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ABSTRACT

One of the central questions in the literature on multinational companies (MNCs) is the extent to which MNC subsidiaries act and behave as local firms (local isomorphism) versus the extent to which their practices resemble those of the parent company or some other global standard (internal consistency). Drawing on the resource-based view and resource dependency theory, this paper aims to provide an insight into the interplay of several corporate-level organisational factors that affect the transfer of HRM practices across borders. Data collected from 80 European and US MNCs with subsidiaries in Greece is used to test specific hypotheses. Our results indicate that the level of importance attached to HRM by the MNC's top management and the extent of international experience have the highest explanatory power for the transfer of HRM practices, while international competitive strategy, informal control and the presence of expatriates also have a marginally significant influence.

Key words: Human Resource Management, Multinational Companies, transfer of practices, Greece.

INTRODUCTION

The present paper deals with the transfer of home-country Human Resource Management (HRM) practices across borders. One of the major research questions in this context has long been the extent to which multinational companies (MNCs) adjust their HRM practices to traditional local ones, as opposed to importing home country practices (Rosenzweig & Nohria, 1994; Jain et al., 1998).

In the light of an increasingly “globalised” world economy, HRM has evolved from a support function to a strategically important function. HRM is increasingly viewed as a crucial component of the firm’s overall corporate or business strategy (Schuler & Rogovsky, 1998). Some authors have even identified it as the glue that holds global organisations together (Teagarden & Von Glinow, 1997), arguing that HRM policies and practices can act as mechanisms for co-ordination and control of international operations (Bartlett & Ghosal, 1991). Hence, many MNCs attempt to transfer their HRM practices to subsidiaries abroad. However, it has been noted that transferring HR practices to different countries can be quite problematic (Rozenweig & Nohria, 1994; Hofstede, 1980; Yuen & Kee, 1993; Bae et al, 1998; Kovach, 1994). Some major obstacles are closely related to the host country environment. Previous research has shown that cultural and institutional characteristics impact on HRM practices and their transfer, either inhibiting or facilitating them (Beechler & Yang, 1994; Schuler & Rogovsky, 1998; Tayeb, 1998; Gooderham et al., 1998; Myloni et al., 2004b). In other words, HRM practices in an MNC “are shaped by the interplay of opposing pressures for internal consistency and for isomorphism with the local institutional environment [...]” (Rosenweig & Nohria, 1994, p.230). One question that arises then is, in a given socio-cultural host environment, why do some MNCs show higher levels of transfer of HRM practices than others?

Taking into account the rising recognition that HRM practices can form a basis for achieving sustained competitive success, especially for MNCs operating in challenging and rapidly changing international environments (Geringer et al, 2002), we draw on two theoretical perspectives: the resource-based view and resource dependency theory. Our aim is to provide an insight into the interplay of several corporate level organisational factors that affect the transfer of HRM practices from MNCs to their overseas subsidiaries. The paper proposes to contribute in this context by including corporate-level factors in a single model; and examining the importance of each organisational variable and their interrelationships. The structure of the paper is as follows. First, we examine several corporate-level factors, developing specific hypotheses on how such organisational

characteristics may influence transfer of HRM practices. Secondly, a methodology section discusses data collection, the sample of firms in the study and measures used in the empirical study. Finally, the paper concludes with the presentation of the main research findings, discussion and implications for practice.

RESEARCH IN INTERNATIONAL HRM (IHRM)

Research in international HRM has produced several models that link HRM practices – and the degree of host country impact on their transfer – to stages in the international development of MNCs (Perlmutter, 1969), the four phases of internationalisation of the MNC (Adler & Ghadar, 1990), or the stages of the MNC life cycle (Milliman et al., 1991). These models have undoubtedly furthered research on IHRM by advancing Perlmutter's work and linking culture's effect on HRM to the stages of MNC development. However, according to Taylor and Beechler (1993), these models are limited in three respects: i) they consider HRM from the managers' point of view, ignoring other employees in both the parent company and subsidiary, ii) they do not look at HRM as a set of practices which are vital as a source of competitive advantage, but rather examine it only in terms of its effect on managerial behaviour and iii) they overemphasise the importance of the stages of development as the primary factor determining the foreign subsidiary's HRM practices.

A wider-ranging view of the MNC-environment relationship, which has further implications for IHRM, has been provided by Rosenzweig and Singh (1991). They argue that there are many different factors that determine the trade-off between integration and adaptation, such as: legal and regulatory constraints, industry, technology, parent country culture, cultural distance, work force composition, type of subsidiary establishment and dependence of the host country on the MNC. Drawing on the open-systems approach, as well as resource dependence and institutional theory, they emphasise the importance of both organisational and national environments. MNC subsidiaries can be viewed as being located in two different contexts, that of the whole organisation as well as the host country environment. According to this view, subsidiaries are confronted with different, and often contradictory, forces arising from these two contexts. On the one hand they face pressures to conform to conditions of the local environment and be locally responsive; and on the other hand there is the need for global integration and consistency within the MNC. According to institutional theory (DiMaggio & Powell, 1983; Scott, 1995) the socio-cultural environment is an important determinant of the survival and efficient operation of

an organisation, therefore subsidiaries of MNCs tend to follow local regulations and/or local values. However, subsidiaries are also an integral part of the MNC and as such they are subject to a considerable amount of control (Martinez & Jarillo, 1989), as well as facing pressures for “replicating” the organisational characteristics of their parents (DiMaggio & Powell, 1983). Taking the previous discussion into account, an issue that arises is how such organisational characteristics affect the transfer of HRM practices, while holding the socio-cultural host environment constant.

Corporate-level specific factors and the transfer of HRM practices

The resource-based view and resource dependency theory provide a framework for examining the impact that organisational characteristics may have on the transfer of HRM practices. The resource-based theory emphasises the importance of HRM alignment with specific organisational competencies in order to sustain a competitive advantage (Barney, 1991; Conner, 1991). The resource dependence approach is based on the argument that an organisation is unable to generate all the necessary resources for its sustenance and hence it depends on other factors (Pfeffer & Salancik, 1978). Research in IHRM has found that the greater the dependence of the subsidiary on the MNC, the higher the degree of parent control (Martinez & Ricks, 1989). Accordingly, a number of studies that have placed emphasis on the corporate-level organisational context, have taken into account factors related to parent characteristics, such as its international competitive strategy, international experience and management values in relation to HRM, as well as particular characteristics of the relationship between the parent and affiliate, including control and communication (Beechler & Yang, 1994; Schuler & Jackson, 1987; Teagarden & Von Glinow, 1997; Rosenzweig & Nohria, 1994). However, there seem to be strong interrelationships between many of these variables (Purcell et al., 1999; Schuler et al., 1993), making their individual impact on the transfer of HRM practices unclear. This study will therefore incorporate all of these corporate-level characteristics and explore their combined impact on the transfer of HRM practices.

International Competitive Strategy. Consistent with the resource-based theory, an MNC can be considered as a network of resource transactions among subsidiaries located in different countries (Gupta & Govindarajan, 1991). Taylor et al. (1996) argue that an MNC’s international competitive strategy will determine to a large extent how these resource transactions are structured between subsidiaries and headquarters. This factor

relates to the distinction drawn by Porter (1990) between global and multidomestic industries, and the typology of MNCs established by Bartlett and Ghoshal (1991). In global industries, a firm's competitive position in one country is affected by competition in other countries, whereas in multidomestic industries competition in each country is independent of competition in other countries. As a result, the international competitive strategy of firms that belong to different industries is adjusted according to the nature of competition and differs substantially among them.

Foreign subsidiaries of multidomestic MNCs are relatively independent from headquarters. They may primarily rely on inputs from the local environment and are driven by local competition with different firms. Consequently, resources developed in one part of the MNC are not necessarily useful sources of competitive advantage in other locations. Such subsidiaries have a relatively greater need to gain local legitimacy and, therefore, are more likely to acquire the features of other host country firms, including HRM practices, giving high importance to national responsiveness (Schuler et al., 1993; Beechler et al., 1993). Foreign subsidiaries of global MNCs show a higher degree of interdependence with headquarters and other subsidiaries of the MNC, in terms of managerial know-how, technology, capital and key personnel. They pay more heed to efficiency and integrate and rationalise their production so as to produce standardised products in a cost effective way (Bartlett & Ghoshal, 1987). Global firms use resources, developed or acquired, in one part of the firm to create competitive advantage in other parts. Therefore, they have greater coordination needs than multidomestic firms and this implies pressures for internal consistency. Consequently, global subsidiaries are less dependent on the local environment and are under lower pressure to conform to institutional norms faced by firms in the same country (Rosenzweig & Singh, 1991). Therefore:

H1: The level of transfer of HRM practices will be higher in subsidiaries of global MNCs than in subsidiaries of multidomestic MNCs.

International experience of the MNC. This factor is concerned with the extent to which an MNC is experienced in international operations. The length of time which firms have been involved in international operations has been shown to affect the nature of decisions related to HRM (Dowling, 1989). Firms with longer overseas experience have a more diverse set of HRM practices than those with less experience. Where the operations of an MNC are internationally diverse, home country operations become less dominant and the company is more autonomous from the country of origin business system (Whitley, 1994).

Therefore, it could be argued that such MNCs would be less likely to transfer parent company HRM practices to local subsidiaries. Newly internationalising firms, on the other hand, experience high level of uncertainty, which leads them to use familiar systems at the beginning (Bartlett & Ghoshal, 1991; Taylor et al., 1996). The internationalisation stage approach leads to the same conclusion. According to this approach, a firm that is beginning to develop international markets usually has an ethnocentric, short-term perspective (Milliman et al., 1991; Adler & Ghadar, 1990). Once MNCs gain more international experience, they may develop a more “open-minded” perspective and change their HRM practices to accommodate local demands. They also are more likely to have acquired the expertise to deal with complex organisational needs (Schuler et al., 1993).

International experience has been found to have quite a significant effect on the level of local responsiveness of HRM, which suggests that learning is an important component in the successful adoption of local practices (Rosenzweig & Nohria, 1994; Purcell et al., 1999). Specifically, the greater the parent’s international experience and exposure to overseas operations, the more likely it will be to adopt a cosmopolitan attitude and let its subsidiaries adapt to local practices. Therefore:

H2: The level of transfer of HRM practices will be negatively related to the degree of the MNC’s international experience.

Management values about HRM importance. Each firm has a body of knowledge, specific ways of “how things are done”, and a unique corporate philosophy that have jointly been institutionalised over time in its organisational design, management style etc. This corpus of knowledge, values and managerial competence, which influences how new operations are organised and run, constitutes the firm’s “administrative heritage” (Bartlett & Ghoshal, 1987). IHRM research (Beechler & Yang, 1994; Schuler et al., 1993) suggests that the values and perceptions of a firm’s top management, with regard to the HR function and the relative significance of people as a source of competitive advantage in the organisation, are important in shaping its HRM strategy. This is linked to the resource-based perspective (Barney, 1991), which holds that employees can develop organisational competencies and skills that are valuable and difficult to imitate elsewhere. According to Bae et al. (1998), companies with management that strongly values the role of HRM and people in the organisation are more likely to emphasize internal development of HR competencies, internal culture and employee commitment to the company. Research has also shown that top management beliefs concerning the existence and generalisability of the

firm's HRM competence can be another determinant that influences the transfer of HRM practices overseas (Taylor et al., 1996; Beechler et al., 1993; Bae et al., 1998). Therefore:

H3: The level of transfer of HRM practices will be positively affected by the extent to which the top management of an MNC believes that people and HRM practices are sources of the firm's competitive advantage.

Parent control. According to the resource dependence approach, resource dependence leads to a need for control (Martinez & Jarillo, 1989; Martinez & Ricks, 1989). As the need for control grows, there is a stronger requirement for integration and co-ordination of an MNC's policies and practices and, therefore, it is more likely that the subsidiary's HRM practices will resemble those of the parent (Rosenzweig & Nohria, 1994). When a subsidiary is highly dependent on the parent to provide crucial resources, it is common for the MNC to exert control through formal coordination mechanisms and HR strategies. This allows the company to standardise HRM practices across its operations, thus facilitating the control process (Beechler & Yang, 1994). According to Rosenzweig and Nohria (1994), the tighter the control that the parent exerts on the subsidiary, the less its HRM practices will resemble local ones. Therefore:

H4: The level of transfer of HRM practices will be positively related to the degree of parent control over the subsidiary.

Communication, which may be more or less frequent between the parent and the subsidiary, is a way of informal parent control. Co-ordination often takes the form of regular meetings among HR managers from different foreign subsidiaries of the same MNC (Walsh, 1996). It has been found that the more frequent the communication, the more likely that the subsidiary's executives will be influenced by parent practices (Rosenzweig & Nohria, 1994). Therefore:

H5: The level of transfer of HRM practices will be positively related to the frequency of communication between the parent and the subsidiary.

The presence of expatriates in an overseas subsidiary is also an indication of the degree of control the MNC wants to exert. Expatriates play a special role in transferring managerial and technical expertise from the parent to subsidiaries. The presence of expatriates enables the diffusion of standardised MNC practices because they act as "cultural carriers" (Harzing, 2001). Many researchers have argued that the higher the number of expatriate managers, the more likely the subsidiary is to adhere to management practices of the MNC (Lu & Bjorkman, 1997; Rosenzweig & Singh, 1991; Rosenzweig &

Nohria, 1994). Therefore:

H6: The level of transfer of HRM practices will be positively related to the presence of expatriates in the subsidiary.

METHODOLOGY

Data Collection and Sample

Using a survey method, we collected data from HR managers of MNC subsidiaries in Greece. A questionnaire, based on previous work by Schuler and Jackson (1987), Harzing (1999), as well as the Price Waterhouse/Cranfield project (Brewster & Hegewisch, 1994), was developed to assess various components of a firm's HRM system. The questionnaire was then translated into Greek, back translated into English, and pre-tested in a pilot study. The questions focused on HRM practices with respect to managerial employees only, since HRM practices often differ between occupational groups (Bae et al., 1998). As a consequence, our results may reveal relatively more transfer at this level, since research indicates that HRM practices in MNC subsidiaries are more localised for lower hierarchical levels (Lu & Bjorkman, 1997).

Questionnaires were either completed during interviews or sent by post and completed in the absence of the researcher¹. We followed this mixed approach in order to ensure an acceptable number of replies, since mail surveys have a record of low response rates (Harzing, 1997). Since the population of MNCs located in Greece is rather moderate (around 150 subsidiaries of over 50 employees at the time), MNC subsidiaries were chosen regardless of industry, ownership type or size, in order to have an adequate number of responses to generate meaningful statistical results. Our data collection process took place over a three-month period, between March and May 2000. We received a total of 82 questionnaires from foreign subsidiaries, which represents around 50% of the total population. A large number of parent countries were included in our sample, although 75 % of the MNCs involved were headquartered in the US, the UK, Germany, France and the Netherlands. Greenfield sites represent 80% of the sample, while the rest are acquisitions. There are no statistically significant differences between responding and non-responding companies in terms of parent country, industry and size.

Measures

We followed previous research on International HRM (Rosenzweig & Nohria, 1994; Hannon et al., 1995; Lu & Bjorkman, 1997) in order to develop appropriate measures for

dependent variables. These variables capture aspects of most typical HRM practices, such as HR planning, selection and recruitment, compensation, performance appraisal and training and development. Our questionnaire included five 7-point Likert type questions that asked HR managers to indicate the extent to which each group of HRM practices is similar to those of the parent company as opposed to local company practice. It is safe to assume that most HR managers were familiar with HRM practices in local companies since the vast majority of them were Greek and had previous work experience in private Greek firms. A greater resemblance of the subsidiary's HRM practices to those of the parent company indicates a higher degree of transfer, while more similarity to the local practice implies less transfer. It is also possible to combine these five items and show the total degree of transfer of HRM practicesⁱⁱ. The questionnaire also assessed independent variables,ⁱⁱⁱ with questions about MNC international strategy (global/multidomestic), international experience, and management values regarding HRM and control (for specific questions see Appendix 1). In addition several control variables were included, such as industry (manufacturing/services), subsidiary age (years of operation in host country), size (number of total workforce) and ownership type (greenfield/acquisition).

RESULTS

The correlation matrix and the means of all variables are reported in Table 1. The level of transfer for all HRM practices was higher than the mid-point as indicated by their mean value. Moreover, there are strong correlations between the transfer of all different groups of HRM practices.

Table 2 presents the results of the bivariate analysis, providing a brief picture of our hypotheses and the significance levels of the effect that corporate-level characteristics have on the transfer of specific groups of HRM practices. Supporting H1, global firms show a higher level of total, as well as individual transfer of HRM practices, while the opposite is true for multidomestic firms. Contrary to our expectations for H2, there is a positive relationship between international experience and the level of transfer of HRM practices, though this is not significant. Considering the transfer of individual groups of HRM practices, there are mixed results. Planning and performance appraisal practices show a positive, non-significant relationship, while for the rest of the practices the relationship is negative and significant only for selection. Confirming H3, top management's values for HRM are indeed important for the level of total transfer of HRM practices, as well as that of all individual groups of HRM practices, especially for performance appraisal and

training. Parent control, both formal and informal, is another factor that was found to have a positive relationship with the level of transfer of HRM practices, supporting H4. H5 also found strong support. Frequency of communication is positively correlated with the transfer of planning practices, and even more strongly with performance appraisal and training. Finally, data confirmed that foreign subsidiaries are more likely to transfer HRM practices as the relative number of expatriates increases (H6). The correlations were significant for all but compensation and performance appraisal practices.

Since our research includes several variables that could be interconnected (as indicated by correlations in Table 1), we used hierarchical multiple regression analyses (one for each dependent variable) to identify which independent variables would have the highest explanatory power in relation to the transfer of HRM practices. Table 3 presents the results of this analysis^{iv}. Model 1 includes only the control variables, while Model 2 incorporates the independent variables. None of the models with control variables only are significant, indicating that they do not explain much of the variance of the dependent variables. Of the individual control variables, only industry^v had a significant effect. Manufacturing companies showed significantly lower levels of transfer of HRM practices, especially in selection, performance appraisal and training.

Model 2 shows that corporate-level organisational characteristics explain nearly 38% of the variance in total transfer of HRM practices (column 2). These characteristics are highly significant across all groups of practices, except for compensation, with the transfer of performance appraisal practices showing the highest percentage of explained variance (54.3%) and compensation the lowest (13.6%). Factors with the highest explanatory power for the transfer of HRM practices are the level of importance attached to HRM by the MNC's top management and international experience, while international competitive strategy, informal control and the presence of expatriates also have a marginally significant influence.

DISCUSSION

Our study indicates that there is a considerable level of transfer of HRM practices from parent MNCs to their Greek subsidiaries. It is also evident that different groups of HRM practices show different levels of transfer. This is in line with previous research which has found that different HRM practices face distinct pressures for global integration and local responsiveness (Rosenzweig & Nohria, 1994; Bae et al., 1998). In the present case, performance appraisal and training practices are the ones with the highest level of transfer,

which is consistent with empirical findings by Rosenzweig and Nohria (1994), Lu and Bjorkman (1997) and Schmitt and Sadowski (2001). On the other hand, the least transferable practices were found to be those related to compensation. This finding is also in accordance with past research (Martinez & Ricks, 1989; Rosenzweig & Nohria, 1994; Schuler & Rogovski, 1998). Recent evidence on HRM in Greece (Myloni et al., 2004b) has indicated that specific compensation practices such as fringe benefits, temporary contracts etc. are in conflict with local labour regulations and hence might be difficult to transfer. On another note, strong correlations between the transfer of different groups of HRM practices may be supportive of the argument for the existence of complementarities in HRM practices. According to this, the transfer of certain combinations of HRM practices, or the successful transfer of the entire HRM system, is a more efficient way to achieve the positive effects of competitive advantage (Huselid, 1995), since such a capability could be even more difficult for competitors to imitate rather than the transfer of individual HRM practices.

The bivariate analysis provided support for all but one of the hypotheses. The positive impact of the level of international experience of an MNC on the transfer of HRM practices was somewhat surprising. A possible explanation for why MNCs with greater international experience may be more likely to transfer HRM practices could lie in the positive relationship between international experience and informal parent control, which positively affects the level of transfer of HRM practices. Our results show that the majority of MNCs with high international experience used international management training programmes for their subsidiaries' executives as the most effective way to convey company's values and corporate culture and facilitate transfer of practices. This finding is in line with Harzing (1999), who found support for the positive relation between the level of multinationality and the extent of control by socialisation and networks.

Turning to the multivariate analysis, the factors that had the highest explanatory power for the transfer of HRM practices were the level of importance attached to HRM by the MNC's top management and international experience, while international competitive strategy, informal control and the presence of expatriates also have a marginally significant influence. Interestingly, the level of international experience of an MNC was one of the most significant variables, having a positive effect on the transfer of both total and individual group of HRM practices. This implies that merely the amount of time a foreign subsidiary has been operating in a host country does not necessarily affect the transfer of HRM practices that takes place from the parent, but rather that it is the international

experience of the parent company that is a decisive factor. Moreover, the informal type of control that an MNC exerts over the subsidiary had a less significant impact in the multivariate analysis, which could indicate that the level of international experience determines the level of control. In terms of individual groups of HRM practices, regression analysis suggested that the transfer of selection as well as training and development practices are related more strongly to the parent's level of experience internationally. The transfer level of planning and compensation practices is not influenced as strongly, while performance appraisal seems to be the least affected by international experience. On the contrary, our data provides evidence that the fact top management highly values HR and considers it as a critical source of competitive advantage significantly raises the transfer level of performance appraisal and recruitment practices. A tentative conclusion could be that MNCs are trying to sustain such an advantage by selecting and constantly evaluating the performance of competent employees.

In line with the resource-based theory, global MNCs were found to have higher levels of total transfer of HRM practices than multidomestic ones, although the relationship for the transfer of individual HRM practices was only marginally significant for performance appraisal and not significant for any of the other practices. This finding may suggest that pressures for internal consistency for performance appraisal are stronger in the particular host country environment. Multivariate regression found no evidence to suggest that formal parent control made a significant impact on the transfer of HRM practices. The frequency of communication between the parent and the foreign subsidiary was also insignificant in our model. On the contrary, informal parent control, exercised by means of socialisation and networks, was shown to be a more effective way to transfer HRM practices, especially in the case of performance appraisal and training. Finally, expatriate presence also impacted on the level of transfer of HRM practices, although for the individual practices its effect was significant only for HR planning.

In terms of its limitations, the present research suffers from using HR managers as the sole respondent for companies in the sample. Although the "key-informant approach" is widely used (De Cieri & Dowling, 1999), it runs the risk of common method variance (Philips, 1981). The use of multiple respondents (other managers and employees at both headquarters and subsidiary level) would serve to validate the reports of HR managers, but such an approach was not practically feasible. However, statistical tests - such as Harman's one-factor test (Podsakoff & Organ, 1986) - that we undertook to assess the presence of common method variance in our results indicated that this issue is not likely to be a major

concern in this study. A further limitation is that we focused on HRM practices used only for white-collar employees; hence blue-collar workers were not included. Our decision in this respect was driven by the fact that it was not possible to collect information about all employees. However, as already mentioned, we would expect that the transfer of HRM practices in MNC subsidiaries would be less prominent at lower levels.

According to the perspective of the resource-based view of the firm, human resources and their particular ways of management are considered to be a source of competitive advantage for firms. The results of this study support the view that MNCs' attempt to sustain that competitive advantage by means of transferring HRM practices that are effectively used at their headquarters. Our data gives evidence of a considerable transfer of HRM practices from MNCs to their subsidiaries operating in Greece.

It is also worth noting that the effect on different groups of HRM practices varies, as indicated by their beta weights in regression analysis (Table 3). This implies that not all HRM practices were equally affected by these organisational factors. Such finding supports the argument that the transfer of *certain* HRM practices are less affected by organisational factors and may be more sensitive to other factors, such as those related to a host country's cultural and institutional environment (Bae et al., 1998); while other practices are more likely to be integrated throughout the MNC and show higher levels of similarity with parent company practices. HRM practices that had a higher level of transfer, such as performance appraisal and training and development were found to be more influenced by organisational factors such as international experience of the MNC, HRM values held by the top management and the parent company's informal control. On the other hand, HRM practices with the lowest level of transfer, such as compensation, were found to be less influenced by organisational factors.

Additionally, this study has shown that mechanisms of co-ordination and control are important for the smooth transfer of HRM practices. Specifically, parent company's informal control was found to exert a considerable impact on the transfer of performance appraisal and training practices. Questionnaire data showed that measures such as international management training programmes, a common shared corporate culture and informal communication between the parent and its subsidiaries greatly facilitate the level of transfer of certain HRM practices. In line with Walsh (1996), the gathering and dissemination of information related to HRM practices serves as an important monitoring and control device particularly in relation to the performance of overseas units, as the relation of informal control with performance appraisal practices indicates. These results

indicate that, as Dickmann (2003) puts it, top management's intention to transfer HRM practices is facilitated by important endogenous factors, related to parent and subsidiary relations and control. He also found that partial transfer of HRM practices was only possible through endogenous support for control and co-ordination of core competitive assets of the MNC. His study shows that international communication and adequate distribution of power encourages the creation and diffusion of knowledge. These findings support the view that knowledge transfer and learning are fundamental in maintaining the balance between global integration and local differentiation.

CONCLUDING REMARKS AND IMPLICATIONS FOR PRACTICE

The issue of HRM practices transfer fits in the wider convergence/divergence debate that has been the concern of many cross-cultural researchers, since HRM practices seem to be the most susceptible to cultural differences (Gooderham & Brewster, 2003). In an earlier article of the authors (Myloni et al., 2004a) it was found that MNCs tend to adapt to local HRM practices in some areas, although there was considerable degree of transfer as well. This resulted in the use of hybrid HRM practices (Myloni et al., 2004b). A similar observation is presented by Gooderham and Brewster (2003) and Mayrhofer et al. (2004). While analysing the Cranet data, European firms appear to be converging towards the US, but significant differences remain and the substance of the HRM practices adopted may vary from country to country, resulting into hybrid forms of the parent HRM.

In line with the present research, several studies have found evidence that both convergence and divergence are happening at the same time, but at different levels and rates (Clark, 1996; Smith & Meiksins, 1995; Tayeb, 1994). This might support Child's (1981) argument that convergence is occurring at the macro-level of the organisation, such as functional and technological structures, while micro aspects, such as people's behaviour patterns tend to diverge across countries. However, Mc Gaughey and De Cieri (1999) argue that such an interpretation treats variables as monolithic, ignoring forces for both convergence and divergence within macro and micro-level variables. Their argument is based on the realisation that macro/micro-levels of organisations are not separate and that HRM practices are good examples of "meso-endogenous processes" i.e. intermediate processes, internal to the organisation. An integration of micro and macro-level variables in the study of meso-level processes, such as HRM practices, seems to provide a more suitable approach for crossvergence, the blending of cultures and economic ideologies that takes place in the case of MNCs and their overseas subsidiaries (Ralston et al., 1997). The fact

that a considerable degree of transfer was present in our sample does not imply convergence. The key issue here was achieving internal consistency within the MNC and not transferring of a “best practice”. While we found that some practices could be applied in the Greek business environment, it would be rather tentative to assume any converging trends. Longitudinal research needs to acknowledge several business environments and to consider change over time, in order to produce any meaningful results (Mayrhofer & Brewster, 2004; Von Glinow et al., 2002).

While not counterintuitive by any means – indeed most hypotheses are supported – the above findings warrant close scrutiny by corporate policy makers, especially because the factors explaining the levels and types of HRM transfer to MNC subsidiaries are nuanced, interconnected and contingent. For example, experience is positively related to levels of HRM transfer – contrary to hypothesis 2 – but this appears to primarily arise from the higher degree of control *internationally experienced* parents are able to exercise over their subsidiaries (in line with hypothesis 4). However, crucially for policy design, although factors such as experience *facilitate* HR transfer, they are not sufficient to *realise* transfer. An important characteristic shared by MNCs able to realise transfer is the high strategic value that such parents place on the strategic role of HR. Such MNCs support transfer of HR practices to subsidiaries by exercising *informal* controls, especially through socialisation and networks.

Of course, for strategic reasons, a MNC may deem it essential to transfer some HR practices to a greater degree than others. In such circumstances, it is important for companies to recognise that, although corporate-level organisational characteristics are paramount in HR transfer, these characteristics impinge to different degrees on specific HR practices. Thus, for instance, while international experience and expatriate presence are among the most important factors resulting in the transfer of “planning”, they are less important for “performance appraisal” for which the value placed upon HR and informal control are more significant influences. In other words, stress on different combinations of organisational characteristics (where feasible) will have differing results. Finally, MNCs must not forget that the degree to which HR practices can be transferred is affected by the host country environment (in this study the transfer of “compensation” was minimal); and that all practices must accord with, or be sensitive to, local laws, regulations and customs.

In conclusion, an understanding of the dynamics and integration of such diverse variables as the ones included in the present study could significantly reinforce the

competitive advantage of the MNC, through the ability to manage the ever conflicting needs of integration and differentiation.

APPENDIX 1

International competitive strategy The following questions were adapted from Harzing (1999) (7-point Likert type).

Please indicate the extent to which the following statements apply to your subsidiary:

1. Our company is rather decentralised with nationally self-sufficient subsidiaries, and tries to respond to national differences by adapting products and policies to the local market.
2. Our company is building cost advantage through centralised, globally scaled operations, and its subsidiaries act as implementing tools of the parent company strategies.

The first question measures the extent to which the MNC follows a multidomestic strategy, while the second measures the extent to which the MNC follows a global strategy.

International experience Due to unavailability of data, we used only four of the six items proposed by Harzing (1999) the percentage of foreign sales in relation to total sales, the number of subsidiaries located abroad, the number of countries in which these subsidiaries are located and the time that passed since the first foreign subsidiary was set up. Since each of them was measured in different units of analysis, we standardised them before checking the reliability of this scale. This analysis indicated that the percentage of foreign sales had a very low item-total correlation and that its exclusion increased the reliability of the scale. Cronbach's alpha was 0.75. The different measures were summated to create a compound.

Management values about HRM importance In accordance with previous research (Beechler & Yang, 1994; Schuler et al., 1993; Bae et al., 1998), we developed the following two questions (7-point Likert type):

1. Please indicate the extent to which the contribution of HRM practices towards firm performance is important.
2. Please indicate to what extent the following statement is true or false:
“The headquarters management believes that the company's specific HRM practices are a source of competitive advantage and should be transferred to the overseas subsidiaries”.

Cronbach's alpha was 0.62. While this rather low, factor analysis indicated that there is indeed one component extracted, each of the items having high loadings of around 0.86. Factor scores were used as values for the new variable.

Parent control For the measurement of different control mechanisms we used 7 questions developed by Harzing (1999), which were again measured on a 7-point Likert scale.

1. In some multinationals decision-making is largely centralised at headquarters, while in other firms subsidiaries have considerable autonomy. Please indicate this subsidiary's autonomy to decide its own strategies and policies (very little – very high).
2. Some multinationals have written rules and procedures for everything and employees are expected to follow them accurately. Other firms do not have such strict rules and procedures. Please indicate the kind of rules/procedures that headquarters exerts towards your subsidiary (very loose – very strict

procedures).

3. Some multinationals exert a high degree of output control, by continuously evaluating the subsidiary results through submission of records, reports and by direct supervision. Other firms exert very little output control beyond the requirement of occasional financial reports. Please indicate the degree of output control that headquarters exerts towards your subsidiary (very low – very high).
4. Some multinationals have a very detailed planning, goal setting and budgeting system that includes clear-cut (often quantitative) objectives. Other firms have less developed systems. Please indicate the type of planning that headquarters uses towards this subsidiary (very simple/low – very detailed planning).
5. Some multinationals make extensive use of international management training programmes, where executives from different subsidiaries and headquarters attend courses that deal with the transfer of company-specific knowledge. What has been the participation of this subsidiary's executives in this kind of training programmes? (no – high participation).
6. Some multinationals attach a lot of value to a strong “corporate culture” and try to ensure that all subsidiaries share the main values of the firm. Others do not make these efforts (or have made it without success). Please indicate to what extent the executives in this subsidiary share the company's main values and corporate culture (no – fully shared values).
7. Some multinationals have a very high degree of informal communication among executives of the different subsidiaries and headquarters. Other firms rely exclusively on formal communication channels. Please indicate the level of informal communication between the executives of this subsidiary and headquarters/other subsidiaries of the group (no – daily informal communication).

According to Martinez and Jarillo (1989), these items represent two different types of control, formal and informal. Indeed, two factors were extracted through factor analysis. Four of the items loaded onto the first factor, which represents formal parent control (including centralised, formalised and output control and planning), while the remaining three items load to the second factor that corresponds to informal control (control by socialisation and networks). The total variance explained was around 83%. Moreover, reliability analysis showed that both scales constitute sound measures of formal and informal control (Cronbach's alpha: .77 and .63 respectively).

Communication The following question was used (Brewster & Hegewisch, 1994):

1. How often do you communicate with members of the parent company? (every day/week/month/3 months/6 months/year)

Expatriates We used the percentage of expatriates in relation to total staff in the subsidiary (Harzing, 1999).

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Table 1 Means and Correlations

	Means	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
1. Total transfer of HRM	4.63	1																	
2. Transfer of planning	4.58	.796**	1																
3. Transfer of selection	4.52	.746**	.536**	1															
4. Transfer of compensation	4.28	.718**	.469**	.506**	1														
5. Transfer of performance	5.09	.809**	.585**	.493**	.435**	1													
6. Transfer of training	4.88	.771**	.518**	.582**	.429**	.607**	1												
7. Manufacturing	.69	-.225*	-.144	-.172	-.210	-.108	-.256*	1											
8. Subsidiary age	36.60	-.013	.066	.058	.075	-.090	-.008	-.070	1										
9. Subsidiary size	388.00	-.110	-.056	-.072	-.024	-.093	-.099	-.069	.118	1									
10. Greenfield	.80	.164	.162	.007	.124	.158	-.024	.004	-.284*	-.300**	1								
11. Global	.38	.155	.164	.121	.095	.163	.138	.306**	.106	-.177	-.056	1							
12. International experience	1.70	.275*	.270*	.140	.249*	.151	.280*	-.024	.320**	.179	.018	.066	1						
13. HRM importance	5.35	.476**	.251*	.312**	.251*	.529**	.459**	-.196	-.111	.156	.037	.014	.076	1					
14. Formal control	4.70	.254*	.198	.085	.186	.319**	.233*	.034	.073	-.137	.112	.332**	.081	.284*	1				
15. Informal control	4.84	.503**	.425**	.221*	.259*	.575**	.473**	-.039	.049	-.120	.249*	.181	.274*	.491**	.680**	1			
16. Communication frequency	5.64	.198	.126	.034	.054	.292**	.228*	.160	.071	-.197	.218	.131	.193	.183	.226*	.422**	1		
17. Expatriate percentage	.019	.262*	.226*	.246*	.176	.154	.213	.085	-.160	-.325**	.098	-.025	.058	-.005	-.079	.155	.080	1	

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

Table 2 Variables that affect the transfer of specific groups of HRM practices and significance levels¹.

Hypotheses	Expected direction	HRM practices					
		Total Transfer	Planning	Selection	Compensation	Performance Appraisal	Training
H1: HRM transfer higher in <i>global</i> than <i>multidomestic</i>	Yes	-1.800*	-1.865*	-1.501†	-.868	-1.902*	-1.606†
H2: HRM transfer negatively related to degree of <i>international experience</i> .	No	.143	.299	-.606†	-.378	.218	-.309
H3: HRM transfer positively affected by <i>top management values of HRM</i> as competitive advantage.	Yes	.344***	.202*	.257*	.227*	.457***	.384***
H4: HRM transfer positively related to <i>parent control</i>							
<i>Formal control</i>	Yes	.205*	.206*	.062	.148†	.350***	.210*
<i>Informal control</i>	Yes	.485***	.465***	.190*	.289**	.618***	.487***
H5: HRM transfer positively related to <i>frequency of communication</i>	Yes	.205*	.174†	.025	.077	.341***	.318**
H6: HRM transfer positively related to <i>expatriate presence</i> .	Yes	.262*	.226*	.246*	.176	.154	.213*

*** p < 0.001, ** p < 0.01, * p < 0.05, † p < 0.10

¹ According to the type of variable, figures are Z scores for international strategy and correlations for the rest. All 1-tailed.

Table 3 Multivariate analysis: the impact of corporate-level organisational characteristics on the transfer of HRM practices

Variables	Total HRM transfer		Planning		Selection		Compensation		Performance appraisal		Training	
	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2
Intercept	4.760***	4.070***	4.883**	4.676*	4.755**	4.347*	3.577*	3.230	5.676**	3.165†	6.744***	5.644**
Control variables												
Manufacturing	-.249*	-.235*	-.256†	-.263†	-.282†	-.314*	-.241	-.256	-.246	-.250*	-.299†	-.314*
Age	.065	.016	.066	.048	-.032	-.124	.032	-.149	-.180	-.224	-.026	-.217
Size	-.079	-.097	-.084	.186	.002	-.030	-.001	-.121	.075	-.293	-.132	-.127
Greenfield	.185	.107	.097	.040	.145	.145	.262†	.237	.108	.062	-.080	-.158
Independent Variables												
Global		.171†		-.004		.192		.131		.220†		.183
International experience		.291**		.344*		.526***		.394*		.186		.420**
HRM importance		.372***		.217		.362**		.129		.373**		.197
Formal control		-.093		.013		-.133		-.012		-.081		-.221
Informal control		.197†		.316†		.025		.065		.388*		.383*
Communication frequency		-.055		-.107		-.147		-.084		.109		.008
Expatriate presence		.194†		.472*		.144		-.113		.199		.023
Adjusted R ²	.051	.428	.014	.351	.031	.398	.067	.136	.026	.543	.013	.390
Change		.377		.337		.367		.069		.517		.377
F-value	1.998	7.599***	1.164	4.116**	1.369	4.663***	1.822	1.479	1.310	7.771***	1.147	4.708***

*** p < 0.001, ** p < 0.01, * p < 0.05, † p < 0.10

ⁱ Since our questionnaires were completed in two different ways (58 were completed during the interviews and 24 were mailed back), we tested whether this had any systematic impact on responses. T-tests were performed separately for subsidiaries and local companies, and showed very few significant differences, indicating that responses did not differ substantially between the two research methods.

ⁱⁱ As Table 1 indicates, items measuring HRM transfer are strongly correlated with each other and therefore could be used as a composite index to measure total transfer. Reliability analysis showed that the five questionnaire items constitute a reliable indicator of HRM transfer. Cronbach's Alpha statistic is 0.84. Factor analysis extracted one component. KMO and Bartlett's test were both satisfactory and indicate that the data set was suitable for factor analysis. All five items have high loadings ranging between 0.75 to 0.80 and the total variance explained is around 61%.

ⁱⁱⁱ According to Hair et al. (1995), the required ratio of observations to independent variables, which determines the statistical power of multivariate analysis, is at least five cases for each independent variable used in the analysis. Our sample of 82 cases and 11 independent variables are considered acceptable.

^{iv} Values for the control and independent variables are standardised regression coefficients or beta weights.

^v An examination of the total transfer of HRM practices in mean values across individual industries showed that, in manufacturing industries, computer/office equipment, chemical and pharmaceutical companies have the highest mean value, while food/beverages, electronics and metals show lower levels of HRM transfer. In services, consultancy, airlines and hotels have the highest level of HRM transfer, while banks have the least. However, Kruskal-Wallis Anova was not significant, possibly due to small sample sizes for individual industry categories.