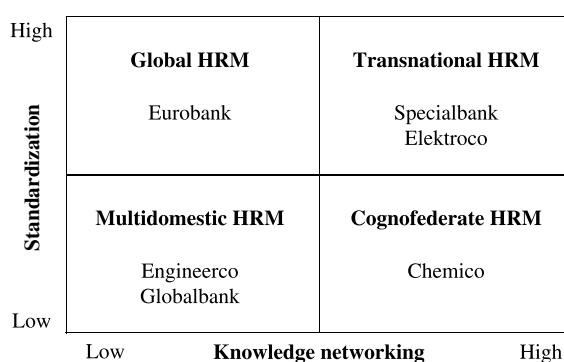


Figure 1 *The IHRM classification of the sample companies*

discussions about design in foreign branches. Since many expatriates, including some HR specialists, were Germans there was a tendency to challenge home-country HR approaches less. A pattern emerged where social and personal coordination helped to shape high communication intensity, resulting in a high breadth and depth of HR topics covered. The difference compared to global IHRM was that multidirectional knowledge networking was higher. Elektroco's standardization and knowledge networking displayed different patterns. The firm had created intensive communication mechanisms that relied not predominantly on people but also on systems. Local operations had the function of centres of excellence for local HRM while the head office retained its role of centre of excellence for German and worldwide HRM. Gathering local ideas and implementation experiences centrally allowed continuous communication while retaining core HR knowledge in Munich.

The configurations discussed so far very much resemble the basic categories for the multidomestic, global and transnational MNC first distinguished by Bartlett and Ghoshal in 1989 and their respective advantages and disadvantages have been discussed extensively. This is different with our final configuration, *cognofederate IHRM*.⁴ Chemico integrated top management training in order to create a shared international corporate culture. Because the head office had realized that its foreign units increasingly accounted for higher levels of employment, sales and profits Chemico worked to increase the status and power of subsidiaries. The belief was that worldwide innovation would need an integrated network of powerful local subsidiaries that would contribute their ideas precisely because they were free to accept or reject recommendations. This resulted in a unique difficulty within the sample: while the head office wanted to integrate some HR policies and practices it did not have the necessary power to do so. A German HR manager explained 'we would like to see the German dual vocational training introduced in those countries where we have significant operations.' In fact, the UK operations had designed its own, shorter vocational training and the Spanish subsidiary had rejected the German apprenticeship outright.

On the one hand, Chemico did not succeed in internationally standardizing as many HR approaches as head office would have liked since it relied on either the joint development or the merits and persuasiveness of new ideas. On the other hand, Chemico had largely established the conditions for innovation in that local innovation was welcome and regional and global innovation possible. Thus, the intended shift from a Germany-focused to a networked organization in terms of HRM had taken place. A strength of the approach was local responsiveness, which set it apart from the global organization. Overall, in comparison to the multidomestic and global type the cognofederate had innovation advantages. Lastly, the contrast to transnational HRM was essentially how much standardization could be found. The factors that may explain why MNCs were found in the different types are discussed below.

Factors shaping the IHRM configuration of MNCs

The sample consisted of three banking and three manufacturing firms that had the same organizational structure (M-form); had long experience with foreign operations (several decades) and had a significant size of operations in both the UK and Spain. Given that there were few obvious structural determinants that were significantly different or that companies were in a radically different 'life cycle' of the foreign affiliate there may be much choice involved in the IHRM standardization and knowledge networking MNCs achieve. In fact, the differences within the sectors were marked and not a single bank or manufacturing company shared the same IHRM type with a company of its own sector. Despite certain similarities within the sectors – for example, all banks either used or had

used dual vocational training schemes abroad in the past – there were other factors that determined their IHRM.

And yet, the choice of IHRM is not unrestricted and is influenced by a number of key factors. First, the German business system with its functional flexibility and developmental orientations meant that the majority of MNCs used dual vocational trainings abroad and had international management seminars and integrated career management. In one case, Eurobank, this went as far as a ‘mistrust’ of foreign vocational schemes and a tight definition of competencies for lower ranks. This enduring Germaness has been explored elsewhere (cf., Dickmann, 2003; Tempel, 2001).

Second, where there was standardization around country-of-origin practices one would expect a link to knowledge networking. The communication and coordination activities, however, depended partly on the intensity and friendliness of head office–subsidiary relations, the power distribution, and local ‘mavericks’. In Eurobank there was much mistrust between head office and subsidiaries which favoured relatively low, bureaucratic knowledge networking despite high standardization. In contrast, the Chemico case shows that even where there was moderately low standardization intensive knowledge networking could take place. It boiled down to local context factors and the forcefulness of local management and their specific interests that would determine the degree of local HR integration and cross-border communication. Although there is some literature that explores issues of agency and power there are still many gaps in our knowledge of the origins, processes and effects on IHRM (cf. Ferner and Edwards, 1995).

Third, a key factor in understanding what IHRM type MNCs use is the organization’s strategic choice and the subsequent management decisions. The main influence in Engineerco’s multidomestic approach was the head office belief that German HR practices and instruments are unlikely to work abroad and that it is paramount to give local managing directors complete HR autonomy. Those companies that believed most strongly that they could learn from their foreign subsidiaries had moderately high knowledge networking. These were the companies where innovation was seen as one of the key competitive advantages. And yet, the case of Chemico shows that MNCs cannot simply choose their IHRM configuration. The firm repeatedly stressed in the interviews that it wanted to become a transnational that integrated large parts of its HRM. Placing the innovation goal above the efficiency goal meant that local managers could effectively resist head office wishes and that the corporation became a well-informed cognofederate enterprise that had high innovative capabilities instead.

Summary and conclusions

This paper has examined the IHRM of German MNCs through case study evidence. While confirming much of the conventional patterns the research has attempted to go beyond existing approaches. First, it discussed international MNC types beyond the more traditional strategy and structure focus. In so doing, it developed and empirically examined a framework that concentrates on international HR policies and processes. This has the advantage that it assesses the degree of international integration of HR strategies and instruments while tracing communication and coordination activities.

Second, these ideas were applied to IHRM strategies, instruments and processes. German organizations are faced with tight institutional constraints that may give rise to similar domestic HRM policies and practices. Moreover, there is a certain ‘Germaness’ (Dickmann, 2003) of developmental orientation and cooperative employee relations

within IHRM abroad. This was reflected in the sample, in that training and development, and, linked to this, performance and career management, were most highly integrated. In contrast, recruitment and selection and rewards were regarded as essentially local. International communication and coordination varied in intensity, content, direction and mechanisms used. It emerged that highly diverse IHRM types could be identified among the sample firms. The different national institutions shaped not only the HR configurations but also the relational context between parent and foreign affiliate (Kostova and Roth, 2002). Moreover, corporate HR policies were being mediated through a range of actors, including the local HR head and different layers of management (cf., Edwards *et al.*, 2004). Most important, however, seemed to be the organization's strategic HR choice and the subsequent management decisions that were the key factor shaping the IHRM of half of the sample (Eurobank, Engineerco, Chemico). The reasons were varied and reaffirm the necessity of conducting research using a variety of intertwined perspectives.

Third, among the four IHRM types we identified a 'cognofederate' MNC that practiced high knowledge networking but low standardization. This IHRM configuration has, hitherto, been neglected in the literature despite characteristics that create the potential for worldwide HR innovation. It does, however, pose interesting questions as to the centre's desire for coordination and the power distribution necessary to achieve this. For more precise recommendations for organizational behaviour, we need to develop a more insightful assessment of knowledge networking and its implication for the distribution of power between head offices and subsidiaries.

Fourth, Ferner *et al.*, (2004) described a range of factors for US MNCs, including local negotiation practices, that led to the oscillation of IHRM between central control and subsidiary autonomy. The formulation of a 'transnational ideal' within organizations is often driven by the twin hopes for foreign innovation and for the establishment of mutually acceptable common standards. Management that favours innovation over coordination will often give more autonomy to their foreign affiliates. This strengthens the negotiation positions of local subsidiaries and may lead to companies moving into cognofederate management. One effect may be that cognofederate MNCs experience more diverse IHRM despite their drive for increased coordination. In contrast, the cases of Elektroco and Specialbank indicated that where companies first concentrated on coordination and subsequently allowed more local autonomy it was possible to practice transnational IHRM. It may be speculated that successfully implementing transnational IHRM is not only complex and difficult (Brock and Birkinshaw, 2004) but also path dependent. More research is needed to explore the multitude of implications, for instance in terms of power and agency, costs, the role of HR, and associated longitudinal effects.

This research attempted to fill some of the gaps in our knowledge about IHRM processes in large multinational corporations. Nevertheless, the research design, focusing on a small number of in-depth cases of major German companies each having substantial operations in the UK and Spain, results in a number of limitations. Studies that concentrate on larger MNC samples derived from a broader range of countries and where subsidiary operations are analysed in different host locations can create a fuller picture of internal IHRM standardization and knowledge networking and some of the benefits and stumbling blocks associated. Going beyond the traditional strategy and structure focus, they may be able to find more extreme positions in the IHRM framework or predominant country-of-origin patterns. Moreover, much of the literature (e.g., Ferner, 1994; Harzing, 1999) suggests that US MNCs rely less on personal coordination mechanisms and more on formal, bureaucratic control mechanisms than German or many other nations'

corporations. This suggests that using the framework to analyse the IHRM of companies from other countries could yield important insights.

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Notes

- 1 An advantage of the term 'standardization' is that the focus of analysis is shifted from the corporate centre to a 'meta-perspective' looking at intra-company networks. Standardization can include various degrees of unitary integration around HQ standards as well as different extents of cross-national joint coordination of strategy and structure within people management.
- 2 The term 'knowledge networking' was chosen to reflect the increasing relative size and influence of local affiliates in many companies. It reflects the in-depth understanding of the HR implications of the local business system and organizational culture indigenous HR experts are likely to possess. Moreover, it indicates the contribution foreign subsidiaries can make to the IHRM of the whole organization.
- 3 Since the time of the research Engineerco was acquired by a foreign MNC.
- 4 'Cognofederate' was chosen to signify the union that the foreign affiliates have with the head office. The term expresses the high degree of knowledge and awareness of the IHRM of the head office and other subsidiaries (cf. *The Concise Oxford Dictionary*, Ninth Edition, 1995, Oxford: Clarendon Press). Similar to the institutional arrangements in the Federal Republic of Germany some powers are reserved for the centre and some are exercised locally. In the case of an MNC, the centrally reserved powers may relate to non-HR issues or be used on a meta-level of philosophies while operational practices may be locally defined.

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